Retirement Plan

Update

Issue 2, 2017

Because the time is now...

2017 Retirement Plan Limits

Every year, the IRS reviews various limits related to retirement plans for potential inflation adjustments. For the 2017 tax year, most limits remained unchanged. Here are some highlights.

Retirement savings plans. The amount that workers may contribute to their 401(k), 403(b), and most 457 plans remains at $18,000. The extra catch-up contribution also stays at $6,000 for those 50 and older.

Contributions to SIMPLE retirement accounts are limited to $12,500, with an additional $3,000 catch-up for participants age 50 and older.

Annual additions limit. The limit on annual additions to most defined contribution plan accounts increased to $54,000 (or 100% of compensation, if less).

IRAs. The contribution limit for traditional and Roth individual retirement accounts (IRAs) remains at $5,500, with an extra $1,000 catch-up contribution available for those 50 and older.

Clash of the Goals

Retirement for you or college for your kids? Which financial goal should you focus on the most? Many parents feel conflicted because they want to help their kids get a good college education but know they need to save for their own retirement years. While it may not be easy to pull off, it's important to tackle both goals at once and not put off saving for retirement.

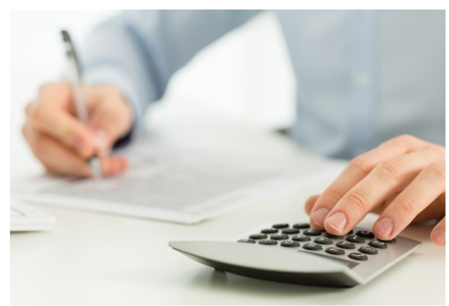
High Stakes Battle

If your kids go to college before you retire, they're going to need the money first. So it might seem like common sense to save for college first and then save for retirement after they're done with school. However, that's a risky approach.

It's no secret that it costs a lot of money to go to college these days. And who knows how much tuitions will increase by the time your kids are ready to enroll. But even so, you're probably going to need a lot more money for your retirement. Your retirement could last well over 20 years, inflation will likely increase your costs during that period, and your retirement health care costs could be significant. If you put saving for college first, you may not have enough time to save for retirement once the tuition bills are paid. Instead, set aside money for both college and retirement.

Your Plan Can Be Your Ally

Your employer's retirement savings plan can help you to save for both goals. Since your plan contributions are deducted from your pay before you receive it, saving for retirement is convenient. You don't owe federal income taxes on your pretax contributions or on any earnings from investing those funds until you withdraw money from the plan.* And since you're saving for retirement through your plan, you can focus your saving outside the plan on future college costs.



A division of RBC Capital Markets, LLC., Member NYSE/FINRA/SIPC.

Set Your Sights on Your Savings Goal

If you save:	In 30 years, you could accumulate:
$68.92 a Week	$300,000
$137.84 a Week	$600,000
$206.76 a Week	$900,000

This is a hypothetical example used for illustrative purposes only and does not represent any specific investment product. It assumes a 6% average annual total return, monthly deposits into the plan, and monthly compounding. Your investment performance will be different. Tax-deferred amounts accumulated in a retirement plan are taxable upon withdrawal, unless they represent qualified Roth distributions.

Source: DST

Focus on Your Target

Even while you're saving for your kids' college costs, it's important to save as much as possible for retirement. While your kids will have a number of potential sources of college funding, such as scholarships, grants, loans, and part-time employment, you may be on your own with limited resources for retirement. Your Social Security benefits probably won't be enough to live on comfortably, and few employers offer pensions. Your plan account may be a very important source of retirement income.

* Some retirement plans also offer a Roth contribution option. Unlike pretax contributions, Roth contributions do not offer immediate tax savings. However, qualified Roth distributions are not subject to federal income taxes when all requirements are met.

Contributing more to your retirement plan may help you achieve your goals.

Retirement Goals: Are You and Your Spouse Talking the Talk?

Do you and your spouse share the same vision of your future retirement lifestyle? For that matter, have you even discussed your retirement expectations?

If you haven't, you're probably not alone. But being on the same page with your spouse about retirement is a goal worth pursuing. Now may be as good a time as any to start the conversation.

The age factor. You and your spouse may each have a retirement age in mind, but have you shared that information with each other? Many of the decisions you'll have to make may hinge on your age and whether one of you is still working. Health insurance coverage, Social Security benefits, and the amount of income you have may all be affected. Spouses often retire at different times, and that's okay as long as you plan ahead, agree on the timing, and cover your bases in terms of having sufficient income and insurance coverage.

Work or no work? Would you or your spouse be surprised to find out that the other wants to work during retirement? Many retirees become consultants in their fields or turn a hobby into a business after they leave the work force. Talk to your spouse if you're considering a part-time or full-time job after retirement, and get his or her reaction before you make a decision.

Your income. Maybe you can live on love when you're 20, but when you're retired, you need actual money. Plan to sit down with your spouse and your financial professional and determine how much income you can expect to have in retirement (based on current savings rates, projected investment growth, etc.). If you and your spouse have separate retirement plan accounts or investments, make sure you know the amounts in each and come up with a tax-smart strategy for making withdrawals during retirement. You'll also want to consider the most advantageous age for each of you to begin receiving Social Security benefits.

Your financial life. Who handles the finances in your household? If only one spouse manages financial matters, would the other spouse be prepared to assume that responsibility in an emergency? Both spouses should have the skills and knowledge to manage finances. Consider sharing all financial information with your spouse so that either one of you could make important financial decisions.

Location, location. Both of you should know where to find copies of your wills, life insurance policies, bank and brokerage account information (including ID and password information for online accounts), and other important documents.

Talking with your spouse about retirement can make the transition easier for both of you.

60 SOUTH SIXTH STREET | MINNEAPOLIS, MN 55402-4422

20182 (04/17)