CORNERSTONE

PARTICIPANT PERSPECTIVES

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"BIG PICTURE" RETIREMENT PLANNING

> **Financial security is not the only factor to consider when planning for a successful retirement. Learn how taking a more holistic approach can ensure you're prepared once you've left the workforce.**

What makes a "successful" retirement? The answer for many people is: retire with enough money saved to enjoy some degree of financial security. However, keep in mind that financial security is not the only component of a truly successful retirement. To help you envision the big picture, consider the following.

WHAT MAKES YOU HAPPY?

Some individuals derive the greatest happiness from being around family and other loved ones. It's important to determine whether you thrive on social interaction or prefer solitude. Perhaps there are hobbies or other interests that you enjoy. Do you find that travel and exploring new places are important to your well-being? A deep understanding of what makes you happy can influence where you live, how much spending money you'll need, and whether your retirement savings will last.

WHERE WILL YOU LIVE?

Family ties and their importance can influence whether you'll want to stay close to where you are living now or spread your wings and retire to a different area. The opportunity to access recreational and cultural events, educational programs, reliable transportation, and excellent health care facilities and providers are additional factors that can contribute to a satisfying retirement.

Your financial health could determine where to live. You may need to downsize if your current monthly home expenses will consume too much of your retirement income. However, if you have done well saving for retirement, you will have more options. Thinking about where you may want to live in retirement long before you actually retire, will give you time to strategize about how much you need to save to achieve your goals.

WHAT WILL YOU DO WITH YOUR FREE TIME?

Post-working life may leave you feeling aimless and discontent if you can't find ways to occupy yourself. You'll find retirement more satisfying if you have activities that are meaningful and pleasurable. You may want to volunteer for organizations in your community or try different hobbies well before retirement to see if these activities will capture your interest. It can be particularly satisfying if you can find some way to share particular skills or knowledge you have with others in your community.

WILL HEALTH BE AN ISSUE?

Exercising, eating a healthy diet, and avoiding stress now can pay off big in retirement. Good health in retirement means that you will be able to be active and do more things you may enjoy, such as visiting faraway places you've always dreamed of seeing. Moreover, health care is expensive. Even with Medicare or other health insurance, out-of-pocket medical expenses can add up. So it pays to stay as healthy as possible and to have a strategy in place before retirement to deal with anticipated medical expenses that you or a loved one will incur.

WHAT ABOUT TAXES?

State income tax rates vary, and some states tax Social Security payments while others do not. There also can be significant differences among localities when it comes to property and sales taxes. If your tax burden is significant, it may be worthwhile to consult with a tax professional to see how beneficial it might be to move to a lower tax area in retirement.

WHAT WILL YOUR RETIREMENT LOOK LIKE?

A successful retirement requires clear, unemotional thinking about the type of life you want once you leave the workforce. It requires holistic planning and a commitment to save as much as you can afford so that you will have enough money to lead your retirement on your terms.

EXTENDED FAMILIES CAN STRESS FINANCES

> **Multigenerational households are on the rise and here to stay. Learn about the key financial issues family members should discuss to help ensure that the new living situation works well for everyone.**

It's not uncommon for recent college graduates to move back home while they explore various career opportunities. Other young adults may live with their parents while trying to get their finances in shape or save for a first home. Moreover, it's not just young adults who are living with family — aging parents who can no longer live independently may move in with their adult children.

Whatever the circumstances that lead to the creation of a multigenerational household, the reality is that having an extended family can stress both your finances and your well-being. If you have one or more adult family members sharing your home, be sure to address the following to help ensure that the living situation works well for everyone.

HOUSEHOLD EXPENSE SHARING

Additional people in your house means additional spending on groceries and utilities. That extra financial burden should not fall only on you. Clarify that family members are expected to contribute to the cost of running the household. Decide ahead how much they will contribute and stick to that agreement. If money is an issue, determine other ways they can contribute, such as yard work, house maintenance, cleaning, and cooking.

