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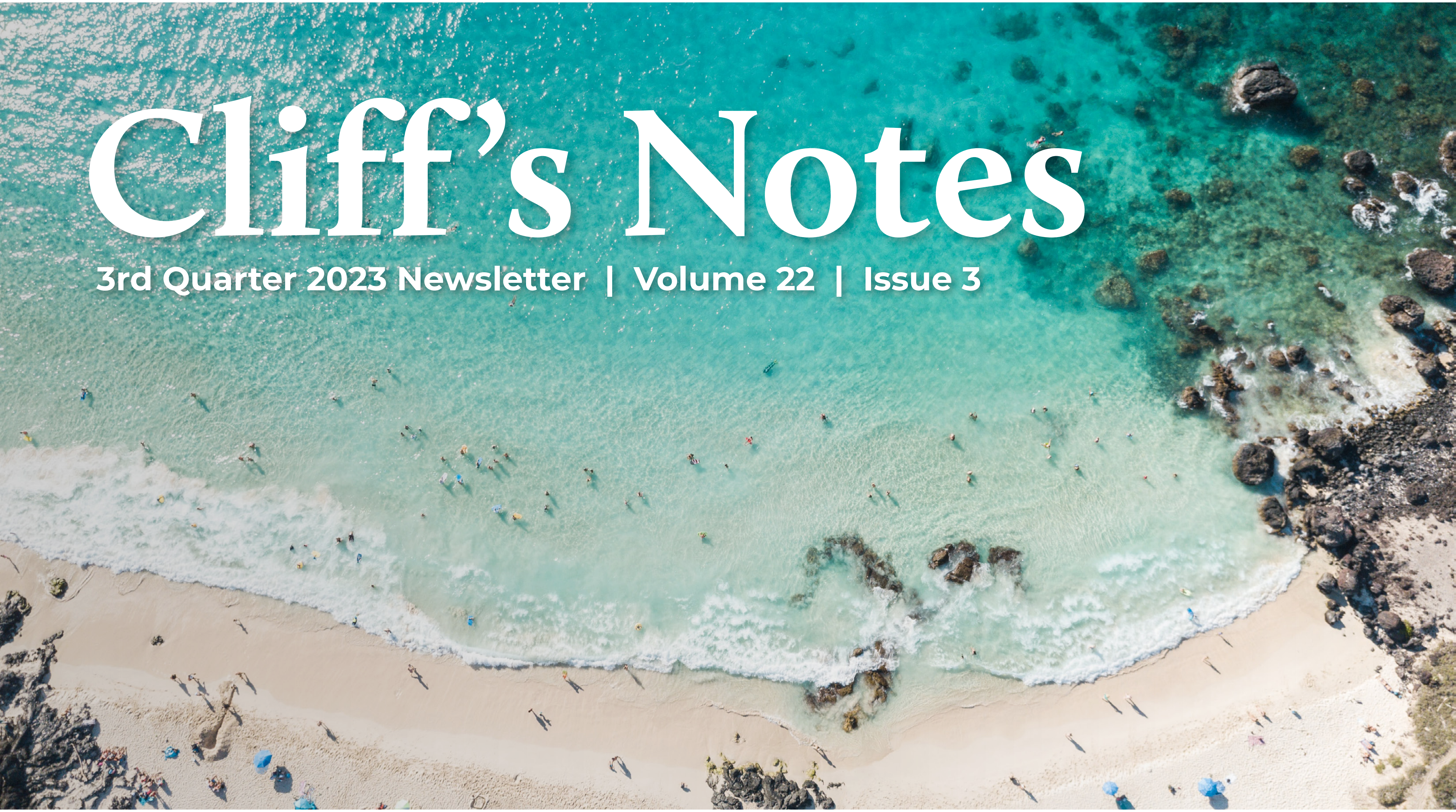

Cliff's Notes

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Eight Mistakes That Can Upend Your Retirement

by Cliff Robello

Pursuing your retirement dreams is challenging enough without making some common, and very avoidable, mistakes. Here are eight big mistakes to steer clear of, if possible.

1. **No Strategy**
Yes, the biggest mistake is having no strategy at all. Without a strategy, you may have no goals, leaving you no way of knowing how you'll get there—and if you've even arrived. Creating a strategy may increase your potential for success, both before and after retirement.

