SERVING THOSE WHO SERVE

Quarterly Newsletter

January 2021

Top 5 Actions to Take Now for a Better Financial Future

By Jennifer Meyer, Financial Planner

At the start of every year, we are focused on how we can improve on the last year. It is fair to say, for many, if not most of us, it would be difficult to imagine how we can NOT improve on 2020 given all the turmoil of a pandemic, civil unrest, and financial instability experienced by many Americans. However, there are steps you can take to make sure you are prepared financially for 2021 and beyond. Here are five of my favorites.

1. Create/Update Your Net Worth Statement

I find many federal employees have a rough idea of their total net worth (assets-liabilities=net worth) but very few actually track it year to year. Creating a simple spreadsheet with the value of your assets on the top and liabilities on the bottom is a great way to bring into focus your overall financial state. Your goal is to start 2022 with more assets and fewer liabilities!

2. Check Your Leave Year LES When You Receive It.

Make sure that your TSP deductions are correct for your 2021 contribution goals. Your health insurance premiums most likely changed so ensure that figure is what you expected it to be. Ensure your Flex Spending Deductions and Health Savings deductions are correct. Lastly, make sure the federal and state withholding is correct. One year- my husband's company neglected to account for the higher taxes our county pays in his state withholding. We ended up owing a LOT in state taxes that year, because no one caught it until late in the year. Never again I vowed!

3. Determine How Much in Interest You Paid Last Year.

There is good interest and bad interest. I like to look at my overall interest expense annually. Companies will generally provide a year-end statement early in the new year. Buried in that statement is the annual interest paid year to date. Guess why that figure is buried? It is because the lender probably

hopes you don't realize how much you paid them in interest!Remember, interest is money from your wallet you are giving to the lender. If you were not paying that interest- that would be money you could be spending now or saving for the future. Annual goal- monitor your interest payments and try to only incur "good" interest expense.

4. Track Your Expenses

One of the biggest questions you will need to answer when you look towards retirement is "how much will I need in monthly income to live the life I want to live in retirement?" A financial planner can help you answer this question, but ultimately, you know your lifestyle and what you hope it will look like. It is never to early to start projecting these figures. There are many apps and budget planning programs available. I know some who use a simple excel spreadsheet. It may take a few attempts to get comfortable with a program or app. However, perseverance pays off; Don't give up!

**full disclosures in "disclaimers" section*

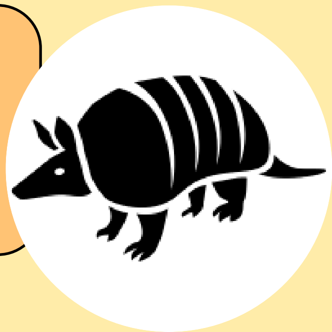
5. Check On Your TSP!

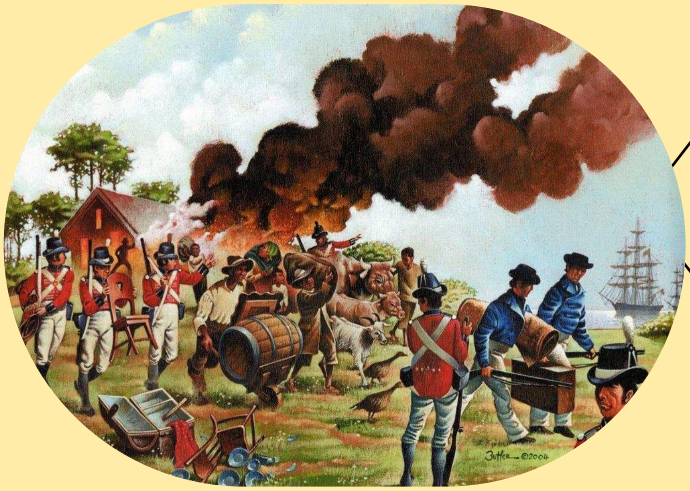
For federal employees, it is absolutely critical to stay on top of your TSP. This does not mean check your account balances daily- but rather, make sure that you are maximizing your contributions and re-balancing your allocation at least annually. Many people are not aware that you can contribute to Roth TSP with no income restrictions. This is different from a Roth IRA. Also, if you are turning 50 anytime in 2021- you can start making catch up contributions effective the first pay period of 2021.

These are few of many tips for setting yourself up for a brighter financial future. At Serving Those Who Serve- we are here to help federal employees make the best decisions for their unique situations. Remember, rules of thumb are great guidelines – but are not intended to be perfect for every individual situation. We can help you make the most of your federal career by understanding your benefits and helping you apply them to create your brightest financial picture for today and into the future. The time to start is now. Wishing you a great 2021!

Fun Fact:

Armadillo shells are bulletproof





History Tidbit:

On May 3, 1813, the British Royal Navy attacked Havre de Grace, Maryland, killing one member of the Maryland militia.

