



**HOLMES
&
GRIFFETH**

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APRIL 1, 2023



THE NEST EGG

PROTECTING, PRESERVING AND BUILDING OUR CLIENTS' ASSETS

HOW DOES THE NEW RMD RULE AFFECT RETIREES?

There's good news for your retirement plan! Starting this year, the age at which you *must* start taking required minimum distributions (RMDs) from your tax-deferred retirement accounts has increased from 72 to 73 years old. In 2033, it will increase again to age 75.

This new rule was passed into law by Congress at the end of 2022 as part of the SECURE Act 2.0. The Act implements several changes to retirement planning for individuals and employers alike, including increased limits on retirement account catch-up contributions for older individuals, as well as minimizing penalties for early withdrawals for people impacted by natural disasters and other emergency expenses.

Congress last raised the RMD in 2019, when SECURE Act 1.0 raised the age to 72, after holding steady at 70½ for more than 40 years.

The RMD rule change means that the savings in your 401(k)s and traditional IRAs can grow longer — giving you more opportunity to take advantage of compounding returns — before you must begin drawing down your account.

Here is a brief introduction on what to expect from RMD policy changes, and how they may impact your retirement plan strategy.

WHAT IS AN RMD?

Retirement savings in 401(k)s and traditional IRAs grow tax-deferred and are taxed upon withdrawal. The government wants to safeguard against individuals using their retirement plans to avoid taxes, so they require you to withdraw money from your accounts after you reach age 73.

RMDs are determined each year by calculating the value of your retirement account and current life expectancy, and they will vary from person to person. The RMD amount will also vary each year, depending on the size of your account holdings and the most recent life expectancy factor published in the IRS' Uniform Lifetime Table on December 31st of each year.

Your RMD is the minimum amount you must withdraw each year, but you are able to withdraw more than that if needed. And though your annual RMD can be withdrawn in a lump sum, you can also opt to space out disbursements each month or over quarterly payments.

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While the RMD rule change provides an opportunity for you to grow your savings, one potential downside is that larger retirement accounts will lead to higher RMDs and result in greater tax liability. Your financial advisor can help you explore strategies to limit taxes, such as rolling over a traditional IRA to a Roth IRA with tax-free withdrawals.

WHY ARE RMD POLICIES CHANGING?

Average life expectancy in the U.S. is currently 76 years, according to the Centers for Disease Control and Prevention. This is an increase since the 1970s when RMDs were first implemented and life expectancy was 72 years.

Because people are living longer, and in some cases retiring later, a delayed RMD can mean the potential to make your retirement funds last longer.

What happens if I don't take my RMD?

Failure to make your required minimum distribution results in an excise tax on those funds. Until last year, the tax penalty was 50% of that year's RMD. Another provision of the SECURE Act 2.0 reduces that penalty significantly to 25% — and while the penalty reduction is good news for retirees, it's still a steep cost you'll want to avoid.

Regardless of when you're planning to retire, calculating your estimated RMD is a key component of your retirement financial planning strategy. Your financial advisor can help you create a forecast so you will know how much income to expect in your retirement, how to plan for tax efficiency, and how to avoid unnecessary penalties.

SOURCES

<https://www.schwab.com/learn/story/congress-passes-major-boost-to-retirement-savings>

<https://www.kiplinger.com/retirement/new-rmd-rules>

<https://www.kiplinger.com/retirement/bipartisan-retirement-savings-package-in-massive-budget-bill>

[https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-required-minimum-distributions#:~:text=Generally%2C%20a%20RMD%20is%20calculated,Individual%20Retirement%20Arrangements%20\(IRAs\)](https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-required-minimum-distributions#:~:text=Generally%2C%20a%20RMD%20is%20calculated,Individual%20Retirement%20Arrangements%20(IRAs))

https://www.cdc.gov/nchs/pressroom/nchs_press_releases/2022/20220831.htm

<https://www.kiplinger.com/retirement/downside-of-delaying-rmds>

¹Centers for Disease Control and Prevention, "Life Expectancy in the U.S. Dropped for the Second Year in a Row in 2021," 2022.



INSTILLING FINANCIAL VALUES IN YOUR FAMILY

Over the next two decades, more than 84 trillion dollars will change hands in what has become known as the "great wealth transfer."

More than \$72 trillion of that will pass from older generations to their heirs, while nearly \$12 trillion will be donated to charities. This shift in multigenerational wealth represents a huge opportunity for future generations. To ensure a smooth transition of wealth, it is important to consider the values you wish to impart that can help prepare heirs to manage their wealth and inheritance responsibly while carrying on your family's financial legacy.

Consider these steps to instill your financial principles in your family.

GET CLEAR ABOUT WHAT YOUR VALUES ARE

Financial values serve as a guide for financial decision-making. Writing a personal financial mission statement can help you and your family establish exactly what your values are and communicate them to future generations.

These values, in turn, help you identify the purpose of family wealth, how to grow and maintain assets, and what types of financial education and tools are necessary to achieve these goals.