2. **Frequent Trading**
Chasing "hot" investments often leads to despair. Create an asset allocation strategy that is properly diversified to reflect your objectives, risk tolerance, and time horizon; then make adjustments based on changes in your personal situation, not due to market ups and downs.[1]

3. **Not Maximizing Tax-Deferred Savings**
Workers have tax-advantaged ways to save for retirement. Not participating in your employer's 401(k) may be a mistake, especially when you're passing up free money in the form of employer-matching contributions.[2]

4. **Prioritizing College Funding over Retirement**
Your kids' college education is important, but you may not want to sacrifice your retirement for it. Remember, you can get loans and grants for college, but you can't for your retirement.

5. **Overlooking Healthcare Costs**
Extended care may be an expense that can undermine your financial strategy for retirement if you don't prepare for it.

6. **Not Adjusting Your Investment Approach Well Before Retirement**
The last thing your retirement portfolio can afford is a sharp fall in stock prices and a sustained bear market at the moment you're ready to stop working. Consider adjusting your asset allocation in advance of tapping your savings so you're not selling stocks when prices are depressed.[3]

7. **Retiring with Too Much Debt**
If too much debt is bad when you're making money, it can be deadly when you're living in retirement. Consider managing or reducing your debt level before you retire.

8. **It's Not Only About Money**
Above all, a rewarding retirement requires good health, so maintain a healthy diet, exercise regularly, stay socially involved, and remain intellectually active.

[1] The return and principal value of stock prices will fluctuate as market conditions change. And shares, when sold, may be worth more or less than their original cost. Asset allocation and diversification are approaches to help manage investment risk. Asset allocation and diversification do not guarantee against investment loss. Past performance does not guarantee future results.

[2] Under the SECURE Act, in most circumstances, you must begin taking required minimum distributions from your 401(k) or other defined contribution plan in the year you turn 73. Withdrawals from your 401(k) or other defined contribution plans are taxed as ordinary income, and if taken before age 59½, may be subject to a 10% federal income tax penalty."

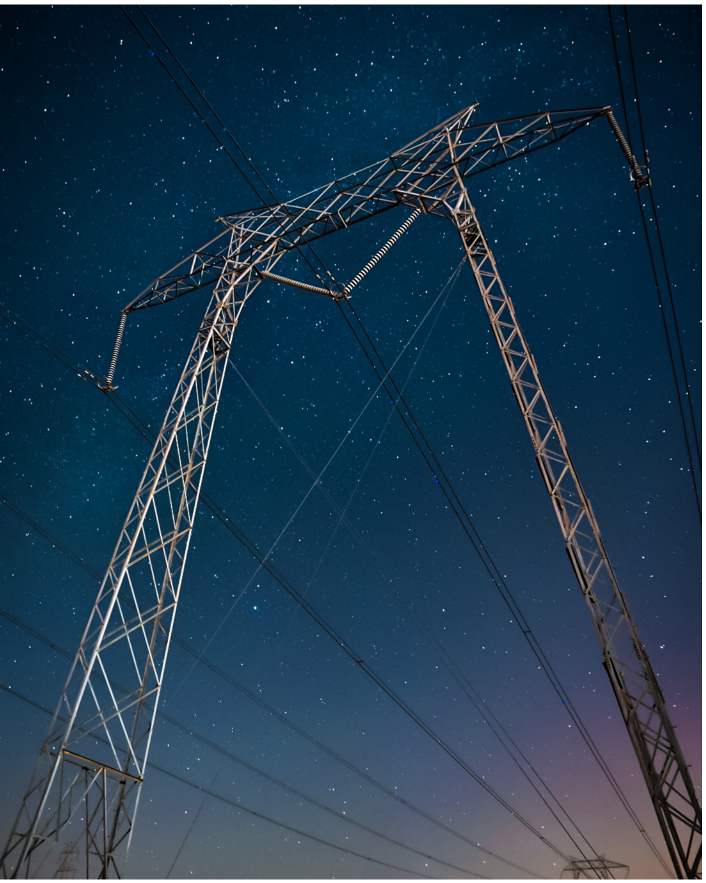
[3] The return and principal value of stock prices will fluctuate as market conditions change. And shares, when sold, may be worth more or less than their original cost. Asset allocation is an approach to help manage investment risk. Asset allocation does not guarantee against investment loss. Past performance does not guarantee future results.

4.6%

Annual rate of "supercore" inflation in April 2023. Supercore is a metric that excludes goods, food, energy,

and shelter, which are all categories that have been especially volatile over the last year. By contrast, the Consumer Price Index for all items increased 4.9%.

