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LIFE THE WAY YOU PLANNED IT.

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Tips for Targeting Your Retirement Savings Goal

What if you're saving as much as you can, but still feel that your retirement savings goal is out of reach? As with many of life's toughest challenges, it may help to focus less on the big picture and more on the details.

Regularly review your assumptions

Whether you use a simple online calculator or run a detailed analysis, your retirement savings goal is based on certain assumptions that will, in all likelihood, change. Inflation, rates of return, life expectancies, salary adjustments, retirement expenses, Social Security benefits — all of these factors are estimates.

That's why it's important to review your retirement savings goal and its underlying assumptions regularly — at least once per year and when life events occur. This will help ensure that your goal continues to reflect your changing life circumstances as well as market and economic conditions.

Break down your goal

Instead of viewing your goal as ONE BIG NUMBER, try to break it down into an anticipated monthly income need. That way you can view this monthly need alongside your estimated monthly Social Security benefit, income from your retirement savings, and any pension or other income you expect.

This can help the planning process seem less daunting, more realistic, and most important, more manageable. It can be far less overwhelming to brainstorm ways to close a gap of, say, a few hundred dollars a month than a few hundred thousand dollars over the duration of your retirement.

Stash extra cash

While every stage of life brings financial challenges, each stage also brings opportunities. Whenever possible — for example, when you pay off a credit card or school loan, receive a tax refund, get a raise or promotion, celebrate your child's college graduation (and the end of tuition payments), or receive an unexpected windfall — put some of that extra money toward retirement.

Reimagine retirement

When people dream about retirement, they often picture exotic travel, endless rounds of golf, and fancy restaurants. Yet people often derive happiness from ordinary, everyday experiences such as socializing with friends, reading a good book, taking a scenic drive, and playing board games with grandchildren.

While your dream may include days filled with extravagant leisure activities, your retirement reality may turn out to be much different, and that actually may be a matter of choice.

Do your best

Setting a goal is a very important first step in putting together your retirement savings strategy, but don't let the number scare you. As long as you have an estimate in mind, review it regularly, break it down to a monthly need, and increase your savings whenever possible, you can take heart knowing that you're doing your best to prepare for whatever the future may bring.

The SECURE Act Offers New Opportunities for Individuals and Businesses

The SECURE Act (Setting Every Community Up for Retirement Enhancement Act) is major legislation that was passed by Congress as part of a larger spending bill and signed into law by the president in December. Here are a few provisions that may affect you. Unless otherwise noted, the new rules apply to tax or plan years starting January 1, 2020.

If you're still saving for retirement

To address increasing life expectancies, the new law repeals the prohibition on contributions to a traditional IRA by someone who has reached age 70½. Starting with 2020 contributions, the age limit has been removed, but individuals must still have earned income.

If you're not ready to take required minimum distributions

Individuals can now wait until age 72 to take required minimum distributions (RMDs) from traditional, SEP, and SIMPLE IRAs and retirement plans instead of taking them at age 70½. (Technically, RMDs must start by April 1 of the year following the year an individual reaches age 72 or, for certain employer retirement plans, the year an individual retires, if later).

If you're adding a child to your family

Workers can now take penalty-free early withdrawals of up to $5,000 from their qualified retirement plans and IRAs to pay for expenses related to the birth or adoption of a child. (Regular income taxes still apply.)

If you're paying education expenses

Individuals with 529 college savings plans may now be able to use account funds to help pay off qualified student loans (a $10,000 lifetime limit applies per beneficiary or sibling). Account funds may also be used for qualified higher-education expenses for registered apprenticeship programs. Distributions made after December 31, 2018, may qualify.*

If you're working part-time

Part-time workers who log at least 500 hours in three consecutive years must be allowed to participate in a company's elective deferral retirement plan. The previous requirement was 1,000 hours and one year of service. The new rule applies to plan years beginning on or after January 1, 2021.

If you're an employer offering a retirement plan

Employers that offer plans with an automatic enrollment feature may automatically increase employee contributions until they reach 15% of pay (the previous cap was 10% of pay). Employees will have the opportunity to opt out of the increase.

