



UNDERSTANDING INVESTMENT AND SAVING OPPORTUNITIES

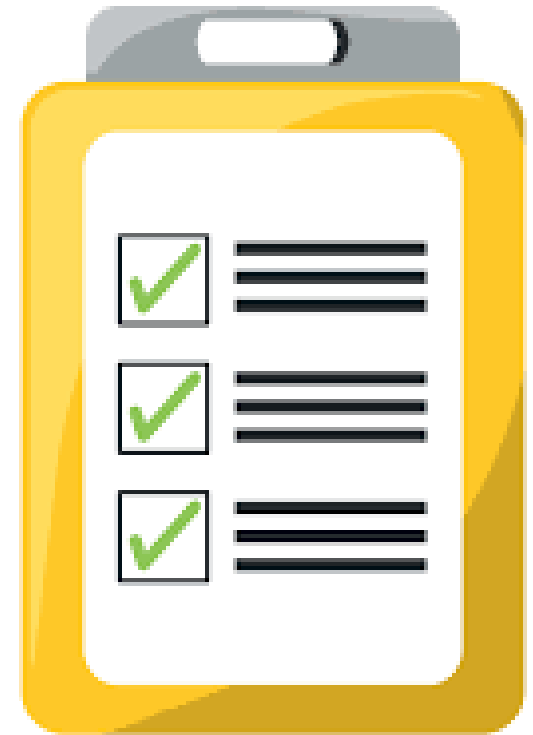
Presented by David Radowski
Spectrum Investment Advisors

October 14, 2020



Agenda

- Investing Basics
- Investment Accounts
 - Individual Retirement Accounts (IRAs)
 - Employer Retirement Plans
 - Health Saving Accounts
 - 529 College Savings Plans
 - Taxable Accounts
- Next Steps and Resources



All decisions regarding the tax implications of your investments should be made in consultation with your independent tax advisor or estate planning attorney. Spectrum is not a tax advisor or estate planner.

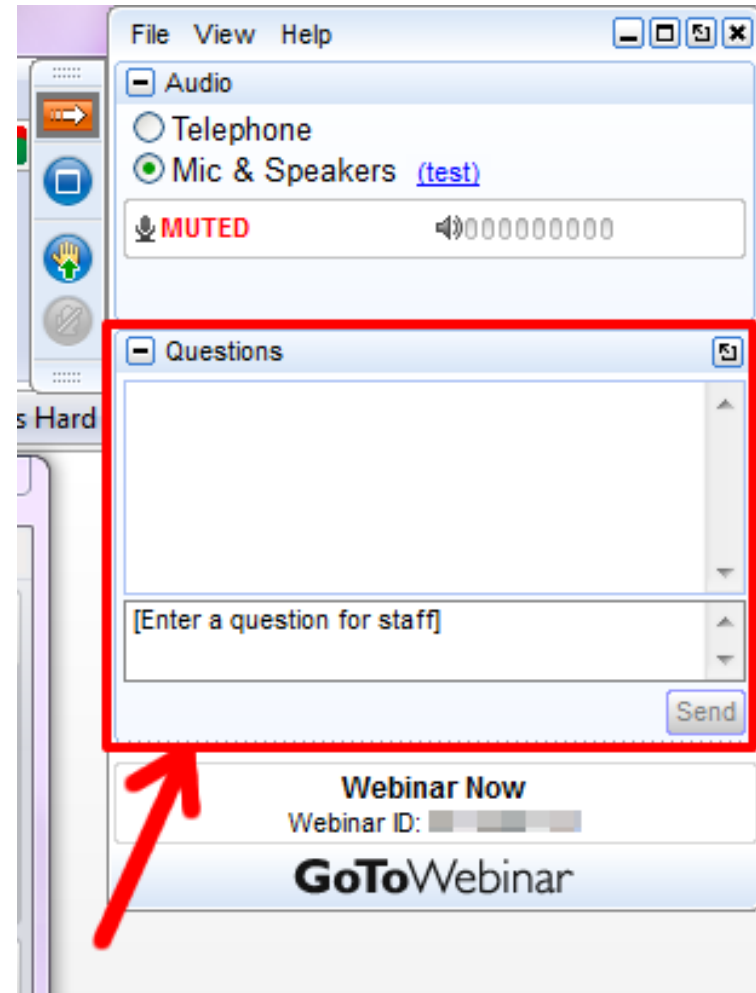


Questions

If you have a question, please use the designated space in the **GoToWebinar** panel and type your question.

The moderator will track your questions and answer them during the webinar if time permits.

An email with a link to the webinar recording and answers to your questions will be sent to you as a follow-up.