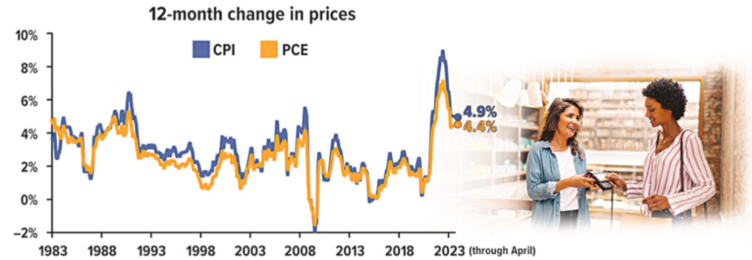
Source: Bloomberg, May 26, 2023



Inflation Gauges Don't Always Paint the Same Picture

by Cliff Robello

Economists and investors rely on the Consumer Price Index (CPI) and the Personal Consumption Expenditures (PCE) Price Index to track the path of inflation over time. The two indexes use different formulas and data sources — CPI gets data from consumers and PCE data comes from businesses. PCE is broader in scope and some expenditure categories are weighted very differently. In late 2022, the difference between annual inflation as measured by CPI and PCE was the widest it has been since the 1980s.



Sources: U.S. Bureau of Labor Statistics, 2023; U.S. Bureau of Economic Analysis, 2023 (data through April 2023)

Home Energy Tax Credits

by Cliff Robello

A couple of federal personal tax credits are available for the installation of certain energy efficient or clean energy property in your home. The energy efficient home improvement credit is available for qualifying expenditures incurred for an existing home or for an addition to or renovation of an existing home, but not for a newly constructed home. The residential clean energy property credit is available for qualifying expenditures incurred for either an existing home or a newly constructed home. For both credits, the home must be located in the United States and used as a residence by the taxpayer.

Energy Efficient Home Improvement Credit

The energy efficient home improvement credit is equal to 30% of the sum of amounts paid by the taxpayer for certain qualified expenditures. There are limits on the allowable annual credit and on the amount of credit for certain types of qualified expenditures. The maximum annual credit amount may be up to $3,200.

An annual $1,200 aggregate credit limit applies to all building envelope components, energy property, and home energy audits (30% of costs up to $150 for such audits). Building envelope components include exterior doors (30% of costs up to $250 per door, up to a total of $500); exterior windows and skylights (30% of costs up to $600); and insulation materials or systems and air sealing materials or systems (30% of costs).

Energy property (30% of costs, including labor, up to $600 for each item) includes central air conditioners; natural gas, propane, or oil water heaters, furnaces, and hot water boilers; and certain other improvements or replacements installed in connection with building envelope components or other energy property.

A separate annual $2,000 aggregate credit limit (30% of costs, including labor) applies to electric or natural gas heat pump water heaters; electric or natural gas heat pumps; and biomass stoves and boilers.

The credit is not available after 2032.

Residential Clean Energy Property Credit

A 30% credit is available for certain qualified expenditures made by a taxpayer for residential clean energy property. This includes expenditures for solar panels, solar water heaters, fuel cell property, wind turbines, geothermal heat pump property, battery storage technology, and labor costs allocable to such property.

There is no overall dollar limit for this credit. For qualified fuel cell property, there is a general credit limit of $500 for each half kilowatt of capacity. The credit is reduced to 26% for property placed in service in 2033, 22% for property placed in service in 2034, and no credit is available for property placed in service after 2034.

[1] Internal Revenue Service, 2022

How Taxes Impact Your Retirement-Income Strategy

by Cliff Robello

Retirees face several unique challenges when managing their income, particularly when it comes to taxes. From understanding how taxes relate to Social Security and Medicare to determining when to tap taxable and tax-advantaged accounts, individuals must juggle a complicated mix of factors.

Social Security and Medicare

People are sometimes surprised to learn that a portion of Social Security income becomes federally taxable when combined income exceeds $25,000 for single taxpayers and $32,000 for married couples filing jointly. The taxable portion is up to 85% of benefits, depending on income and filing status.[1]

In addition, the amount retirees pay in Medicare premiums each year is based on the modified adjusted gross income (MAGI) from two years earlier. In other words, the cost retirees pay for Medicare in 2023 is based on the MAGI reported on their 2021 returns.

Taxable, Tax-Deferred, or Tax-Free?