Begin by brainstorming a list of values with your family, narrowing it down to a handful of the most important. From there, address how you will approach them. For example, if one of your values is to cultivate an understanding of the responsibilities that come with wealth, your mission statement might say, "Our family will pursue financial literacy through education and regular meetings to discuss financial decisions."

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OPEN LINES OF COMMUNICATION

Set aside regular time to meet as a family and discuss values surrounding money in person. For example, if giving back is an important value, you may consider using this time to decide which causes you'll donate to over the coming year.

If it's difficult to regularly get the family together, have these meetings virtually or around the holidays.

TEACH FINANCIAL LITERACY

A solid financial education is key to ensuring future generations are good stewards of wealth. Start building healthy financial habits in school-age kids by teaching them financial basics such as saving and how to tell the difference between needs and wants. Teens may learn how to create a budget, how to establish good credit, and the importance of compounding returns.

When children reach adulthood, consider having them meet with a financial advisor who can cover a variety of topics, from setting up a retirement account to the inner workings of family trusts.

Support this learning by being open about your finances. Talk with your heirs about the challenges you have faced managing money and the lessons you've learned along the way.

MODEL YOUR VALUES

Future generations are more likely to adopt the values you establish when they see you modeling them. If you want to leave a legacy of charitable giving that your heirs will continue to uphold, make regular donations to causes you care about and invite them to participate. If you want your children and grandchildren to understand the importance of a strong work ethic, talk with them about how you gained the business skills that helped you succeed.

It is never too late to talk with your family about the responsibilities of inheriting your estate, but doing so can be uncomfortable. Americans report they would rather talk about politics, religion, and even marital problems before broaching the topic of money. A financial advisor can help facilitate conversations about finances and inheritance between you and younger generations, helping to identify values, set goals, and put a plan into action.

"Cerulli Anticipates \$84 Trillion in Wealth Transfers Through 2045." Cerulli Associates, 20 Jan. 2022, <https://www.cerulli.com/press-releases/cerulli-anticipates-84-trillion-in-wealth-transfers-through-2045>

"Confronting the Money Taboo." Capital Group, Dec. 2018. <https://www.capitalgroup.com/content/dam/cgc/shared-content/documents/reports/MFGEWP-062-1218O.pdf>



WHEN WAS THE LAST TIME YOU DID SOMETHING FOR THE FIRST TIME?

Maybe this past year has been a lot of "firsts" for you—or maybe it's been awhile since you've had any "firsts". First job. First kiss. First car. First home. First Pet. First vacation. First time swimming in the ocean. When was the last time you took a risk, had an adventure, and did something for the first time? Here is a list of ideas to inspire some new "firsts" for you this Spring, as you embrace your years.

- Learn a new board game
- Take a helicopter ride
- Sleep under the stars
- Volunteer *retired in Springfield? Check out www.give5program.org*
- Take a drive to a town you've never visited & stop at a local café
- Learn CPR
- Go sailing or rent a pontoon from a local marina
- Run a 5K or a marathon
- Go on a cruise
- Swim with Sharks at Wonders of Wildlife
- Attend a Broadway Musical *bonus if attend on Broadway*
- Make cinnamon rolls from scratch
- Build something. *A bird house. Furniture. Wall Shelf.*
- Try a new restaurant
- Take a cooking class
- Chase a Waterfall *Arkansas has over 200!*
- Go on a mission trip
- Go Ziplining
- Snorkel in the Ocean
- Go white water rafting
- Get a New Pet
- Drive a Race Car
- Get a tattoo
- Learn to Juggle
- Start (or join) a Club *Book? Craft? Car?*
- Learn a new hobby *Quilting. Woodburning.*
- Learn to play the piano
- Take a class from a Library or local college
- See an African Elephant *in Africa*

^Despite the forecast, Live like it's Spring."

- Lilly Pulitzer





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**Introductions are
always appreciated.**



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CONSTRUCTION

If you are heading to our office, they have begun construction at the intersection of W Republic Rd & S Campbell Ave.



SHRED EVENT

FRIDAY APRIL 21ST
8AM-2PM ☑ AT OUR OFFICE

CLIENT APPRECIATION

PICNIC
FRIDAY JUNE 2ND

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| <input type="checkbox"/> Go for a Bike Ride | <input type="checkbox"/> Shop at the Farmers Market |
| <input type="checkbox"/> Fly a Kite | <input type="checkbox"/> Attend a Spring Festival |
| <input type="checkbox"/> Visit the Zoo | <input type="checkbox"/> Go on a Nature Hunt |
| <input type="checkbox"/> Spring Cleaning | <input type="checkbox"/> Draw with Sidewalk Chalk |
| <input type="checkbox"/> Decorate Eggs | <input type="checkbox"/> Dance in the Rain |
| <input type="checkbox"/> Plant Flowers | <input type="checkbox"/> Plan a Tea Party |
| <input type="checkbox"/> Have a Picnic | <input type="checkbox"/> Donate Clothes |
| <input type="checkbox"/> Feed the Ducks | <input type="checkbox"/> Wash the Car |