

Financial Issues

SPRING 2021

CEFCU® Investment Services and Wealth Management

How Healthy is Your Financial Foundation?

Cross check — schedule a NO-OBLIGATION appointment!

Spring is a common time to get your physical home in order. What about getting your “financial house” in order? There are six fundamental pillars for sustaining your financial well-being. There are also important cross checks to ensure a strong financial foundation.

The Six Pillars

#1: A savings account. This is your “Fort Knox” — where you store and build cash. The standard recommendation for a target balance is three to six months of basic expenses. Savings accounts pay a modest interest rate, but are key for developing good savings habits.

#2: A checking account. This is your go-to account for everyday expenses. Online Budgeting Tools available through CEFCU On-Line® and Mobile Banking can help you track regular expenses and spending habits, giving you information about your financial patterns.

CROSS CHECK: Do you know where your money goes? Are there areas you could decrease costs (and still maintain quality of life), and reallocate funds to investing, retirement, college funding, etc.? CEFCU's Online Budgeting Tools help identify where you can sustainably decrease expenses.

#3: An emergency fund. This is a critical, liquid account to have for major unexpected expenses (beyond a savings account), such as a layoff, medical emergency, or major repair.

CROSS CHECK: Are you over-contributing to this account? It happens, especially in times of economic uncertainty. The upside? You have good emergency coverage. But, you could be missing higher returns and the benefits of tax-advantaged account options, like a 401(k) or an Individual Retirement Account (IRA).

#4: A workplace retirement plan account. Workplace retirement plans offer a convenient way to get started saving. In most plans, your contribution is made with pre-tax dollars.¹ Money saved and invested in these accounts can compound, and consistent monthly investment is the “fuel” for your account.

CROSS CHECK: Regular monthly investing through an employer does **not** protect against a loss in a declining market or guarantee a profit in a rising market. Also, annual contributions to many workplace retirement plans are capped, and some offer limited investment choices. Have you considered adding the flexibility of a brokerage account into your mix for more control over fluctuating market prices?

#5: IRAs. IRAs are a key part of most retirement plans because of the monetary return and tax benefits. The main difference comes down to taxes:

TAX BREAK NOW TAX BREAK LATER



Traditional IRA

You get your tax break up front and pay no taxes on the money you put in until you withdraw it.

Roth IRA

The money you deposit has already been taxed. You pay no taxes when you make withdrawals after age 59½.

Thanks to the SECURE Act, you may contribute to Roth and Traditional IRAs all your life, as long as you meet the earned-income requirement for account contributions.²

CROSS CHECK: If your employer doesn't offer a retirement plan or you're self-employed, an IRA is a must-have! But, no matter what your situation is, make sure you're informed on the key changes and opportunities that may be available to you *NOW* as a result of the SECURE Act.

#6: An investment account. While an investment (brokerage) account is taxable, it doesn't have the rules and restrictions that govern IRAs and many workplace retirement plans. Investment accounts offer a lot of flexibility. You can deposit as much money as you want *and* invest in a wide range of investment products.

CROSS CHECK: An investment account is a good option to complement the other accounts in your financial foundation. With the help of an experienced advisor, you can deposit money and buy and sell investments with no contribution limits and more flexibility within the stock market.

Make sure your financial house is in order! Schedule a no-obligation appointment with a CEFCU Investment Services Advisor by phone, online, or in person at most Member Centers. Call 309.633.2571 or 1.800.356.7865, ext. 32571, or go to cefcu.com/advisor. Our Advisors follow the same standards that guide CEFCU — always looking out for your best interests.

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Citations.