DECIDE ON A TIMELINE

If an adult child is living with you, make it clear that the arrangement is not an open-ended one. Set a target date for when you expect your child to live independently in a place of his or her own. In addition, giving your child interim time targets for goals such as landing a job or paying off a credit card bill can help maintain harmony in the family.

UNDERSTAND WHAT'S REQUIRED TO MEET AN ELDERLY PARENT'S NEEDS

Moving an elderly parent into your home most likely will require taking certain steps to ensure their safety and comfort. For example, it may be necessary to remodel parts of your home to accommodate your elderly parent. Decide ahead of time what work needs to be done and whether your parent can pay for all or part of it.

You may also have to take responsibility for an elderly parent's medical care — scheduling doctor visits, picking up prescriptions, and driving to medical appointments. Again, it's important that you find ways to share these responsibilities by enlisting the help of other family members.

FOCUS ON YOUR FINANCES

The added costs involved with running a multi-generational household can stress your finances. Still, you can't neglect your own future financial security. Make it a priority to maintain contributions to your retirement plan to help ensure that you will have enough money set aside for your retirement.

If it seems likely that an adult child or elderly parent will be moving into your home sometime soon, it may be helpful to consult with a financial professional to evaluate the financial implications of these new living arrangements.

TAX BREAKS FOR ELDER CARE

> **If you're currently caring for an elderly parent, you may qualify for various tax breaks to help reduce the financial strain.**

You may be one of the many people who provides help for an elderly parent. The care may range from a simple daily check-in to more complex activities associated with daily living. The stress involved in taking care of one or more parents can be significant. It can also impose a financial burden. Fortunately, there are various tax breaks that may help reduce the financial strain. The following explains these tax breaks and individuals who may potentially qualify.

MEDICAL EXPENSE DEDUCTION

The tax code allows you to deduct qualified medical expenses that are more than 7.5% of your adjusted gross income (AGI). Qualifying medical expenses could include payment for the cost of a parent's hospital stay or expensive medical or dental care not reimbursed by insurance or other programs. This deduction can only be claimed if you itemize your deductions instead of claiming the standard deduction and your parent is your dependent (or would qualify as your dependent except that he or she has too much gross income or files jointly).

DEPENDENT CARE TAX CREDIT

You may be able to claim this credit if your parent lived with you for more than half the year and you paid expenses for his or her care to enable you (and your spouse if filing a joint return) to work or actively look for work. The amount of the credit is a percentage of the amount of work-related expenses you paid to the care provider. The percentage depends on your AGI.

The total expenses you may use to calculate the credit may not be more than $3,000 for one qualifying individual ($6,000 for two) in 2024. Expenses are eligible if the primary reason for paying the expense is to assure the individual's well-being and protection. If you received dependent care benefits that you exclude or deduct from your income, you must subtract the amount of those benefits from the dollar limit that applies to you.

CREDIT FOR OTHER DEPENDENTS

You may be eligible to claim up to $500 as a tax credit if your parent qualifies as your dependent. To qualify, you must provide more than 50% of your parent's financial support during the year, even if your parent does not live with you. Support includes expenses such as utilities, food, health care, household repairs, clothing, and travel.

HEALTH FLEXIBLE SPENDING ACCOUNT

If you participate in an employer-provided health flexible spending account, you may be able to pay up to $3,200 (for 2024) of medical care for a dependent parent using pre-tax dollars.

DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT

If you qualify, you can spend up to $5,000 for care-related expenses using pre-tax dollars in your flexible spending account.

Cornerstone Advisors Asset Management, LLC
www.cornerstone-companies.com
participantservices@cornerstone-companies.com
(610) 694-0900

M Financial Group | 1125 NW Couch Street, Suite 900 | Portland, OR 97209 | 800.656.6960 | fax 503.238.1815 | **mfin.com**