Small employers may also benefit from new tax credit incentives. The tax credit that small businesses may take for starting a new retirement plan has increased. Employers may now take a credit equal to the greater of (1) $500 or (2) the lesser of (a) $250 times the number of non-highly compensated eligible employees or (b) $5,000. The previous maximum credit amount allowed was 50% of startup costs up to a maximum of $1,000 (i.e., a $500 maximum credit).

In addition, a new tax credit of up to $500 is available to employers that launch a new SIMPLE IRA or 401(k) plan with automatic enrollment.

These credits are available for three years, and employers that qualify may claim both credits.

*There are generally fees and expenses associated with 529 savings plan participation. Investments may lose money or not perform well enough to cover college costs as anticipated. Investment earnings accumulate on a tax-deferred basis, and withdrawals are tax-free if used for qualified higher-education expenses. For withdrawals not used for qualified higher-education expenses, earnings may be subject to taxation as ordinary income and possibly a 10% federal income tax penalty. Discuss the tax implications of a 529 savings plan with your legal and/or tax advisors; these can vary significantly from state to state. Most states offer their own 529 plans, which may provide advantages and benefits exclusively for residents and taxpayers, including financial aid, scholarship funds, and protection from creditors.

Before investing in a 529 savings plan, consider the investment objectives, risks, charges, and expenses carefully. Obtain the official disclosure statements and applicable prospectuses — which contain this and other information about the investment options, underlying investments, and investment company — from your financial professional. Read these materials carefully before investing.

Closing Gaps in Your Insurance Coverage

Buying insurance is about sharing or shifting risk, but you may think you're covered for specific losses when, in fact, you're not. Here are some common coverage gaps to consider when reviewing your own insurance coverage.

Life insurance

In general, you want to have enough life insurance coverage (when coupled with savings and income) to allow your family to continue living the lifestyle to which they're accustomed. But changing circumstances may leave a gap in your life insurance coverage.

For example, if you have life insurance through your employer, a job change could affect your coverage. Your new employer may not offer the same amount of insurance, or the policy provisions may differ. Review your income, savings, and expenses annually to help ensure that the amount of life insurance you have matches your needs.

Homeowners insurance

It may not be clear from reading your homeowners policy which perils are covered and how much damage will be paid for. It's important to know what your homeowners policy covers and, more important, what it doesn't cover.

You might think your insurer would pay the full cost to replace your home if it were destroyed by a covered occurrence. But many policies place a cap on replacement cost up to the face amount stated on the policy. You may want to check with a building contractor to get an idea of the replacement cost for your home, then compare it to your policy to be sure you have enough coverage.

Even if your policy states that "all perils" are covered, most policies carve out many exceptions or exclusions to this general provision. For example, damage caused by floods, earthquakes, and hurricanes may be covered only by special addendums to your policy, or in some cases by separate insurance policies altogether. Also, your insurer may not cover the extra cost of rebuilding attributable to more stringent building codes, or your policy may limit how much and how long it will pay for temporary housing while repairs are made.

To help avoid these gaps in coverage, review your policy annually with your insurer. Also pay attention to notices you may receive. What may look like boilerplate language could actually be significant changes to your coverage. Don't rely on your interpretations — ask for an explanation from your insurer or agent.

Auto insurance

Which drivers and what vehicles are covered by your auto insurance? Most policies provide coverage for you and family members residing with you, but it's not always clear-cut. For instance, a child who is living in a college dorm is probably covered, but a child who lives in an off-campus apartment might be excluded from coverage. If you and your spouse divorce, which policy insures your children, particularly if they are living with each parent at different times of the year? Notify your insurer about any change in living arrangements to avoid a gap in coverage.

Other gaps include no coverage for damaged batteries, tires, and shocks. And you might not be covered for stolen or damaged mobile phones or other electronic devices. Your policy may also limit the amount paid for a rental while your vehicle is being repaired.

In fact, insurance coverage for rental cars may also pose a problem. For instance, your own collision coverage may apply to the rental car you're driving, but it may not pay for all the damage alleged by a rental company, such as loss of use charges. If you're leasing a car long term, your policy may cover the replacement cost only if the car is a total loss or is stolen. But that amount may not be enough to pay for the outstanding balance of your lease. Gap insurance can cover any difference between what your insurer pays and the balance of your lease.

