Age Ranges and Milestone Birthdays Checklist

This is what you need to know for every milestone birthday, from age ranges of 20 to 30, to 70 and up, as well as more in-depth for milestone birthdays starting at age 50.

Ages 20 to 30

- ☐ Control your spending
    - Do not live beyond your means.
- ☐ Invest now and often
    - Figuring your money doubles every 10 years if you're earning an average annual 7%, you'll have fewer decades of doubling if you don't get started right away.
- ☐ Maximizing Employer Sponsored Plans
    - If you do not have a 401(k) option at work, contribute to a tax-free Roth IRA, or as a second choice, a tax-deferred IRA. The average match is 4.5% of pay!

Type of Funds	Where they may go at retirement	Maximum Contribution in 2021
Pre-Tax Traditional 401(k) Contributions and Earnings	Traditional IRA or withdraw and pay tax	$19,500 + $6,500 catch up (age 50 or over) (Pretax or Roth)
Roth 401(k) Contributions and Earnings	Roth IRA or withdraw tax free	$19,500 + $6,500 catch up (Pretax or Roth)
After-Tax Contributions	Roth IRA or withdraw tax free	$37,500 ($58,000 total or $64,500 when including after tax contributions)
Company Matches to 401(k)	Traditional IRA or withdraw and pay tax	TBD Per Plan Documents
Company Profit Sharing Contributions	Traditional IRA or withdraw and pay tax	TBD Per Plan Documents
Earnings on After-Tax Contributions	Traditional IRA or withdraw and pay tax	N/A

- ☐ Fund your IRA's to the maximum ($6,000 or $7,000 is age 50 or older)
- ☐ Fund your health savings discounts to the maximum ($3,600 for self only and $7,200 for family)

Ages 30 to 40

- ☐ Guard against tapping long-term assets for unexpected short-term expenses
  - Keep enough cash and liquidity on hand to meet at least six months of expenses.
- ☐ Pursue growth in your portfolio
  - Make sure you are broadly diversified across all sectors, with the vast majority of your long-term portfolio in stocks, using low-cost mutual funds and ETF's.
- ☐ Buy life and disability insurance
  - A 35-year-old can buy $1 million of coverage for under $500 a year.
- ☐ Consider investing in Section 529 plans if you have children

Ages 40 to 50

- ☐ Begin thinking of your investments in terms of 3 buckets
  - Liquidity Bucket: Cash & Cash Equivalents. Enough to cover big expenses you expect over the next 2 to 5 years.
  - Longevity Bucket: Retirement Based
    - Do not focus on volatility risk, focus on more relevant risk: Funding your income needs in retirement.
  - Legacy Bucket: Spillover Assets
    - Should be your most aggressively invested bucket. There is plenty of time to make up for any periodic declines in value.
- ☐ Work with a financial advisor to create a financial plan

Ages 50 to 60

- ☐ Pay close attention to asset location. Make sure tax-inefficient investments are in tax-sheltered accounts.
- ☐ Consider life insurance for income replacement
- ☐ Perform partial Roth conversions (Traditional IRA → Roth IRA). Roth withdrawals are tax-free in retirement, while a Traditional IRA is subject to ordinary income-tax rates.

- ☐ Predict future healthcare needs
    - Consider your family history and general health.
    - Consider purchasing long term care insurance

Ages 60 to 70

- ☐ Consider the milestones people reach around this time, such as retirement
    - Rolling assets out of a 401(k) into an IRA upon retiring.
- ☐ Use Taxable brokerage accounts strategically
    - Gains are subjected to favorable long-term capital gains.

Age 70+

- ☐ 72
    - You will be required to withdraw minimum distributions (RMD's) from your IRA's and/or employer retirement plan
- ☐ Inform your spouse and other close family members of what you will be leaving behind
    - Get specific by creating a list of accounts, contacts, advisors, and so on. This financial road map will help your family and allow you to relax.

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Specific Birthdays

- ☐ Age 50
    - Make catch-up contributions to IRA's or other qualified retirement plans.
- ☐ Age 55
    - Take distributions from 401(k) plan without penalty if already retired.
- ☐ Age 59 ½
    - Take IRA distributions without penalty.
- ☐ Age 65
    - Apply for Medicare.

- ☐ Age 70
    - Apply for Social Security benefits.
- ☐ Age 72
    - As noted previously, you must begin taking RMD's from your IRA's and/or employer retirement plan.

While this check list can start as a guide, there is so much more to it than this! Speak to us today for the best way to efficiently go about planning your milestone birthdays. Get started today!

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Limitations and Early Withdrawals: Some IRAs have contribution limitations and tax consequences for early withdrawals. For complete details, consult your tax advisor or attorney.

Retirement Plans: Distributions from traditional IRAs and employer sponsored retirement plans are taxed as ordinary income and, if taken prior to reaching age 59 ½, may be subject to an additional 10% IRS tax penalty.

Roth IRA: Converting from a traditional IRA to a Roth IRA is a taxable event. A Roth IRA offers tax free withdrawals on taxable contributions. To qualify for the tax-free and penalty-free withdrawal or earnings, a Roth IRA must be in place for at least five tax years, and the distribution must take place after age 59 ½ or due to death, disability, or a first-time home purchase (up to a $10,000 lifetime maximum). Depending on state law, Roth IRA distributions may be subject to state taxes.

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