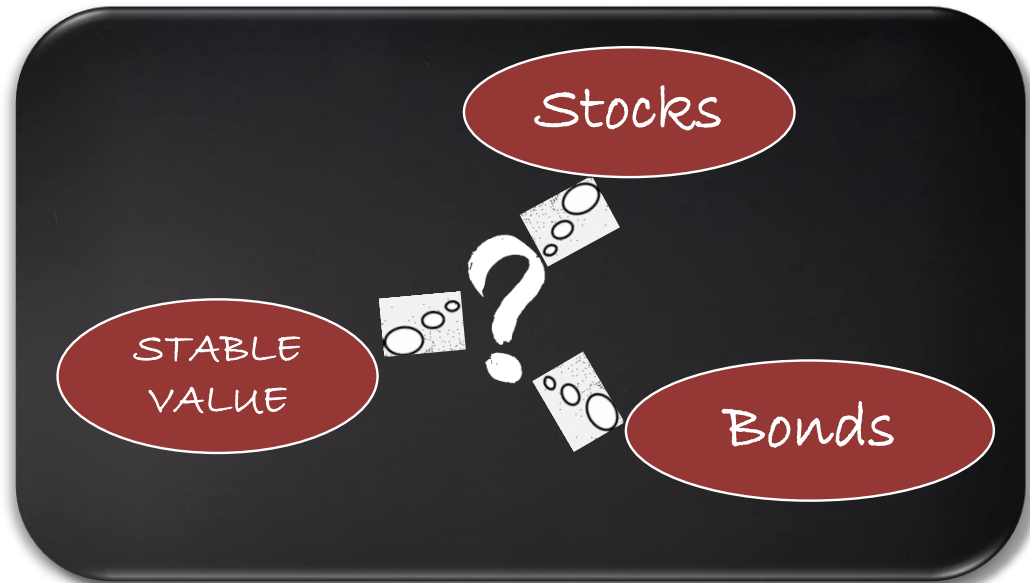


Investing Basics



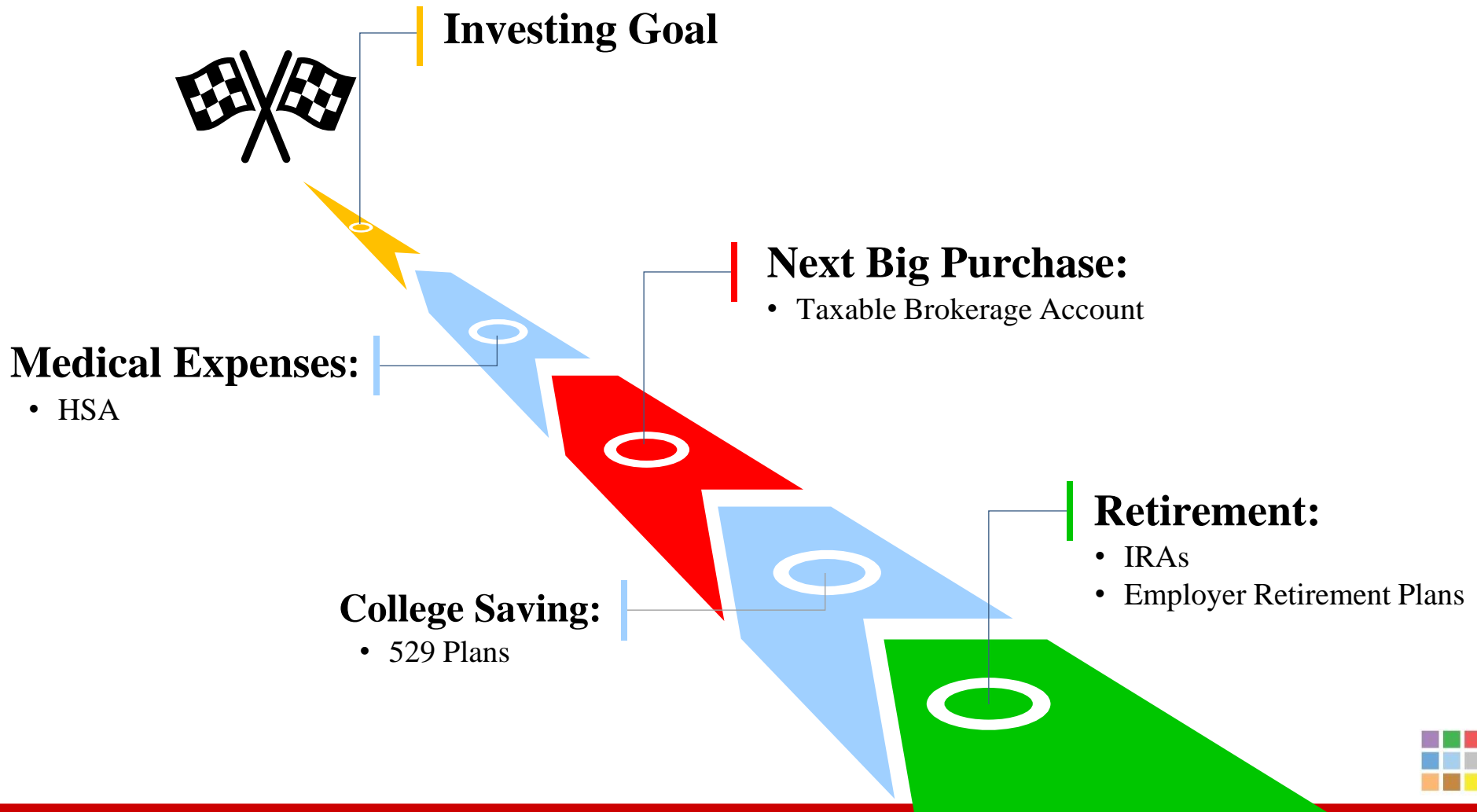
Investing Basics

- All investments have unique characteristics and goals
- All investment go through cycles of performance (ups/downs)
- The right investments and investment account for you is based on information about you:
 - Risk Tolerance
 - Saving Goals
 - Time Horizon
 - Other assets



Consider Your Goal and Timeframe

Consider your investment goal and how that will impact your investing timeframe. Generally you want to be more aggressive with a longer timeframe and more conservative with a shorter timeframe.



Retirement Investment Accounts



Traditional IRA

- Vehicle for saving for retirement outside of employer plan
- Tax advantages – dollars contributed may be eligible for deduction
- Contribution limit of \$6,000 and \$1,000 catchup if 50+
- Many ways to invest within an IRA



Traditional IRA Considerations

Advantages

Deductible contributions

Tax-deferred growth

Wide variety of investments and providers to choose from

Early withdraw for college expenses and first-time home purchase

Contributions available up to tax filing deadline for that year

Access to funds if needed

Disadvantages

Taxable distributions

Lower contribution limits

Income limits on contribution deductibility

Limits on contribution deductibility based on access to employer plan

Early withdrawal penalties

Required minimum distributions



Roth IRA

- Vehicle for saving for retirement outside of employer plan
- Tax advantages – dollars can be withdrawn tax free
- Contribution limit of \$6,000 and \$1,000 catchup if 50+
- Many ways to invest within a Roth IRA



Roth IRA Considerations

Advantages

Tax-free distributions

Tax-deferred growth

Wide variety of investments and providers to choose from

Ability to withdrawal contributions anytime

Early withdraw for college expenses and first-time home purchase

No required minimum distributions

Contributions available up to tax filing deadline for that year