Policy terms and conditions aren't always easily understood, and you may not be sure what's covered until it's time to file a claim. So review your insurance policy to help ensure you've filled all the gaps in your coverage.

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How can I lower my credit card debt?

If you find that you are struggling to pay down a credit card balance, here are some strategies that can help eliminate your credit card debt.

Pay off cards with the highest interest rate first. If you have more than one card that carries an outstanding balance, one option is to prioritize your payments according to their interest rates. Send as large a payment as you can to the card with the highest interest rate and continue making payments on the other cards until the card with the highest interest rate is paid off. You can then focus your repayment efforts on the card with the next-highest interest rate, and so on, until they're all paid off.

Apply for a balance transfer with another card. Many credit card companies offer highly competitive balance transfer offers (e.g., 0% interest for 12 months). Transferring your credit card balance to a card with a lower interest rate may enable you to reduce interest fees and pay more against your existing balance. Most balance transfer offers charge a fee (usually a percentage of the balance transferred), so be sure to do the calculations to make sure it's cost-effective before you apply.

Pay more than the minimum. If you pay only the minimum payment due on a credit card, you'll continue to carry the bulk of your balance forward without reducing your overall balance. Instead, try to make payments that exceed the minimum amount due. For more detailed information on the impact that making just the minimum payment will have on your overall balance, you can refer to your monthly statement.

Look for available funds to make a lump-sum payment. Are you expecting an employment bonus or other financial windfall in the near future? If so, consider using those funds to eliminate or pay down your credit card balance.

How can I improve my credit report?

Most lenders use credit report information to evaluate the creditworthiness of potential borrowers. Borrowers with good credit are presumed to be more creditworthy and may find it easier to obtain a loan, often at a lower interest rate.

You can do a number of things to help improve what's on your credit report, including the following.

Pay bills on time. Your credit report provides information to lenders regarding your payment history. For the most part, a lender may assume that you can be trusted to make timely monthly debt payments in the future if you have done so in the past. Consequently, if you have a history of late payments and/or unpaid debts, a lender may consider you to be a high credit risk and turn you down for a loan.

Limit credit inquiries. Each time you apply for credit, the lender will request a copy of your credit report. The lender's request then appears as a "hard inquiry" on your credit report. Too many of these inquiries in a short amount of time could be viewed negatively by a potential lender, since it may indicate that the borrower has a history of being turned down for loans or has access to too much credit.

Build a credit history. You may have good credit, but not enough of it. As a result, you may need to build up more of your credit history before a lender deems you worthy to take on new debt.

Correct errors on your report. Uncorrected errors on a credit report could make it difficult for a lender to accurately evaluate creditworthiness and could result in a loan denial. If you have errors on your credit report, it's important to correct your report by disputing inaccurate or incomplete information,

Finally, if you are ever turned down for a loan, you can find out why. Under federal law, you are entitled to a free copy of your credit report as long as you request it within 60 days of receiving notice of a company's adverse action against you. Federal law also entitles you to a free annual credit report from all three credit reporting agencies (Experian, Equifax™, and Trans Union™). You can obtain this report by visiting [AnnualCreditReport.com.](https://www.annualcreditreport.com)

Synthetic Biology

Spider silk, "can be tougher than Kevlar, lighter than carbon fiber, and warmer than the densest down," writes John Cumbers, a senior contributor for manufacturing in Forbes. Seen as a holy grail of biomaterials, the silk is often expensive because of its natural production relying on spiders.

What if the spiders were no longer needed to make that silk? In Japan, a biomaterial company called Spiber is doing just that, creating spider silk textiles without spiders. Creating the "grown material" is done by synthetic biology, a science field where DNA is edited to program or reprogram microorganisms.

Rewriting DNA to make non-spider, spider silk might seem like sci-fi technology, however, synthetic biology is a quickly growing field.

Other companies are using DNA manipulation to create more sustainable packaging materials. Using biological derivatives, new goods can be easily created with smaller carbon footprints. Plastics can be created without a reliance on petroleum use to limit reliance on fleeting resources.

Multiple US startups can make animal products without animals. By growing animal cells using synthetic biology, there is no need to harvest our seas for fish or need the highly polluting leather and beef industries.

