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Dear Friends:

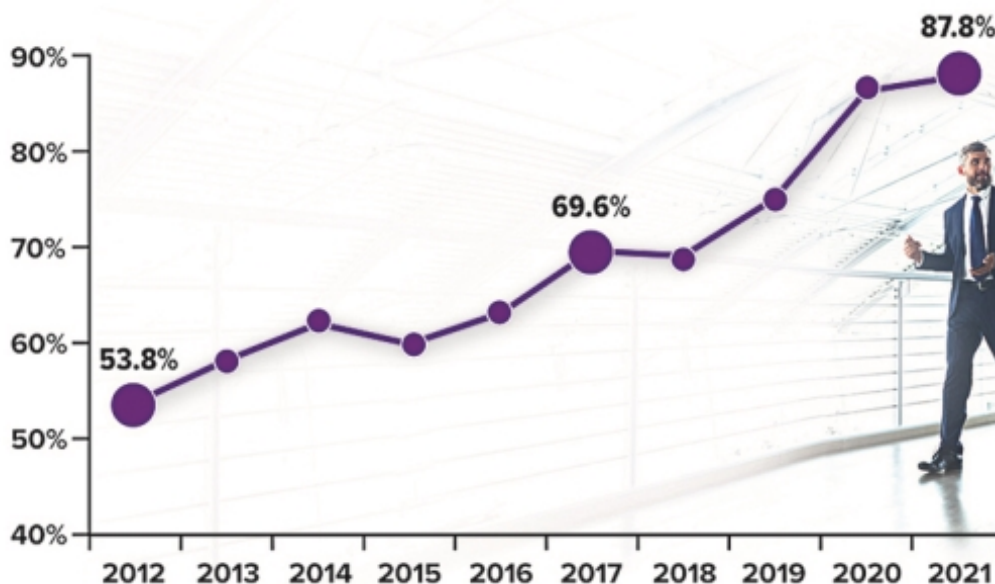
As the leaves start to paint the UP in hues of amber and gold, the air becomes crisp with the promise of a new season, and we are reminded of the ever-changing nature of life itself. Just as nature gracefully transitions from one season to the next, our financial landscapes ebb and flow, requiring careful planning and preparation.

In this edition of our newsletter, we encourage you to build a more robust financial net - a nest egg that can withstand the unpredictable storms that will inevitably come and go. With interest rates near multi-decade highs, you can finally earn some yield on short-term investments. Reach out if you'd like to learn more.

Thank you for entrusting us to help you navigate the seasons of life. We hope to see you soon.

Employee Access to Roth 401(k) Plans on the Rise

Roth 401(k) plans can offer an ideal opportunity to build a source of tax-free retirement income. There are no income restrictions to participate, they have much higher contribution limits than Roth IRAs, and they may offer employer matching contributions. And thanks to the SECURE 2.0 Act of 2022, beginning in 2024, Roth 401(k)s will no longer impose required minimum distributions in retirement. The percentage of employers offering a Roth 401(k) plan grew substantially from 2012 to 2021, a trend that may continue.



Qualified withdrawals from Roth 401(k)s are free of federal income taxes if the account is held for at least five years and the account holder reaches age 59½, becomes disabled, or dies. State income taxes may apply. Nonqualified withdrawals are subject to regular income taxes and a 10% penalty.

Source: Plan Sponsor Council of America, 2022

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Coming in 2024: New 529 Plan-to-Roth IRA Rollover Option

In December 2022, Congress passed the SECURE 2.0 Act. It introduced two new rules relating to 529 plans and student debt that will take effect in 2024.

The first provision allows for tax- and penalty-free rollovers from a 529 plan to a Roth IRA. The second provision allows student loan payments made by employees to qualify for employer retirement matching contributions.

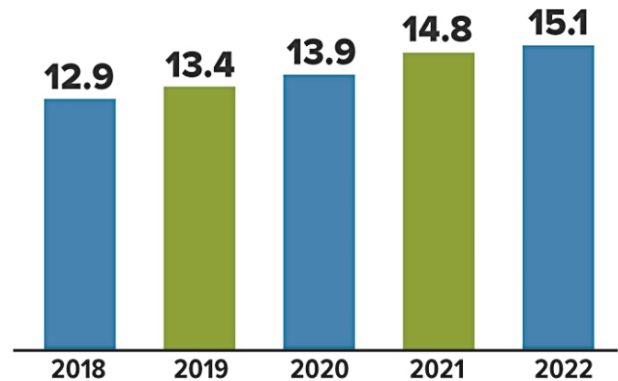
529 Plan to Roth IRA Rollover

529 plans are tax-advantaged savings accounts specifically geared to saving for college. In an effort to broaden their flexibility in situations where families have extra funds in an account, Congress created a new rollover option. Starting in 2024, 529 plan beneficiaries can roll over up to \$35,000 to a Roth IRA over their lifetime. Here are the specific rules:

