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IMPORTANT BIRTHDAYS OVER 50

They say it's your birthday. Now the real fun begins. Before you begin planning your next 30+ years, be sure to save these dates in your calendar. In fact, starting at age 50, several birthdays – including "half-birthdays" – are critical to understand because they have implications regarding your retirement income.

AGE 50

At age 50, workers in certain qualified retirement plans are able to begin making annual catch-up contributions in addition to their normal contributions. After six years stuck at $5,500, the amount you can contribute to an Individual Retirement Account is being bumped up to $6,000 for 2019. Those who participate in Simple IRA or Simple 401(k) plans can make a catch-up contribution of up to $3,000 in 2019. And those who participate in traditional IRAs can set aside an additional $1,500 a year ($500 more than 2018). If you're 50 or older in 2019, catch-up contribution limits remain unchanged at $6,000 for workplace plans and $1,000 for IRAs.

This means that many high-earners and super-savers who are 50 and older, can sock away $32,000 in these tax-advantaged accounts.

AGE 55

If you separate from service in or after the year you turn age 55 and have a qualified plan at the job you left, you may be able to take distributions from the Retirement Plan penalty free. Be warned the strategy does not work if you move money to an IRA.

AGE 59 1/2

Once you reach age 59½ the rules change a bit, but access to your 401(k) funds at age 59½ depends on whether you are still working or not.

Retired. If you are retired or have terminated employment and still have funds in your 401(k) plan, you can access them at age 59 ½ and pay no early withdrawal penalty tax. If you have rolled your 401(k) funds to an IRA, the rules are the same: age 59½ is the earliest you can withdraw funds from an IRA account and pay no early withdrawal penalty tax.

Still working. If you are still working, you can access funds from an old 401(k) plan once you reach age 59½, but you may not have the same access to funds inside the 401(k) plan at the company for which you currently work. Check with your 401(k) plan administrator to see if your plan allows what is called an “in-service” distribution at age 59½. Some 401(k) plans allow this and others do not.

AGE 62

At age 62, workers are first able to draw Social Security retirement benefits. However, if a person continues to work, those benefits will be reduced. The Social Security Administration will deduct $1 in benefits for each $2 an individual earns above an annual limit. The 2019 annual limit marks a $600 increase over 2018's limit of $17,040. If you reach full retirement age in 2019, you will be able to earn $46,920, up $1,560 from 2018's $45,360 annual limit. For every $3 earned over the 2019 limit, your Social Security benefits will be reduced by $1, but it will only apply to money earned in the months prior to hitting full retirement age. Once you hit full retirement age, no benefits will be withheld if you continue working.

AGE 65

Whether you're new to Medicare, getting ready to turn 65, or preparing to retire, you'll need to make several important decisions about your health coverage. If you wait to enroll, you may have to pay a penalty and you may have a gap in coverage. The first time you can enroll is called your Initial Enrollment Period. Your 7-month Initial Enrollment Period usually:

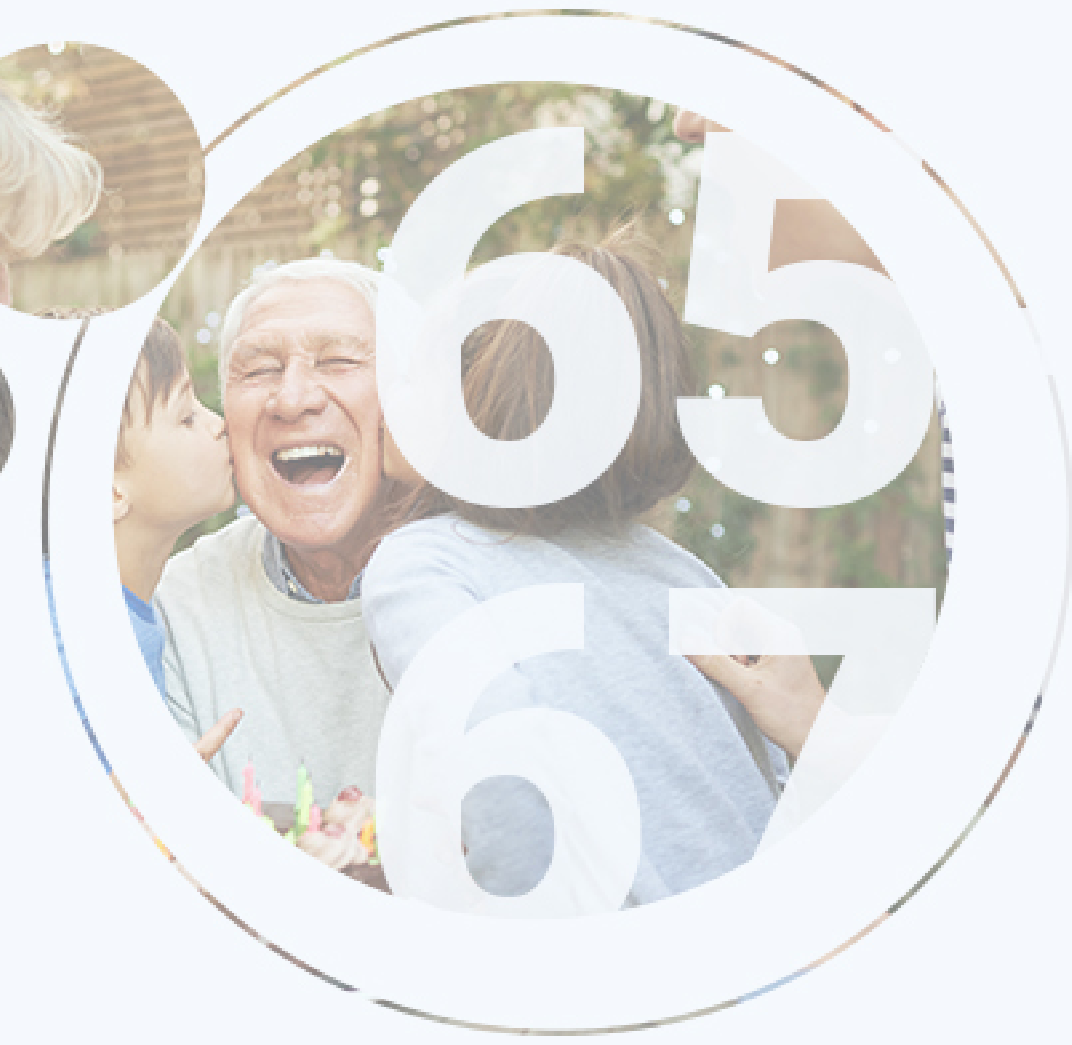
- ***Begins 3 months before the month you turn 65***
- ***Includes the month you turn 65***
- ***Ends 3 months after the month you turn 65***