Maintaining a mix of taxable, tax-deferred, and tax-free accounts offers flexibility in managing income each year. However, determining when and how to tap each type of account and asset can be tricky. Consider the following points:

Taxable accounts
Income from most dividends and fixed-income investments and gains from the sale of securities held 12 months or less are generally taxed at federal rates as high as 37%. By contrast, qualified dividends and gains from the sale of securities held longer than 12 months are generally taxed at lower capital gains rates, which max out at 20%.

Tax-deferred accounts
Distributions from traditional IRAs, traditional work-sponsored plans, and annuities are also generally subject to federal income tax. On the other hand, company stock held in a qualified work-sponsored plan is typically treated differently. Provided certain rules are followed, a portion of the stock's value is generally taxed at the capital gains rate, no matter when it's sold; however, if the stock is rolled into a traditional IRA, it loses this special tax treatment.[2]

Tax-free accounts
Qualified distributions from Roth accounts and Health Savings Accounts (HSAs) are tax-free and therefore will not affect Social Security taxability and Medicare premiums. Moreover, some types of fixed-income investments offer tax-free income at the federal and/or state levels.[3]

The Impact of RMDs

One income-management strategy retirees often follow is to tap taxable accounts in the earlier years of retirement in order to allow the other accounts to continue benefiting from tax-deferred growth. However, traditional IRAs and workplace plans cannot grow indefinitely. Account holders must begin taking minimum distributions after they reach age 73 (for those who reach age 72 after December 31, 2022). Depending on an account's total value, an RMD could bump an individual or couple into a higher tax bracket. (RMDs are not required from Roth IRAs and, beginning in 2024, work-based plan Roth accounts during the primary account holder's lifetime.)

Don't Forget State Taxes

State taxes are also a factor. Currently, seven states impose no income taxes, while New Hampshire taxes dividend and interest income and Washington taxes the capital gains of high earners. Twelve states tax at least a portion of a retiree's Social Security benefits.

Hawaii is a retiree's tax paradise. Pensions, Social Security and the employer's contributions to retirement plans, 401k, 403b, etc., are not taxed.

Eye on Washington

Finally, both current and future retirees will want to monitor congressional actions over the next few years. That's because today's historically low marginal tax rates are scheduled to revert to higher levels in 2026, unless legislation is enacted (see table).

Help Is Available

Putting together a retirement-income strategy that strives to manage taxes is a complex task indeed. Investors may want to seek the help of a qualified tax or financial professional before making any final decisions.[4]

Tax Rates Scheduled to Rise

Unless legislation is enacted, federal marginal income tax rates are scheduled to rise in 2026.

Current rate	2026
10%	**10%**
12%	**15%**
22%	**25%**
24%	**28%**
32%	**33%**
35%	**35%**
37%	**39.6%**

[1] Combined income is the sum of adjusted gross income, tax-exempt interest, and 50% of any Social Security benefits received.

[2] Distributions from tax-deferred accounts and annuities prior to age 59½ are subject to a 10% penalty, unless an exception applies.

[3] A qualified distribution from a Roth account is one that is made after the account has been held for at least five years and the account holder reaches age 59½, dies, or becomes disabled. A distribution from an HSA is qualified provided it is used to pay for covered medical expenses (see IRS publication 502). Nonqualified distributions will be subject to regular income taxes and penalties.

[4] There is no guarantee that working with a financial professional will improve investment results.

What's Happening at CMR...

Cliff...

Michelle and I joined my son's family to Madrid. The boys, Kai, Koa, and Makana, were invited to participate in a soccer (Fútbol) camp that Real Madrid organizes. The boys stayed together with the team. They practiced in the morning and played a game with the local kids in the afternoon. We enjoyed seeing the sites and attending a Real Madrid game.

Roxanne...

2023 Vegas Vacation with my bestie was AMAZING and RELAXING! 5 full days filled with good food, laughter, shopping, and a little bit of gambling! Can't wait for our next trip, see you soon Vegas!

Margaret...

Can't believe it's summer!

As you can see in my picture, I had my grandbabies dressed in my favorite hockey team.

The Vegas Golden Knights won the Stanley Cup, which is like a super bowl for hockey. My husband took me to my 1st game in 2019, and I was hooked. It's so awesome to be a fan!

Hope you all stay cool in this hot summer...

Zane and Sheri...

Our daughter, Zaia, graduated from Preschool this year and will be heading off to kindergarten. She is very excited to be at the big school with her brother Zeke. Zeke finished his first season of club baseball and enjoyed every minute of it. Our youngest, Zade, is enjoying having his brother and sister home for the summer.

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