Access to funds if needed

Disadvantages

Contributions are not tax deductible

Lower contribution limits

Income limits on contribution eligibility

Early withdrawal penalties on earnings



Employer Retirement Plans

- Vehicle for saving for retirement offered through an employer
- Tax advantages – may have both Pre-tax and Roth options
- Contribution limit of \$19,500 and \$6,500 catchup if 50+



Employer Retirement Plan Considerations

Advantages

Deductible contributions (Pre-tax)

Tax-free distributions (Roth)

Tax-deferred growth

May trigger employer contributions

Higher contribution limits

No income limitations on contributions

May be eligible for loan

Contributions deducted directly from
paycheck

Disadvantages

Taxable distributions (Pre-tax)

Contributions are taxable (Roth)

Early withdrawal penalties

Limited to investments offered in the
plan

Contributions must be made through
payroll

Required minimum distributions apply
if separated from employment

Limited access based on plan
provisions



Employer Plan Roth vs Roth IRA

Employer Plan Roth

\$19,500 contribution limit

\$6,500 catch-up contribution

No income restrictions on contribution eligibility

Required minimum distributions

May be eligible for loan

Limited access based on plan provisions

Contributions must be made through payroll

Limited to investments offered in the plan

Roth IRA

\$6,000 contribution limit

\$1,000 catch-up contribution

Income limits on contribution eligibility

No required minimum distributions

Access to funds if needed

Contributions available up to tax filing deadline for that year

Wide variety of investments and providers to choose from



Options at Retirement or Job Change

- Leave the money in employer plan
- Rollover to an IRA
 - Move to existing IRA
 - Open account with bank, investment firm, etc.
- Rollover to current employer's retirement plan
 - Could be 401(k), 403(b), 457, etc.
- Take a cash distribution
 - Receive money directly to use as you wish



