Warren Wealth Wisdom

Warren Wealth Associates
28 Mountain Blvd
Warren, NJ 07059
908-769-9400
www.warrenwealthassociates.com
warrenwealthassociates@warrenwealthassociates.com

Putting Clients First

Team Spotlight

Chris: Chris and Sue have been happily spending time together in the yard. Sue is the real green thumb in the family, but Chris took a crack at planting various lettuce and basil varieties...out of 10 basil varieties so far only two seem to be making it but the lettuce is thriving. We have also been able to spend a good amount of time with both our boys this spring which is always a wonderful treat. Happy Summer to all!

Scott: The Russell-McCaffery's have had an enjoyable spring taking in local fairs, parades, and car shows. Eleanor continues to attend dance class as they ready for their year end concert later this month! "Donald's" or McDonald's continues to be a weekly staple and with pool season back in full swing Eleanor does seem quite content! Mom and Dad look forward to a date night and a chance to have an actual conversation!

Jenica: Jenica kicked off the year with a fantastic trip to FL, where she paddle boarded, beachcombed and swam with manatees. She is looking forward to a return trip to Tampa in the Fall! This Spring she has been doing home improvement projects and volunteering with Save Coastal Wildlife. She looks forward to many beach days ahead and a long summer!

Kim: Kim and her husband Steve will be staying close to home this summer with their 4 fur babies. They just finished a kitchen remodel and are looking forward to their next house project. Kim is currently turning their backyard into a tropical oasis for the summer. She is continuing her hobbies of running and collecting interesting and rare plants and is now trying her luck at growing a few plant tissue cultures. She is happy to share her plant knowledge with fellow gardeners.

A Mortgage Recast Is an Alternative to Refinancing

If you would like to reduce your monthly mortgage payment without having to refinance, then you may want to explore a mortgage recast. When you recast your mortgage, you put money toward the principal balance of your current home loan. Your mortgage lender then recalculates (reamortizes) your loan based on your new, lower balance, which reduces your monthly payment. Your interest rate and the number of years remaining on your loan stay the same. Here are three scenarios where a mortgage recast might be especially appealing.

- You have extra cash on hand, perhaps from a bonus or an inheritance. It's sitting in a low-yield account.
- You are close to retirement or retired. You want to keep your home but lower your monthly expenses.
- You bought a new home with a smaller down payment than you intended because your old home is still on the market. But once your old home sells, the proceeds can be applied to your new mortgage through a recast.

Refinancing your mortgage may be a better option if your goal is to pay off your loan faster by shortening the term, or if you want to lower your interest rate or obtain cash. But if your objective is simply to lower your monthly payment and save on interest charges, then recasting your mortgage may be appropriate. Recasting is generally simpler and less expensive than refinancing because you're keeping the same mortgage instead of applying for a new one. It doesn't require an extensive application, a credit check, a new appraisal, or closing costs, though you typically will need to pay a processing fee.

Check With Your Lender

Not all mortgage lenders offer recasts, and some types of loans, including FHA, VA, USDA, and certain jumbo loans are not eligible for recasting. If you do qualify for a recast, your lender will give you more details about the process. You may be able to recast once you've increased your equity by making extra payments or by paying a lump sum toward your mortgage balance. Minimums vary, but the additional principal required may be as little as $5,000. Of course, the more you put toward your principal, the lower your future monthly mortgage payment. If you are currently paying principal mortgage insurance (PMI), putting a lump sum toward your mortgage may help erase that, further lowering your monthly payment. One drawback of a mortgage recast is that it could tie up money you might need later for other purposes. To access your equity in the future, you may need to refinance, take out a home equity loan, or even sell your home.

SECURE 2.0: Big Impacts for Small Businesses

An AARP study released in July 2022 found that nearly half of all private sector employees ages 18 to 64 had no access to a retirement plan at work. It also found that small businesses are more likely to lack a work-based plan, putting their workers at a significant disadvantage when it comes to retirement preparations (see chart).

Last December, Congress passed a $1.7 trillion omnibus package that included the SECURE 2.0 Act of 2022, a sweeping set of provisions designed to improve the nation's retirement-planning health. Here is a brief look at some of the tax perks, rule changes, and incentives included in the legislation to help small businesses and their employees.