1. taxpolicycenter.org/briefing-book/what-are-defined-contribution-retirement-plans [5/20]
2. irs.gov/retirement-plans/traditional-and-roth-iras [11/20/20]

CEFCU[®]
Investment Services

Upcoming **LIVE Virtual Investment Seminars:**



Women & Investing

March 2, 2021

3:30 p.m. (PT)/5:30 p.m. (CT)



The Three Transitions to Retirement

March 16, 2021

4:00 p.m. (PT)/6:00 p.m. (CT)



Social Security & Your Retirement

March 23, 2021

4:00 p.m. (PT)/6:00 p.m. (CT)



Income For Life

March 30, 2021

4:00 p.m. (PT)/6:00 p.m. (CT)

To register, go to cefcu.com/seminars.

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The NEW FlexIRA™

Maximize the 10-year “stretch-out” with SECURE Act-compliant options.

Last year, Congress passed the SECURE Act, which placed limitations on the traditional lifetime “stretch-out” for most beneficiaries of an inherited IRA. The new FlexIRA — available through CEFCU Wealth Management — offers you SECURE Act-compliant options to maximize benefits of the 10-year stretch-out, so you can customize your retirement account and pick your payout!

Maximizing the “stretch-out” from an IRA is important because when the SECURE Act was passed, only those who fall into one of these categories may stretch distributions from an inherited IRA over their lifetime:

Standard IRA vs. FlexIRA¹

	Standard IRA	FlexIRA
Minor Children		✓
Financial-Inexperienced Beneficiary		✓
Children from Former Marriage		✓
Chronically-III Beneficiary		✓
Beneficiary Who is Disabled		✓
Beneficiary with Special Needs		✓
Beneficiary Who Needs Income	✓	✓

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Wealth Management

Anyone not in one of these buckets must withdraw the entire IRA balance within 10 years of the account owner’s passing. To meet the planning needs of **ALL** IRA account owners with affected beneficiaries, there are three SECURE Act-compliant options you can choose from to maximize the benefits of the 10-year stretch-out through CEFCU Wealth Management:

Flex Standard:

Designate a beneficiary of any remaining IRA balance upon your passing, giving your loved one(s) the choice of cashing out the balance in a lump sum or withdrawing the balance within 10 years of one’s passing.

Flex Protected Access:

Pay the IRA balance to your beneficiary in installments over the course of 10 years or a lifetime (as determined by applicable law). This is an excellent option to supplement distributions in installments for a beneficiary’s health, education, maintenance, and/or support.

Flex Trust:

This option is helpful for:

- ♦ **A loved one with special needs.** The IRA balance is distributed to a Special Needs Trust and designates Wealth Management as the trustee to adhere to discretionary supplemental distributions, while preserving your beneficiary’s eligibility for public benefits (such as Medicaid and Supplemental Security Income).
- ♦ **A financially-inexperienced beneficiary.** This option lets you extend financial oversight for as long as necessary by distributing the IRA balance to an Inheritance Protection Trust and designating Wealth Management as trustee.
- ♦ **Charitably-inclined account owners.** This option offers continued tax-free growth of IRA assets for the charity of your choice, while continuing to provide your beneficiaries with annual payments.

Know your SECURE Act-compliant options with a FlexIRA. Contact Kevin Barbier, CERTIFIED FINANCIAL PLANNER™ professional and Trust and Investment Officer, part of the Members Trust Company and the CEFCU Wealth Management team. Kevin can be reached at 309.633.3836 or 1.800.356.7865, ext. 33836, or go to cefcu.com/wealth.

Citation.

1. memberstrust.com/individuals-families/flexira [1/20]



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Personal Banking Options, too!

If you need a full range of wealth management services, a member of CEFCU's Private Member Group can meet with you at your office or home — whichever is most convenient for you. Services include facilitating:

- ◆ Personal lines of credit
- ◆ Jumbo or specialized mortgages
- ◆ Construction financing
- ◆ And, much more!

Brad Schupp, CEFCU's Private Member Group manager, has over 25 years of experience serving members with diverse financial needs. Contact Brad at 309.633.7489 or 1.800.356.7865, ext. 37489 or at bschupp@cefcu.com.



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