The Coach's Corner

by Executive Coach, Robert Oberleitner

How to Get a Job as Manager

Studies have shown the main reason people leave their jobs is because of their manager. This manifests in many ways such as through exhibiting lack of trust, poor communication, or micromanagement. If you want to be a manager, below are five steps that will help you get there.

1. Clear Motivation

The desire for a raise or change of pace alone are not reasons to seek a job in management. An effective manager has a desire to understand and interact with people to help them, and thus the team, be successful.

2. Skilled at current job

A surefire way to get noticed is to be good at your current job. It is presumed that you'll be a positive example and have good techniques to pass along. Show that you are ready for higher level responsibility.

3. Opportunities to Lead

Offering to help train co-workers relieves some of your supervisor's load and provides a way to demonstrate your abilities and hone your communication skills. Volunteering for projects in your organization is another way to assume. responsibilities that enable a larger cross section of management to see you in action. Detail assignments provide experience in other organizational departments and the opportunity to gain new skills.

4. Big Picture

Know the organizational goals and important initiatives. Being a manager requires you to think one level up vs. merely what is sitting on your desk.

Recognize that there are generally multiple ways to approach a problem. The fact that others do things differently from you does not make it wrong.

5. Be Prepared

Let your supervisor know of your interest in being promoted. A good supervisor will want to help you advance.

When you get an interview – prepare. Think of questions that could be asked and how you would handle challenging scenarios present in your workplace. Preparation will avoid that "deer in the headlights" look during your interview.

Being an effective supervisor requires knowing yourself and the curiosity to know more about others. With the knowledge of why most people leave their jobs you can position yourself to be an effective supervisor who retains employees in their charge.

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FED ZONE

featured article by Ed Zurndorfer

Recently Passed Legislation Results in Tax Changes for 2020 and 2021

During 2020, Congress passed two important pieces of tax-oriented legislation in response to the COVID-19 pandemic. The more recent legislation, the Consolidated Appropriations Act of 2020, was signed into law by President Trump on Dec. 27, 2020. Some of the tax law changes apply to 2020, some changes affect more than one year, and other changes took effect starting Jan. 1, 2021. This column discusses these changes, as well as presenting automatic inflation adjustments to individual income tax brackets and other employee benefits thresholds and limits taking effect in 2021.

A complete estate plan includes having a will or a living trust, a living will, a health care power of attorney or advance health care directive, a financial power of attorney, if applicable -naming guardians for minor children, and making sure all beneficiary forms are filled out, submitted and up-to-date. This column discusses in somewhat more detail what a complete estate plan includes, and why it is important for every employee to have an estate plan and to make sure their plan is current. *Furthermore, it needs to be emphasized that this column is not intended to give legal any advice nor is it a substitute for legal counsel. Any specific questions regarding one's estate plan should be directed to and discussed with a licensed estate attorney.*

The following are the most important tax changes resulting from the Consolidated Appropriations Act of 2020, including which year(s) the changes take effect:

Stimulus payments. A second of stimulus checks are currently being sent out by the US Treasury to eligible individuals. The payment is up to $600 per individual, and $1,200 for a married couple filing jointly plus $600 per qualifying child under age 17. The payments will "phase out" when a single tax filer's 2019 adjusted gross income (AGI) exceeds $75,000 and when a married couple's (filing jointly) 2019 AGI exceeds $150,000. For single filers without children, payments go to $0 when 2019 AGI reaches $87,000; for married couples filing jointly, payments go to $0 when their 2019 AGI reaches $174,000. Payments are sent by the US Treasury via direct deposit into the same bank accounts used by individuals to file their 2019 Federal income tax returns. Individuals whose AGI was too large in 2019 to qualify for the first round of stimulus checks earlier in 2020 but whose income dropped enough during 2020 to qualify for the second round of stimulus checks can claim their payments when they file their 2020 federal tax returns this spring.

Unemployment compensation. The new law extends unemployment benefits. Although few federal employees lost their jobs during the COIVD-19 pandemic, some federal employees have spouses who may have lost their jobs during the pandemic and as a result, applied for and received unemployment benefits. Unemployment compensation is in fact considered taxable income and must be included as such on the 2020 Federal and in most states, state income tax returns. Any individual who received unemployment compensation during 2020 should receive a 2020 1099-G from their State Department of Unemployment Compensation. A copy of the 2020 1099-G will be sent to the IRS.