Tax Perks for Employers in 2023

Perhaps most appealing to small business owners, the Act enhances the tax credits associated with adopting new retirement plans, beginning in 2023.

For employers with 50 employees or less, the pension plan start-up tax credit increases from 50% of qualified start-up costs to 100%. Employers with 51 to 100 employees will still be eligible for the 50% credit. In either case, the credit maximum is $5,000 per year (based on the number of employees) for the first three years the plan is in effect.

In addition, the Act offers a tax credit for employer contributions to employee accounts for the first five tax years of the plan's existence. The amount of the credit is a maximum of $1,000 per participant, and for each year, a specific percentage applies. In years one and two, employers receive 100% of the credit; in year three, 75%; in year four, 50%; and in year five, 25%. The amount of the credit is reduced for employers with 51 to 100 employees. No credit is allowed for employers with more than 100 workers.

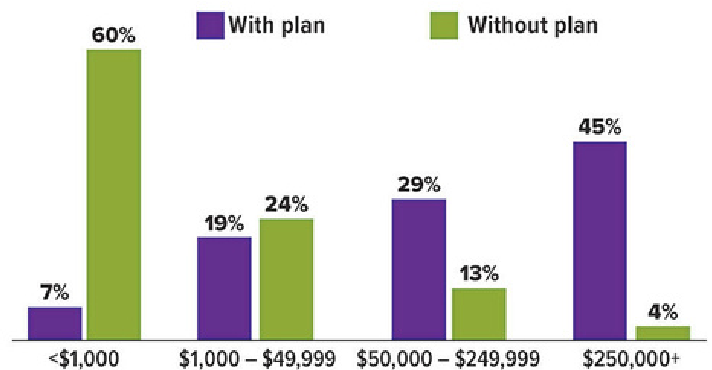
Rule Changes and Relevant Years

In 2024, employers will be able to adopt a starter 401(k) or similar 403(b) plan, an auto-enrollment plan for employee contributions only. The plan may accept up o $6,000 per participant annually ($7,000 for those 50 and older), indexed for inflation. Designed to be lower cost and easier to administer than traditional plans, these programs impose minimum and maximum contribution rates and other rules.

SIMPLE plans may benefit from two new contribution rules. First, employers may make nonelective contributions to employee accounts up to 10% of compensation or $5,000. Second, the annual contribution limits (standard and catch-up) for employers with no more than 25 employees will increase by 10% more than the limit that would otherwise apply. An employer with 26 to 100 employees would be permitted to allow the higher contribution limits if the employer makes either a matching contribution on the first 4% of compensation or a 3% nonelective contribution to all participants, whether or not they contribute. These changes also take effect in 2024.

Beginning in 2025, 401(k) and 403(b) plans will generally be required to automatically enroll eligible employees and automatically increase their contribution rates every year, unless they opt out. Employees will be enrolled at a minimum contribution rate of 3% of income, and rates will increase each year by 1% until they reach at least 10% (but not more than 15%). Not all plans will be subject to this new provision; exceptions include those in existence prior to December 29, 2022, and those sponsored by organizations less than three years old or employing 10 or fewer workers, among others.

Worker Savings Amounts: With Retirement Plan vs. Without



Source: Employee Benefit Research Institute, 2023. "With plan" includes workers with a defined contribution plan, IRA, or defined benefit (DB) plan. Total assets include savings and investments other than the value of their home and DB plan. Numbers may not add up to 100% due to rounding.

Participant Incentives on the Horizon

SECURE 2.0 drafters were creative in finding ways to encourage workers to take advantage of their plans. For example, effective immediately, employers may choose to offer small-value financial incentives, such as gift cards, for joining a plan, or beginning in 2024, they may provide a matching contribution on employee student loan payments. Also starting in 2024, workers will be able to withdraw up to $1,000 a year in a emergency without having to pay a 10% early distribution penalty, which may ease the fear of locking up savings until retirement (restrictions apply).

- SECURE stands for Setting Every Community Up for Retirement Enhancement and originated with the SECURE Act of 2019.

Why Buy Life Insurance During Unsettled Economic Times?

To say the economy has been uneven over the past few years is an understatement. Amid these bumpy economic times, why buy life insurance? Here are a few reasons.