- Any rollover is subject to annual Roth IRA contribution limits, so a beneficiary can't roll over \$35,000 all at once. For example, in 2023, the Roth IRA contribution limit is \$6,500 (for people under age 50) or earned income, whichever is less. If the limit remains the same in 2024, a beneficiary would be able to roll over up to \$6,500.
- In order for the rollover to be tax- and penalty-free, the 529 plan must have been open for at least 15 years. If the 529 account owner (typically a parent) changes the beneficiary of the 529 plan at any point, this could potentially restart the 15-year clock.
- Contributions to a 529 plan made within five years of the rollover date can't be rolled over — only 529 contributions made outside of the five-year window can be rolled over to the Roth IRA. For more information on determining the date of contributions, contact the 529 plan manager.

Example: Kate opens a 529 account for her son Joe when he is three years old. Kate contributes to the account for 15 years. At age 18, Joe enters college. Kate continues to contribute to the account while Joe is in college. Joe graduates, and there is money left over in the 529 account. Because the account has been open for at least 15 years, Joe is eligible to roll over funds from the 529 account to a Roth IRA in his name. He can roll over an amount up to the annual Roth IRA contribution limit, provided he doesn't transfer any contributions made to the 529 account in the past five years. Joe can continue rolling over funds from the 529 plan to the Roth IRA (consecutive years or intermittent years) until he has reached the \$35,000 lifetime limit.

Number of 529 college savings plan accounts, 2018–2022, in millions



Source: ISS Market Intelligence, 529 Market Highlights, 4Q 2019–2023

Student Loan Payments Can Qualify for Employer Retirement Match

Employees with student debt often have to prioritize repaying their loans over contributing to their workplace retirement plan, which can mean missing out on any potential employer retirement matching contributions. Starting in 2024, the SECURE 2.0 Act gives employers the option to treat an employee's student loan payments as payments made to a qualified retirement plan (student loan payments will be considered an "elective deferral"), which would make those contributions eligible for an employer retirement match (if an employer offers this benefit).

There are generally fees and expenses associated with participation in a 529 plan. There is also the risk that the investments may lose money or not perform well enough to cover college costs as anticipated. The tax implications of a 529 plan should be discussed with your legal and/or tax professionals because they can vary significantly from state to state. Most states offering their own 529 plans may provide advantages and benefits exclusively for their residents and taxpayers, which may include financial aid, scholarship funds, and protection from creditors. Before investing in a 529 plan, consider the investment objectives, risks, charges, and expenses, which are available in the issuer's official statement and should be read carefully. The official disclosure statements and applicable prospectuses, which contain this and other information about the investment options, underlying investments, and investment company, can be obtained by contacting your financial professional.

Mutual Funds: What's in Your Portfolio?

Mutual funds pool investment dollars from many individual investors to purchase a group of selected securities aimed at meeting a particular objective. This offers a convenient way to invest across a wide range of market activity that would be difficult for most investors to do by purchasing individual securities. More than 52% of U.S. households owned mutual funds in 2022.¹

Here are some basic types of funds in order of typical risk, from lowest to highest. This is just an overview — with over 7,000 funds to choose from, you should be able to find appropriate investments to pursue your financial goals.²

Money market funds invest in short-term debt such as commercial paper and certificates of deposit (which generally provide a fixed rate of return). They are typically used as a cash alternative and/or as a fund for settling brokerage transactions.

Municipal bond funds generally offer income that is free of federal income tax and may be free of state income tax if the bonds in the fund were issued from your state. Although interest income from municipal bond funds may be tax exempt, any capital gains are subject to tax. Income for some investors may be subject to state and local taxes and the federal alternative minimum tax.

Income funds concentrate on bonds, Treasury securities, and other income-oriented securities, and may also include stocks that have a history of paying high dividends.

Balanced funds, hybrid funds, and growth and income funds seek the middle ground between growth funds and income funds. They include a mix of stocks and bonds aimed at combining moderate growth potential with modest income.