For example, Geltor, a "California-based startup is creating advanced proteins for the beauty market. It launched HumaColl21™, a skin-care collagen product, in Korea earlier this year. The product contains actual human collagen, bio-designed and grown via fermentation. This new form of collagen is the first of its kind, eliminating the need for animal harvesting," Cumbers wrote.

Thanks to synthetic biology, sustainability in our shopping is no longer a buzzword. And choosing between products we love and companies that we can get behind may no longer be necessary.

Predictive Modeling

The word algorithm might bring to mind computer coding 1s and 0s, but in actuality, algorithms are formulas that are making decisions for you big and small every day.

Amazon uses algorithms when you make a purchase to make new suggestions for products you may like. You may notice after you buy dog food Amazon will suggest collars and chew toys. Algorithms use data collected to make decisions, however how the data used to make those determinations is often under tight lock and key by the companies who write them.

This is important, as many companies are using algorithms to make larger decisions about people than simply what products to suggest. For example, job-finding services use algorithms to determine which applicants to suggest for high-paying jobs. According to Molly Schuetz, writing for Bloomberg Businessweek, "Researchers have documented that they're less likely to refer opportunities for high-paying positions to women and people of color because those job-seekers don't match the typical profile of people in those jobs -- mostly white men."

This type of algorithm, called predictive modeling, is makes inferences based on patterns in past data. This means the predictions can be biased if the data is used incorrectly or is misrepresenting a group of people. "A study from the University of California, Berkeley found that algorithmic lending systems were 40% less discriminatory than face-to-face interactions but still tended to charge higher interest rates to Latin and African-American borrowers. One reason: their profiles suggested they didn't shop as much as other people," Schuetz wrote.

Or even more troubling, some police forces have employed predictive policing, using algorithms to forecast areas more likely to have violent crimes. However, using historical data of past police engagement, the algorithms sent the police back to the same areas. Another example is that "Police in Durham, England used data from credit-scoring agency Experian, including income levels and purchasing patterns, to predict recidivism rates for people who had been arrested. The results suggested, inaccurately, that people from socio-economically disadvantaged backgrounds were more likely to commit further crimes," Schuetz wrote.

A Bloomberg article notes that the U.S. Congress is reviewing a bill called the Algorithmic Accountability Act of 2019 which would force companies to test for bias in their algorithms. In the U.K., a government-led group is working on a report that is expected to promote a code of ethics for algorithmic integrity. The good news is that focus is being turned to how these algorithms are used and some of the unintended consequences.

Qualified Opportunity Funds

When it comes to our investments, when they appreciate, we want to keep as much of those gains as possible. However, when you sell assets, you pay tax on any capital gains. The Tax Cuts and Jobs Act of 2017, created Qualified Opportunity Funds (QOF's) -- which offer a way for investors to possibly defer or eliminate capital gains on existing investment holdings as well eliminate capital gains taxes on investments in the QOF.

The "catch" is that, to benefit from the tax incentives, investments must be made to projects inside a Qualified Opportunity Zone. These "Zones" include projects designed to spur growth in economically disadvantaged areas of the country.

Under the new law, "By investing into a QOF, a taxpayer gains the ability to defer taxes from the sale of any asset (including intangible assets like stocks), as long as the portion of the proceeds attributable to the capital gains on the asset that's been sold are reinvested into a QOF within 180 days," wrote Jeffery Levine, Director of Advanced Planning at Buckingham Wealth Partners. "And if the investors hold the QOF for at least ten years, then all of the tax attributable to the gains of the QOF, itself, are completely eliminated if the QOF is sold."

Of course, the actual details of what it takes to qualify are much more complicated and beyond the scope of this article. There are other serious complications such as investors will have to contend with the fact that the law sunsets in 2026. This sunset means that any new investors to QOFs won't receive all the basis increases written in the bill and that if 2026 comes before your ten-year mark, any still-deferred gains will become taxable.

Investments into QOFs pose risk as any investments do. And, the attractive tax benefits tend to distract investors from the underlying economics of a potential project. According to Levine, "Although QOFs do offer several unique and useful tax benefits that can't be found in any other vehicle, investors should look carefully at more mainstream gain management strategies before going down the QOF road."