Most people should enroll in Part A when they turn 65, even if they have health insurance from an employer. This is because most people paid Medicare taxes while they worked, so they won't pay a monthly premium for Part A. If you are already receiving Social Security benefits, you will automatically be enrolled in Medicare Part A (hospitalization) and Part B (medical insurance) without an additional application. (Individuals can decline Part B coverage because it requires an additional premium payment.)

- FAST FACT -

EARLY BENEFITS - 57% OF SOCIAL SECURITY RECIPIENTS TAKE THEIR BENEFITS BEFORE REACHING FULL RETIREMENT AGE, WHILE 10% WAIT BEYOND FULL RETIREMENT AGE.

SOURCE: THE MOTLEY FOOL VIA USA TODAY



AGE 65 to 67

Between ages 65 and 67, individuals become eligible to receive 100% of their Social Security benefit. Social Security has announced changes for 2019 that include an increase to the maximum Social Security benefit payable to recipients who retire next year. In 2018, new retirees could pocket as much as $3,698 per month, but in 2019, they'll be able to collect up to $3,770 per month.

Your chances of qualifying for that much in Social Security, though, are pretty slim. The good news is that the maximum amount payable to new retirees will increase next year, but the bad news is that to qualify for this maximum payment, you need to have had income throughout your career that's at or above the annual taxable limit, which was $128,400 in 2018 and will be $132,900 in 2019.

If you qualify for the maximum benefit possible, then you'll receive $2,209 per month if you retire at age 62 or $3,770 per month if you retire at age 70. The following table shows how the maximum payments are changing in 2019 at ages 62, 65, and 70.

MAXIMUM SOCIAL SECURITY IF YOU RETIRE IN 2019

AGE	2018	2019	PERCENTAGE CHANGE
62	$2,158	$2,209	2.36%
65	$2,589	$2,757	6.49%
70	$3,698	$3,770	1.95%

AGE 70 1/2

Age 70½ is the age that required minimum distributions (RMD's) start. RMDs apply to 401(k)s, 403(b)s, Profit Sharing plans, Money Purchase Pensions, IRAs, SIMPLE IRAs, and SEP IRAs, among others. Inherited IRAs are subject to RMDs but are based on the life expectancy of the original owner, not the beneficiary. Roth IRAs do not require withdrawals during the life of the owner.

Withdrawals, since not previously taxed, will be included in your taxable ordinary income. RMDs are the minimum that you must withdraw each year — you can always withdraw more but withdrawing more than the maximum does not allow you to carry over the difference and lower your RMD in future years.

If you forget to take your RMD it's going to cost you. There is a 50% penalty based on the minimum amount you were supposed to withdraw. The RMD is based on the total balance of all your IRAs as of December 31 of the previous year. Visit with your financial advisor to make sure you're in compliance.

TIP: MORE THAN 67 MILLION AMERICANS WILL SEE A 2.8 PERCENT INCREASE IN THEIR SOCIAL SECURITY AND SSI BENEFITS IN 2019. BE SURE TO SIGN UP FOR OR LOG IN TO YOUR PERSONAL MY SOCIAL SECURITY ACCOUNT.

SOURCE: SOCIAL SECURITY ADMINISTRATION

O'Donnell Financial Group

Understanding key birthdays may help you better prepare for certain retirement income and benefits. But perhaps more importantly, knowing key birthdays can help you avoid penalties that may be imposed if you miss the date.

QUESTIONS?

We invite you to come into our offices to go over your unique options and strategies.