Flexible spending accounts. Many federal employees contribute to health care flexible spending accounts (HCFSA) that reimburse employees for out-of-pocket medical expenses, such as deductibles, co-payments, and coinsurance. Some employees also own dependent care flexible spending accounts (DCFSA) that reimburse employees for dependent care expenses, such as day-care center, nursery school and summer day camp expenses. Both the HCFSA and the DCFSA are run through FSAFEDS. During 2020, many HCFSA and DCFSA participants did not use up all of their allocated contributions to their HSCFSA and DCFSA accounts because of the COVID-19 pandemic.* The IRS has limited ability to ease FSA rules, particularly the "use or lose rule" with respect to HCFSA and DCFSA allocated funds. But Congress did modify the FSA rules. In particular, participants in HCFSAs and DCFSAs can carry over unused funds from 2020 to 2021 and 2021 to 2022. For DCFSAs, the law extends the age limit for utilizing an DCFSA from age 12 to age 13 for some carried over funds. The FSAFEDS program is currently reviewing and will be shortly issuing the modification of rules to its program.

Medical-expense deductions. The Consolidated Appropriations Act enacted a permanent threshold of 7.5 percent of adjusted gross income (AGI) for deducting medical expenses. Without this law change, the AGI threshold would have risen to 10 percent.

Retirement plan withdrawals. The new law has a permanent provision allowing victims of officially declared natural disasters (such as hurricanes, tornadoes, forest fires) to make withdrawals of up to $100,000 from IRA and defined contribution plan assets, such as the Thrift Savings Plan. Any IRA owner or retirement plan participant who makes such withdrawals has the choice of including the withdrawn assets in taxable income or repaying the assets to the IRA or to the retirement plan over a period of as long as three years. Also, for individuals younger than age 59.5 who make IRA and/or qualified retirement plan withdrawals, the IRS' 10 percent early withdrawal penalty does not apply.

Charitable contribution deductions. The Consolidated Appropriations Act extended and expanded charitable contribution deductions for individuals who take the standard deduction instead of itemizing their deductions on Schedule A of their Federal income tax return. The expansion applies to charitable contributions made during 2021. The expansion allows single individuals to deduct up to $300 in eligible contributions and allows married individuals filing jointly to deduct up to $600. For 2021, the deduction reduces 2021 Federal *taxable income* whereas during 2020 the deduction reduces 2020 Federal *adjusted gross income*.

The following charts present important key-inflation-adjusted tax numbers, Social Security benefits related numbers, and retirement-oriented benefits for 2021:

2021 Federal Tax Bracket Thresholds

Tax Rate	Single Taxable Income	Married Filing Jointly Taxable Income	Head of Household Taxable Income
10%	$0-$9,950	$0-$19,900	$0-$14,200
12%	$9,951-$40,525	$19,901-$81,050	$14,201-$54,200
22%	$40,526-$86,375	$81,501-$172,750	$54-201-$86,350
24%	$86,376-$164,925	$172,751-$329,850	$86,351-$164,900
32%	$164,926-$209,425	$329,851-$418,850	$164,901-$209,400
35%	$209,426-$523,600	$418,851-$628,300	$209,401-$523,600
37%	$523,601+	$628,301+	$523,601+

Long-Term Capital Gains, Qualified Dividends

Taxable Income

Tax Rate	Single	Married Filed Jointly
0%	Up to $40,000	Up to $80,000
15%	$40,401-$445,850	$80,801-$501,600
20%	$445,850+	$501,600+

2021 Estate and Gift Tax Exemptions

Exemptions

Estate & Gift Tax	$11.7 million per individual
Annual Gift Tax Exemption	$15,000 per recipient

2021 Social Security Changes

Maximum Taxable Earnings

	2020	2021
Social Security (OADSI only)	$137,700	$142,800
Medicare (Hospital Insurance Only)	NO LIMIT	NO LIMIT

SOCIAL SECURITY "Earnings Test" Exempt Amounts

	2020	2021
Under FRA (full retirement age)*	$18,240/yr ($1520/mo)	$18,960/yr ($1,580/mo)
The year an individual becomes FRA**	$48,600/yr ($4,050/mo.)	$50,520/yr ($4,210/mo.)

**One dollar in benefits will be withheld for every $2 in earnings above the exempt amount*

***Applies only to earnings for months prior to attaining FRA. One dollar in benefits will be withheld for every $3 in earnings above the exempt amount*

2021 IRA & Retirement Plan Contribution Limits

Retirement Plan Contribution Limits

Traditional & Roth IRA	Up to $6,000 (plus $1,000 for individuals over age 49)
Thrift Savings Plan (TSP)	Up to $19,500 ($6,500 for employees over age 49)

February 2021 Webinars:

Hosted by Ed Zurndorfer!

2/3/21: *Understanding Your FERS Benefits*

2/10/21: *Tax Planning Virtual Training*

2/11/21: *Understanding Survivor Benefits*

2/18/21: *Financial Planning Virtual Training*

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Source: uscp.gov

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Unless certain criteria are met, Roth IRA owners must be 59½ or older and have held the IRA for five years before tax-free withdrawals are permitted. Additionally, each converted amount may be subject to its own five-year holding period. Converting a traditional IRA into a Roth IRA has tax implications.

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