# RETIREMENT REPORT

County of San Mateo, CA | Deferred Compensation Plan

Summer 2023

# Checking Under the Hood

## How to Perform a Six-Step Maintenance Checkup on Your Retirement Plan

Does your retirement plan make curious noises when it travels over a few market bumps? Are you getting enough mileage out of your savings rate? Is your diversification strategy as energy efficient as it should be? Performing annual maintenance on your retirement plan can help make the road to retirement as smooth as possible. Here's a six-step checkup that can be performed in just a couple hours.

**STEP 1: Review Your Goals and Plans.** Each year you should ask yourself if you're on track to reach your retirement goals. Part of that process is imagining (in detail) what you would like to be doing during that stage of your life. Are your goals and plans realistic? Has your thinking changed at all? The American Savings Education Council (www.asec.org) has a wealth of resources to help you review and adjust your goals and plans as needed, and help you determine how much money you need to save for retirement.

**STEP 2: Maximize Your Contributions.** If you're not contributing the maximum possible to your plan, increase your contributions by at least 1% each year, with a general goal of eventually reaching around 15% of your salary. Try to contribute at least enough right now to get the full employer match (if offered). It's one thing to read this and say to yourself "yes, I can definitely increase by 1%." But it's only going to happen if you contact your recorkeeper or employer and make the change!

**STEP 3: Review Your Investment Strategy.** Given all the market turmoil over the past few years, including inflation and economic events beyond our control, it's smart to ask yourself each year if your asset allocation is still appropriate. Or, if your tolerance for risk has fundamentally changed. Your plan recordkeeper likely has a risk tolerance assessment exercise you can access on their website.

**STEP 4. Rebalance.** Rebalancing is the process of adjusting your portfolio's investments so they match your desired allocation. For example, due to ongoing market volatility, your

portfolio may have drifted toward either a more aggressive or conservative allocation than you intended. Rebalancing keeps your portfolio risk within your tolerance limits.

**STEP 5: Check Beneficiaries.** Make sure the correct person is named. If you are married, spouses are automatically the primary beneficiary of your retirement plan. But, if you are divorced, widowed or recently remarried, you should review your beneficiary designations to make sure the correct person is named. If you are married and want to name someone else (such as a child) as your primary beneficiary, your spouse needs to sign a waiver of rights to your retirement plan benefits.

**STEP 6. Check on Retirement Plan Changes.** Does your retirement plan offer any new plan features, tools or resources? What can you do to take advantage of these opportunities? Also, be sure you have a copy of the Summary Plan Description for your plan (available for free from your employer). The Summary Plan Description defines, in plain language, how your plan works and what its features are.

# Retirement in Motion

## Tips and Resources That Everyone Can Use

### Knowledge Is Retirement Power

Many people choose to continue working in some capacity while receiving Social Security benefits. However, if you're younger than full retirement age and make more than the yearly earnings limit, your benefit will be reduced. Here's how it works: if you are under full retirement age for the entire year, the Social Security Administration deducts $1 from your benefit payments for every $2 you earn above the annual limit (for 2023 that limit is $21,240). In the year you reach full retirement age, they deduct $1 in benefits for every $3 you earn above a different limit ($56,520 in 2023), but they only count earnings before the month you reach your full retirement age. Starting with the month you reach full retirement age, you can get your benefits with no limit on your earnings. Check out the Social Security Administration's Retirement Earnings Test Calculator for more information.

### Q&A

**Will a retirement plan loan appear on my credit report?**

Loans from your retirement plan are not reported to the credit-reporting agencies. However, if you are applying for a mortgage, lenders will ask you if you have such loans and they will count the loan as debt. While taking out a loan from your retirement plan may seem to have a few advantages, you'll lose out on the tax-deferred growth opportunity on the loan amount. Try to focus instead on building up an emergency savings account instead.

### Tools & Techniques

While higher inflation continues to be a major contributing factor toward market volatility in 2023, not everyone experiences inflation in the same way. You may find your expenses rising faster than your friend or family member in another part of the country (or slower than a neighbor or co-worker). Based on government data on inflation rates and spending patterns, Fidelity Investments identified four key factors that can make inflation different for everyone: where you live, how old you are, whether you rent or own and how much you drive. Knowing where you stand can help you plan better.

### Quarterly Reminder

Midyear is a good time for an insurance checkup—and not just to make sure you're getting the most competitive rates. For example, it's a good idea to pull copies of your policy documents to ensure you have adequate coverage or conduct a review with your insurance agent, especially for property-casualty policies. In addition, review your retirement plan contribution rate this year (did you increase it like you promised yourself back on January 1st?) Make sure to contribute at least enough to receive the full employer match (if offered).

### Corner on the Market

**Basic Financial Terms To Know**

***Medicare tax*** is a federal employment tax that funds a portion of the Medicare insurance program. Like Social Security tax, Medicare tax is withheld from an employee's paycheck. Medicare tax pays for Part A of the Medicare program, which includes hospital insurance for individuals age 65 or older and people who have certain disabilities or medical conditions. Medicare hospital insurance covers hospital visits, hospice, nursing home care and some home healthcare.



## Whom do I call for help?

**Account Information**

Balances | Investment Changes | Personal Info

**Contact: Empower**

**1-800-743-5274**

**www.retiresmart.com**

**Plan's Investment Consultant**

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