Rollover Considerations

- Leave money where it is
 - Maintain tax-deferred status
 - Limited to investments within plan
 - Investigate costs
- Rollover
 - No taxes or penalties for a rollover
 - Maintain tax-deferred status
 - May consolidate assets
 - Potential broader range of investments
 - Investigate costs
- Cash distribution
 - Taxable event, plus potential for a 10% penalty if under 59½
 - Depending on distribution amount, taxes could be significant



Specialty Investment Accounts



Alphabet Soup of Medical Plans

- Flexible Spending Account (FSA)
 - Use it or lose it annually
- Health Reimbursement Arrangement (HRA)
 - May carry over annually
 - Stays with employer
- Health Savings Account (HSA)
 - Portable account – stays with the employee



Health Savings Account

- Vehicle for saving for health care costs
- Triple tax advantage
- Must be in a High Deductible Health Plan (HDHP)
- Contribution limit of \$3,550 for individual coverage or \$7,100 for family coverage and \$1,000 catchup if 55+



Health Savings Account



Health Savings Account Considerations

Advantages

Deductible contributions

Tax-deferred growth

Tax-free distributions for qualified medical expenses

Penalty free withdrawals for any reason after 65

Account continues to be available if dollars remain at the end of the year

Portable – stays with you

No income limitations on contributions

No required minimum distributions

Contributions available up to tax filing deadline for that year

Disadvantages

Must be in a HDHP

Penalty if used for nonqualified medical expenses under 65

Lower contribution limits

May not seek medical help when you should due to initial costs of HDHP

Uncertainty of time frame for investment purposes



529 College Saving Plan

- Vehicle for saving for education
- Tax advantages – earnings can be tax-free and there may be additional benefits depending on state of residency
- No annual contribution limits



529 College Savings Plan Considerations

Advantages

- Tax-free distributions for qualified education expenses
- Tax-deferred growth
- Contributions may be state tax deductible (amount varies by state)
- Flexibility to change beneficiary to another family member
- No annual contribution limit
- Contributions eligible for annual gift tax exclusion and offers a unique five-year election option

Disadvantages

- Contributions are federally taxable
- Subject to penalty and taxes if used for nonqualified education expenses
- Limited to investments offered in the selected 529 plan
- Investment changes limited to twice per calendar year
- Contributions are considered a gift
- Aggregate balance limitations



Taxable Investment Accounts



Taxable Brokerage Account

- Vehicle for saving towards any savings goal
- Non-retirement taxable investment
- No contribution limits



Taxable Brokerage Account Considerations

Advantages

Wide variety of investments and providers to choose from

No contribution limits

No penalties on withdrawals

Losses can offset taxable income

Joint accounts can be established

Disadvantages

Contributions are not deductible

Taxable investment growth

Taxable short-term gains on sales if held one year or less

Taxable long-term gains on sales held more than one year

Uncertainty of time frame for investment purposes



Next Steps and Resources



Next Steps and Resources

- Utilize investments comparison table
- Utilize retirement savings plans
- Review your HSA plan options, if eligible
- Review state's 529 plan options
- Review investing basics material



Spectrum Call Center

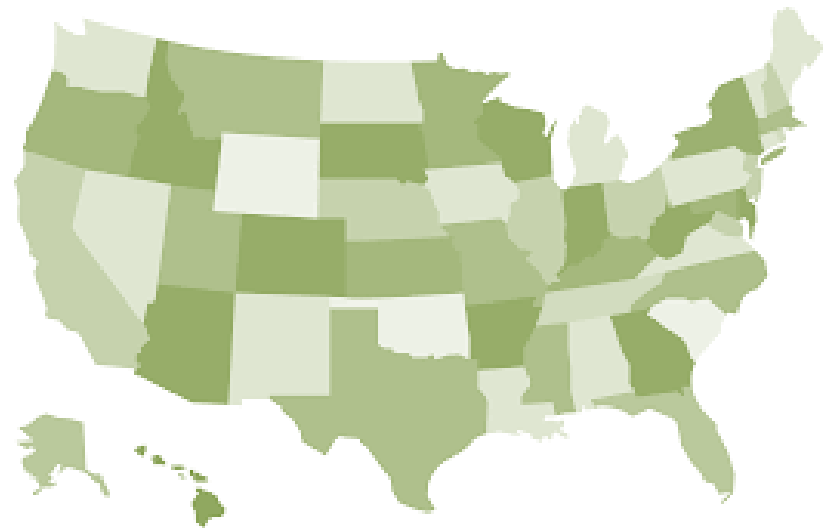
Employees can reach out to Spectrum's call center directly for a 1on1 consultation.

Advisors cover all the same topics discussed during a live 1on1 meeting. Consultations also available via Webex.

For appointments

Call: 1-800-242-4735

Email: sia@spectruminvestor.com



Available: 8:30am – 5:00pm CST Monday – Friday or by scheduled appointment