Value funds invest in stocks of companies that appear to be undervalued by the market. They are more volatile than balanced funds, but typically offer dividend income and may have solid growth potential if the market recognizes the underlying value.

Growth funds invest in the stock of companies with a high potential for appreciation but low emphasis on income. They are more volatile than many types of funds.

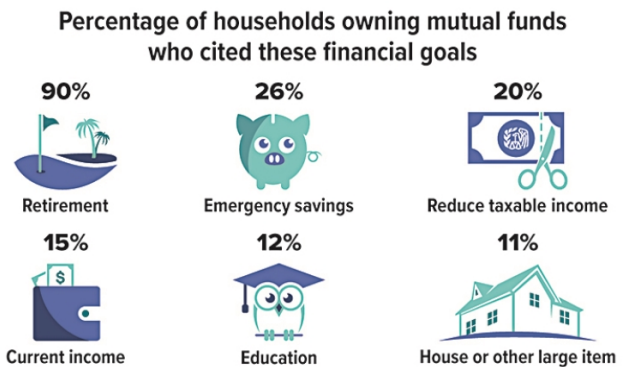
Global funds invest in a combination of domestic and foreign securities. **International funds** invest primarily in foreign stock and bond markets, sometimes in specific regions or countries. There are increased risks associated with international investing, including differences in financial reporting, currency exchange risk, economic and political risk unique to a specific country, and greater share price volatility.

Sector funds invest almost exclusively in a particular industry or sector of the economy. Although they offer greater appreciation potential, the volatility and risk level are also higher because they are less diversified.

Aggressive growth funds aim for maximum growth. They typically distribute little income, have very high growth potential, tend to be more volatile, and are considered to be very high risk.

Reasons to Invest

Four out of five households who own mutual funds cited retirement as their *primary* reason for investing. However, many investors own funds to pursue multiple financial goals.



Source: Investment Company Institute, 2022 (multiple responses allowed)

Bond funds (including funds that contain both stocks and bonds) are subject to the interest-rate, inflation, and credit risks associated with the underlying bonds. As interest rates rise, bond prices typically fall, which can adversely affect a bond fund's performance. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. Dividends are typically not guaranteed.

Asset allocation and diversification are methods used to help manage investment risk; they do not guarantee a profit or protect against investment loss. Mutual fund shares, when sold, may be worth more or less than their original cost. Investments seeking to achieve higher returns also carry an increased level of risk.

Money market funds are neither insured nor guaranteed by the FDIC or any other government agency. Although a money market fund attempts to maintain a stable \$1 share price, you can lose money by investing in such a fund.

Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

1–2) Investment Company Institute, 2022–2023

Time to Bulk Up Your Emergency Fund

A financial crisis — such as a job loss or medical emergency — can strike when you least expect it. It is important to be prepared by having a financial safety net in place — not having one could prove to be financially devastating. But bulking up your emergency fund isn't always easy, especially during times of economic uncertainty. According to a recent study, only 26% of people say they have more emergency savings than they did a year ago, and 39% say they have less.¹

Generally, you'll want to have at least three to six months' worth of living expenses in a readily available emergency fund. Your living expenses include items such as your mortgage or rent, debt payments (e.g., credit card, car loan), groceries, and insurance costs. The actual amount, however, should be based on your particular circumstances. Consider factors like your job security, health, and income when deciding how much money you should save in your emergency fund.

When you reach your savings goal, try to keep adding to your emergency fund — the more money you have, the better off you'll be in an emergency. In addition, review your emergency fund from time to time — either annually or when your personal or financial situation changes. Major milestones like a new baby or homeownership will likely require some adjustments to your savings goal.

If you are looking for ways to bulk up your emergency fund, consider the following ideas.

- If possible, authorize your employer to directly deposit funds from each of your paychecks into an account specifically designated for emergency savings.
- Make increasing your emergency fund a habit by modifying your budget to include it as part of your regular household expenses.
- Put aside some of the money that you would normally spend on discretionary items like entertainment, vacations, and hobbies toward your emergency fund instead.
- Move funds from cash accounts or liquid assets (e.g., those that are convertible to cash within a year, such as a short-term certificate of deposit) into your emergency fund.
- Add earnings from other investments, including stocks, bonds, or mutual funds to your emergency fund.

The FDIC insures bank CDs, which generally provide a fixed rate of return, up to \$250,000 per depositor, per insured institution.

1) Bankrate, Annual Emergency Savings Report, January 2023

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