Protection for Loved Ones

Savings that were intended to provide support for you and your family may have taken a hit over the past few years due to stock market volatility. If you die, life insurance can be used to replace some of the savings you may have lost during these turbulent economic times. The tax-free death benefit could be used to provide income to your spouse and family, pay off mortgages and loans, meet tax liabilities, or pay for college expenses.

May Help Diversify Your Portfolio

Certain types of permanent life insurance have a cash value option that can be beneficial during times of economic uncertainty. Some policies offer minimum interest rate guarantees (subject to the financial strength and claims-paying ability of the issuer), that may offer an alternative to the unpredictability of the stock market.

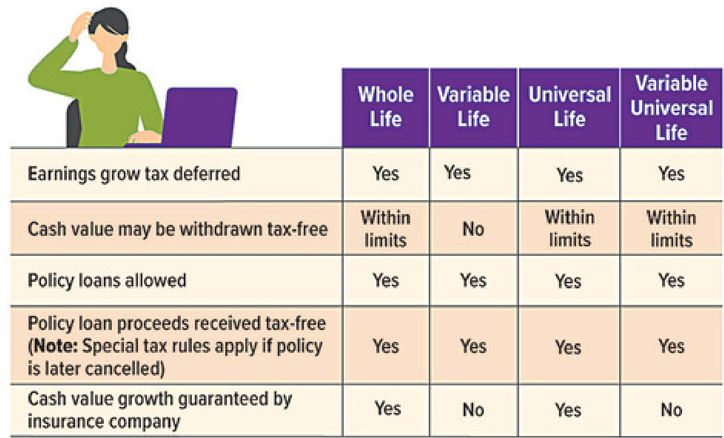
Offers an Additional Way to Accumulate Wealth

Cash value life insurance allows all interest and earnings on the policy's accumulations to grow tax deferred. You may be able to take withdrawals from the cash accumulation of the life insurance policy. Any withdrawal you make will typically be tax-free up to your basis (i.e., premiums paid) in the policy. Because any earnings grow tax deferred while inside the policy, they will be subject to income tax when you withdraw them. Withdrawals coming out of your policy are generally treated as basis first. Be aware that surrender charges may also apply when you withdraw from your policy, even if you withdraw only up to your basis. One way to avoid this and still access your money is to take a policy loan from the insurance company, using the cash value in the policy as collateral. The amount you borrow is generally not treated as taxable income as long as you repay the loan, and there are no surrender charges because you're not actually withdrawing your money. But you'll have to pay interest on the loan, which is not tax deductible.

Provides Protection in the Form of Living Benefits

Life insurance may help replace lost funds should you become disabled, need long-term care, or face a terminal illness. For example, if you are terminally ill, you may be able to receive a portion of the death proceeds from your life insurance before you die in order to pay necessary expenses. Some life insurance policies include a special rider that allows you to accelerate your life insurance death benefit if you need long-term care during your life. Certain riders can be added to a life insurance policy and may help in the event you become disabled and unable to work.

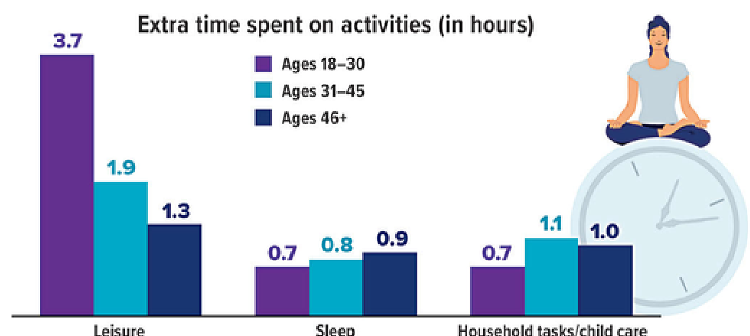
Comparison of Types of Cash Value Life Insurance



	Whole Life	Variable Life	Universal Life	Variable Universal Life
Earnings grow tax deferred	Yes	Yes	Yes	Yes
Cash value may be withdrawn tax-free	Within limits	No	Within limits	Within limits
Policy loans allowed	Yes	Yes	Yes	Yes
Policy loan proceeds received tax-free (**Note:** Special tax rules apply if policy is later cancelled)	Yes	Yes	Yes	Yes
Cash value growth guaranteed by insurance company	Yes	No	Yes	No

Remote Workers Trade Commutes for Much-Needed Rest

According to a detailed analysis of the American Time Use Survey, individuals who worked at home in 2020 instead of commuting to an office collectively saved 60 million hours each day that could be spent doing other things. Employees reported spending 35% of their saved commute time working, but overall paid work hours fell, because activities such as child care, housework, and exercise were squeezed in throughout the day. There were differences among age groups, but they all spent more leisure time with family and friends — and got nearly an additional hour of sleep.



