YEAR-END RETIREMENT PLANNING DEADLINES YOU WON'T WANT TO MISS

The year flies by and before we know it another new year is here. For those planning retirement in the near future, many retirement accounts have important contribution deadlines that you should meet to maintain your savings, qualify for tax breaks and avoid penalties. While many of us operate on autopilot through the year with retirement plan contributions automatically deducted from our paychecks and bank accounts, you may want to consider adding these retirement plan deadlines to your year-end checklist:

1. **401(k) contributions.** You have until December 31 to max out your 401(k) contributions, which for 2015 can total up to $18,000. If you are over 50, you can make additional catch-up contributions up to $6,000 (totaling $24,000), which are also due by year-end. Depending on your age and maximum contribution amount, you could save some green on your federal income tax bill (since wages subject to federal income tax are lower because of your 401(k) plan contributions). Most importantly, be sure you are contributing enough to get your employer match.

2. **IRA contributions.** Unlike a 401(k), instead of a December 31 deadline, you have until April 15, 2016 to contribute up to $5,500 to your IRA—and the contribution is applied retroactively to your 2015 tax year. The same deadline applies to a Roth IRA. Again, those 50 and over can make an additional $1,000 catch-up contribution (totaling $6,500). Plan ahead and factor in your contribution to your calendar year tax bill to see what break you may receive.

3. **Savers credit.** The "Savers Credit" provides a special tax credit to low- and moderate-income taxpayers who contribute to retirement accounts. This credit is given in addition to any other tax breaks that you may receive for retirement plan contributions. To be eligible, your adjusted gross income must not exceed $60,000 for a married couple filing jointly, $45,000 for a head of household and $30,000 for all other taxpayers. Depending on your tax filing status and income level, you could claim the credit for 50, 20 or 10 percent of the first $2,000 you contribute to a retirement savings account during the year.[1]

4. **Required minimum distribution.** For retirees or those with a retired spouse, it is important to remember that your required minimum distribution (or RMD) must be taken from your retirement account by the end of the year. This deadline does not count toward the first RMD, which must be taken before April 1 of the year after you turn 70 and a half. There's a hefty penalty if you do not take your RMD before year-end, which is 50 percent of the amount that should have been withdrawn.

5. **Prepare for 2016.** If these deadlines will be difficult to hit and you want to achieve them next year—there is no better time than now to plan for 2016. Currently, 401(k) and IRA contribution limits are expected to stay the same in 2016. Start now by planning larger contributions to your accounts.

Even raising your contributions up by $25 can add a nice cushion to your retirement nest egg. Plus, if you know you will receive a year-end bonus at work, increase your company retirement plan contribution before that month's payroll deadline to avoid a larger tax hit, and get more bang out of your bonus—while boosting your retirement savings.

Consult your tax professional regarding your specific situation. A financial advisor can help to ensure you check off some of these tasks before December 31 comes and goes, and assist with planning ahead for 2016.

HERE'S TO YOUR HEALTH: PREPARING FOR MEDICAL COSTS IN RETIREMENT

Building a strong financial foundation for retirement goes beyond being able to afford your monthly bills and a pleasure trip or two (or more)—your health care expenses *must* also factor in. Many retirees today say paying for prescription drugs, doctor visits and hospital stays are their biggest financial concern—costs that can quickly drain hard-earned retirement savings. According to data from Fidelity, a 65-year-old couple retiring in 2014 would need about $245,000 to cover medical expenses throughout retirement (up 11 percent from the previous year), not including the cost of long-term care.[2] Now is the time to meet with a financial professional to make preparations to ensure you can afford the all-important health care you will most definitely need. These costs must be included in your retirement planning. Here are some tips:

- **Plan for the health care gap.** For early retirees, the gap between the end of employer-sponsored health care and Medicare (that activates at age 65) can be quite costly in terms of individual insurance costs and/or medical bills due to lack of coverage. Do the research to find out when your employer-sponsored coverage ends and make concessions where possible to cover your health care before becoming eligible for Medicare. For example, add yourself to a working spouse's health care plan, utilize a company's COBRA coverage temporarily (although expensive) or purchase insurance through the government marketplace Healthcare.gov via the President's Affordable Care Act, which sets limits on how much insurers can charge older buyers.

- **Consider an HSA.** HSA stands for a Health Savings Account. For working adults who are eligible, the money stocked away in this fund (on a pre-tax basis) could be used to pay for qualified medical expenses currently or in the future. If you don't need the money prior to retiring, let it accumulate over time and use it to pay for the cost of health insurance or medical expenses in retirement. You don't have a "use it or lose it" issue with an HSA like you do with a Flexible Spending Account.

- **Be a smart patient.** You don't need to be a medical professional to follow your intuition. Today and throughout retirement, pay close attention to a doctor's diagnosis and make it a habit to ask questions about the treatment or tests that may be required. Often the costs of unnecessary tests can send your medical bills soaring, so being proactive, where possible, could have financial benefits for you. AARP worked with 50 medical societies to compile a list of tests and treatments that are often unnecessary—check out the list here.

A financial advisor can help you plan for medical costs in retirement, as well as how to make saving and funding those costs in the future easier.

1 https://turbotax.intuit.com/tax-tools/tax-tips/Taxes-101/What-Is-The-Savers-Credit-/INF15617.html
2 http://www.investmentnews.com/article/20151007/FREE/151009952/health-care-costs-for-retired-couples-climb-11-over-2014-fidelity