

Winter 2017

Cambridge Quarterly NEWSLETTER

A personal finance newsletter presented by Cambridge Credit Counseling



Inside This Issue...

Let's talk about your 401(k), okay?

*What you need to know to make a
career change at any age!*

STEP-UP YOUR NEW YEARS' FINANCIAL RESOLUTIONS:



TAX RETURNS:

SOME OF US GET OUR TAX RETURNS AS EARLY AS FEBRUARY. PLAN TO SAVE AS MUCH OF THEM AS POSSIBLE (IN A SAVINGS ACCOUNT!), EVEN THOUGH SPENDING IT ALL ON A LARGE, LUXURIOUS PURCHASE MAY SOUND ENTICING.

401(K):

IF YOU HAVEN'T STARTED ONE, NOW'S THE TIME! IF YOU HAVE, CONSIDER INCREASING YOUR CONTRIBUTION. REMEMBER, EVEN A SMALL PERCENTAGE COUNTS. DO THE MATH TO MAKE SURE YOU'RE NOT PAYING MORE THAN YOU CAN AFFORD. FUTURE YOU WILL THANK YOU!

401(K) BASICS

A 401(k) plan can be an important building block of your retirement. For more information, please visit: <https://www.irs.gov/retirement-plans/401k-plans>.

WHAT IS A 401(K)?

A 401(k) is an employer-sponsored retirement plan. It allows employees to invest a portion of their wages into an account (or several accounts) with the goal of saving for your golden years. So, instead of taking the money home in your paycheck, you're squirrelling it away for later. Studies show that the average American is signing up for a 401(k) later in life, and they are contributing less than the recommended amount for building an appropriate nest egg. The average contribution is just 3%, but experts suggest 10% to 15%! Why so little? Are we afraid of investing money in our future when it offers no immediate gratification? Or is it hard to spend money on something we can't see to prepare for circumstances we can't predict?

WHAT DO I NEED TO KNOW?

- Some employers will add to, or 'match,' your contributions. It's imperative that you do some research on what your place of business offers and MAXIMIZE this opportunity.
- Limits on the maximum you are able to contribute are adjusted each year. The maximum applies to the total contribution; it includes your employer's addition, as well.
- Except for Roth 401(k) plans, your contributions aren't taxed when you put money in; they are taxed when you make withdrawals during retirement. If you're in a lower tax bracket then, that could be a wise move.

401(k) plans have fees that most Americans are unaware of. There are three kinds of fees: Plan administration fees are for the day-to-day upkeep of your account, such as record keeping, legal services, and accounting. Investment fees are assessed as a percentage of the assets involved and pay for the managing of your plan investments. Individual service fees might be associated with options offered under your plan.

WHAT KINDS OF 401(K) PLANS ARE AVAILABLE?

Traditional 401(k)- The most common. Contributions to this plan are not taxed, and the maximum you can contribute for 2015-2017 is \$18,000. If you're 50+ you can make a catch-up contribution* of up to \$6,000.



Doreen White
Intake Specialist

AFTER 19 YEARS, WE DON'T KNOW WHAT WE'D DO WITHOUT DOREEN!
SHE IS A TREASURED RESOURCE FOR OUR HOUSING DEPARTMENT:

"MANY TIMES WHEN A HOMEOWNER CALLS INTO OUR OFFICE, THEY FEEL HOPELESS AND UNSURE OF THEIR OPTIONS. THIS IS WHERE I STEP IN; I TAKE THE TIME TO GO OVER THEIR OPTIONS AND COMMEND THEM ON TAKING THE FIRST STEP. I ALSO TRY TO MAKE THEM FEEL COMFORTABLE AND PROVIDE THEM WITH WORDS OF ENCOURAGEMENT. MOST IMPORTANTLY, IT GIVES ME GREAT SATISFACTION IN KNOWING I CAN MAKE A DIFFERENCE IN SOMEONE'S LIFE AND FAMILY."

SAVINGS ACCOUNT:

SIGN UP FOR A SAVINGS ACCOUNT IF YOU DON'T HAVE ONE ALREADY. RESEARCH BANKS TO FIND THE BEST DEALS FOR INTEREST RATES AND FEES. IF YOU ALREADY HAVE ONE, A SECOND BANK ACCOUNT COULD BE USED TO HELP YOU ACCOMPLISH YOUR NEW YEAR'S GOALS. VACATION ANYONE?

IMPORTANT DOCUMENTS:

DO YOU HAVE A WILL? THAT'S NOT ALL YOU'LL NEED IN THE EVENT OF AN ACCIDENT. SET UP OR UPDATE A BINDER FULL OF IMPORTANT DOCUMENTS IN PLASTIC SLEEVES TO PRESERVE YOUR WILL, INSURANCE INFORMATION, PROOF OF OWNERSHIP PAPERS, AND ANY OTHER INFORMATION FOR YOUR FAMILY.

Roth 401(k)- This is similar to a traditional 401(k). However, these contributions are taxed when they are made. You won't have to pay tax on them upon withdrawal. However, if your employer matches your contributions, those are considered pre-tax and will be taxed upon withdrawal.