Money Conversations to Have in a Long-Term Relationship

All couples hope for a "happily ever after," but it's no secret that money issues can be primary reasons partners split up or divorce. To avoid future battles over finances, it's smart to put all your cards—credit and otherwise—on the table. Of course, a conversation about salaries and student debt is probably premature on a first date. But once you decide to enter a long-term relationship, be sure that you and your partner are on the same page about handling current and future expenses. Even if you're married, it's never too late to talk about where you stand and where you're headed financially.
As you plan this year's Valentine's Day celebrations, it might be the perfect month to arrange a date night, break out the bubbly, and set yourself up for that happily ever after by having these important financial conversations

What Do Each of You Bring to the Table?

It's a good start to be honest about liabilities, such as student loans, credit card debt, medical expenses, and other financial obligations, as well as assets, such as salary and investments. Knowing these figures will help you plan for the future and understand how you'll need to budget. It may also give you a bit of a reality check. Once you combine finances, your goals will be mutual—perhaps owning a house, paying off debt, starting a family, saving for retirement—and you'll need to work together toward them. Lying to your partner about money, or hiding debt or separate accounts, is often referred to as financial infidelity. This term alone gives you a sense of the trouble it can cause in a relationship and why it's ideal to be honest about finances from the start.

What Are Your Credit Scores?

Your credit scores will factor into your ability to buy a car or house—or even rent an apartment. Since these events will inevitably happen during a long-term relationship, revealing your scores early will help you determine whether you're in good standing as a couple or if you'll need to improve your scores before attempting a big purchase. You can start by getting a credit report from Equifax, Experian, or TransUnion (you're entitled to one free report from each company per year). Go to AnnualCreditReport.com to get started. Need help getting your score up? Check out Credit Karma or NerdWallet for tips.

How Will You Split Expenses?

Drawing up a monthly budget is a huge step toward the goal of financial stability. Consider how much income you are bringing in, what your regular costs will be, and whether you will pay them from a joint account or split them up. There are many budgeting apps you can use to help you set up a plan and stick to it. You'll also want to have an emergency fund, which should cover three to six months of expenses. If you don't have enough to set those funds aside, factor a monthly contribution to your emergency fund into your budget plan.

What Is Your Risk Tolerance?

Whether you're a risk taker or have a more conservative approach, it helps to agree with your partner when it comes to investing as a couple. Risk tolerance also comes into play regarding debt or divorce. Although signing a prenuptial agreement is often associated with protecting your assets in case of a separation, it can also protect one partner from another's debts—either personal or business related. Having a conversation about the value of such a document could help prevent problems in the future

Will You Have Kids?

According to the Brookings Institute, the average cost of raising a child born in 2015 through the age of 17 is $310,605. Needless to say, having a child—and certainly having multiple children—would be a major expense. Childcare (or living on one income if a parent is caring for the child) is another big cost to consider. Hospital expenses are often high before your child even arrives. In addition, adoption, IVF, surrogacy, and egg freezing and storage can be expensive, should you go through any of those processes.

The accompanying pages have been developed by an independent third party. Commonwealth Financial Network is not responsible for their content and does not guarantee their accuracy or completeness, and they should not be relied upon as such. These materials are general in nature and do not address your specific situation. For your specific investment needs, please discuss your individual circumstances with your representative. Securities and Advisory Services offered through Commonwealth Financial Network ("Commonwealth"), Member FINRA/SIPC, a Registered Investment Adviser. Commonwealth does not provide tax or legal advice, and nothing in the accompanying pages should be construed as specific tax or legal advice. Fixed Insurance products and services offered through CES Insurance Agency or Warren Wealth Associates.