Safe Harbor 401(k)- Also similar to a traditional 401(k). These allow small businesses to maximize contributions to their plans. Contributions are not taxed, and the maximum you can contribute for 2015-2017 is \$18,000. If you're 50+ you can make a catch-up contribution* of up to \$6,000.

SIMPLE 401(k)- Created for small businesses (fewer than 100 employees) to be able to provide a retirement plan for their employees. Contributions are not taxed, and there is a \$12,500 contribution limit for 2015-2017. If you're 50+, you can make a catch-up contribution of up to \$3,000.

*you don't need to be behind in your contributions to make a catch-up contribution.

CONTINUED ON BACK

CHANGE CAREERS SEAMLESSLY

Are you embarrassed to talk about your job? Do you feel like you're not being paid what you deserve, or worse, what you need to survive? Do you periodically check job listings with more intent than to 'just see what's out there'? Perhaps, your New Years' resolution is to change your career. If so, you're not alone. A study done by LinkedIn last year revealed that Millennials (born between 1977 and 1997) are on track to pursue four job changes before they turn 32. This could mean 15-20 career changes over their working lives. That same study found that those who graduated from college between 1986 and 1990 averaged about two career changes in their first ten years after graduation, often into completely different industries. So, if the average worker is changing jobs every 4.4 years, what do you need to know to make your next big move?

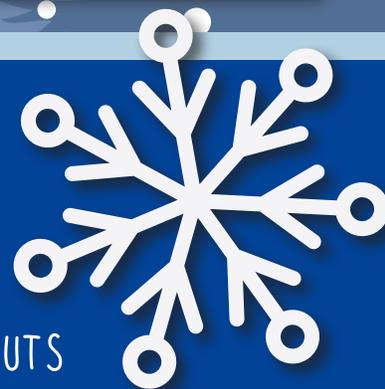
Find ways to repurpose your skills and passions. What are you good at in your current job? Are there passions or skills that you foster in your free time that you'd love to bring into your working life? Sit down and really examine yourself to find a move that's going to be worthwhile.

Action plan! So, you've done some soul-searching and found out what areas you'd like to pursue. Now it's time to get started. Make a plan that outlines the next steps you'll need to take to get where you want to go.

CONTINUED ON BACK

PRODUCE IN
SEASON FOR
JANUARY:

- 1.) BEETS
- 2.) BROCCOLI
- 3.) KALE
- 4.) POTATOES
- 5.) SWEET POTATOES
- 6.) POMEGRANATE
- 7.) ORANGES
- 8.) LEEKS
- 9.) CABBAGE
- 10.) BRUSSELS SPROUTS



CONTINUED FROM INSIDE [401(k)]:

WHAT HAPPENS WHEN I CHANGE JOBS?

If you're changing jobs, you have several options.

According to the IRA.gov website, you could:

- Roll over your account balance into your new employer's plan.
- Roll over your account balance into an Individual Retirement Account (IRA).
- If allowed by your former employer, you may leave your balance in its plan (although, for account balances below \$5,000, your employer may require you to close your account).
- Withdraw your account balance in a lump sum cash payout.

We *strongly caution* against the last option. It will reduce your retirement savings, which is after all, what you've worked so hard to build. It could also be costly, as you'll likely face tax consequences and an early withdrawal penalty charge. You could end up with much less than you anticipated.

AM I TOO LATE TO START?!

Heck no! The sooner you start saving the better. Begin immediately if you're able. Committing a small fraction of your paycheck (3%!) and then eventually increasing that amount will put you in a better place before you know it. Start small and see what you're able to afford. Try not to think about it in terms of another bill, payment, or deduction that you're making every paycheck. Think about it in terms of another bill, payment, or deduction that you're

Is there someone in your life struggling with debt?

Be sure to tell them that a simple, safe solution is available. Please refer your



1-800-CAMBRIDGE
www.CambridgeCredit.org

Cambridge now offers

Student Loan Counseling



Call (888) 661-7910

Talk to a Student Loan Counselor about options that may be available to help with your federal student loans.

Not available in all states.

making every paycheck. Think about it as a savings account that you're depositing money into. Don't wait for a 'better time'. Contact your employer to see when your open-enrollment period begins.

CONTINUED FROM INSIDE [Career Change]:

Do you need to start by shadowing positions or contacting professionals to see what their day-to-day occupation really looks like? Does your resume need a refresher? Will you need to save up to commit time to an apprenticeship? Remember, this might be time consuming and costly. Make sure that you're financially prepared for the big changes you're about to make, but don't let that hold you back. Do as much research as you can, and outline the steps necessary to make the big move.

Get certified or licensed. Not all career changes require going back to school, but some might favor applicants with certain certifications or licenses. Many websites offer free webinars and classes that will look good on your resume. Research what it would take to be an ideal candidate in the field that you've set your sights on.

Remember to act. Changing a career could feel like you're sitting at the base of a very large, very lush fruit tree. You're very hungry, so you reach up to pick a fruit, but you realize there are several good looking fruits; each fruit representing a career change. They all look delicious. Which one do you pick? The most important part about changing your career is to take a chance. Don't go hungry waiting for the fruit to fall. Change is scary, but the right career will be worth it.