Article #1

Money talks . . . Why don't we?

JUNE 10, 2016

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For many people, discussing money and finances is considered taboo. We tread carefully around topics that have the potential to make us uncomfortable. In some instances, silence is golden. But when it comes to sharing your expertise (or lack of it) about money management with friends and family, a little straight talk can go a long way.

A conversation about money—how to manage it, save it, and invest it—can increase your confidence about your financial decisions, bring different financial management techniques and tips to light, and provide affirmation that you're not the only one who may need help from time to time.

Start at home

Begin by taking stock of your own financial situation. Review your goals and make sure you're on track to reach them. If a discrepancy exists between what you *should* do and what you *actually* do, take action.

For example, if you want to save 12%–15% of your income (including your company match) for retirement, and you're currently saving 8%, schedule an annual automatic increase or commit to manually increasing your savings rate by 1% or more each year for the next four to seven years. Then hold yourself accountable. If you need help staying motivated, consider partnering with an investing coach who can help you stay focused.

> Looking for more than a conversation?
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Your financial house doesn't have to be perfectly in order before you broach the subject of money with someone you trust. You may be surprised that you're not the only one who makes impulsive purchases, struggles with prioritizing multiple savings goals, or reacts hastily to market volatility. Having an honest conversation with others can help you be honest with yourself so you can recognize both your strengths and opportunity areas.

For example, you may be a disciplined investor, but you struggle with indecision over choosing individual investments. Awareness of your tendency to "park" your savings in a money market fund will help you know what resources—online tools, questionnaires, or even advice services—to seek out.

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Article #1 (continued)

Now you're talking

Having an informal conversation with a friend or relative can increase your confidence and make you aware of new strategies (such as using a Roth IRA for tax diversification or saving for future healthcare costs in a health savings account) to potentially include in your financial plan.

Here are some conversation-starting ideas:

- Bring up a relevant news article or blog post you recently read and ask others about their take on the topic. (Visit vanguard.com for news or see what our experts have to say on the Vanguard Blog.)
- Talk about what motivated you to start saving for retirement, college, or other goals. Or, on the flip side, talk about what's holding you back from starting.
- Discuss a hypothetical situation. For example, 44% of those who have won large lottery prizes were broke within five years, according to a 2015 Camelot Group study. If you received a windfall, what would you do? (You may be surprised at how lively a discussion over a "what if" scenario can be.)
- Set the stage for a future conversation by sharing a news article with a friend or family member. When you're on vanguard.com, just click **E-mail** or **Share** at the top or bottom of the page.

Actions speak louder than words

You don't have to be an ambassador of financial awareness. Investing—and communicating honestly about your financial priorities, triumphs, and challenges—will not only motivate you, but also inspire others to think long-term.

Note:

- All investing is subject to risk, including the possible loss of the money you invest.

Article #2

PLANNING FOR RETIREMENT

IRA contributions: Should you catch up if you were never behind?

7 minute read • April 19, 2021

Planning for retirement | Save for retirement | Retirement | Retirement contributions | IRAs | Article | Page

At a glance

- Catch-up contributions can help investors make up for lost time or maximize their savings as retirement approaches.
- In 2021, the IRA contribution limit for investors age 50 and older is $7,000.
- Just because you can make a catch-up contribution doesn't mean you should—it depends on your unique situation.

Picture yourself in high school or college. You've studied thoroughly for a test and feel prepared. So when your friends ask you to join their study group, do you do it?

Let's get back to present day. The situation is similar, but the details differ: You've been saving for retirement and feel confident about the progress you're making toward your goals. So when you're faced with the opportunity to make a catch-up contribution, do you do it?

The catch-up question

Catch-up contributions are intended to help investors age 50 and older make up for missed investment opportunities during their working years. IRAs, employer-sponsored plans, SIMPLE IRAs, SIMPLE 401(k) plans, and even Health Savings Accounts (HSAs)* offer catch-up contributions, and you can make catch-up contributions to multiple retirement plans.

Most investors can benefit from maximizing their savings as retirement approaches. For example, if your IRA earns a 6% average annual return and you make an annual catch-up contribution of $1,000 starting the year you turn 50, these catch-ups could generate over $11,000 in investment earnings by the time you reach age 65—giving you an extra $27,000 of retirement income.**

In spite of this compelling hypothetical example, real life isn't hypothetical. And you're not "most investors." Your situation is unique, and it's important to understand your options before committing additional cash to a tax-advantaged account.

Article #2 (continued)

4 facts about IRA investing

1. In tax year 2021, you can make a $1,000 catch-up contribution—on top of the standard $6,000 contribution limit—to an IRA if you're age 50 or older. This means you can contribute a maximum of $7,000.
2. You can't contribute more than you earn in any given year, but if you're married and have no income, you may be able to open a spousal IRA to save for retirement.
3. The IRA contribution limit dictates how much each investor can save for retirement each year. You can divide your contribution among 2 or more IRAs—Roth, traditional, or a combination of both—but your total contribution amount can't exceed the limit.
4. Consider your modified adjusted gross income (MAGI) before making a Roth IRA contribution. Your income may disqualify you from contributing the maximum amount, or from contributing to a Roth IRA directly.

Consider catching up

If one or more of these statements describe your current situation, consider making a catch-up contribution in 2021.

- You need to make up for missed investment opportunities during your working years.
- Your income is high, and you want to lower your tax liability for the year through an IRA deduction.
- Your income is lower now than you expect it to be in the near future. In this case, consider contributing to a Roth IRA, which will provide you with tax-exempt income in the future when your tax rate is higher.
- Making a catch-up contribution fits into your budget and will help you reach (or exceed) your retirement savings goal.

Consider holding off

Making a catch-up contribution in 2021 may not be necessary (or in your best interest) if one or more of these statements describe your current situation.

- You're currently taking withdrawals from a retirement account (or you're ready to start).
- You anticipate needing the $1,000 catch-up contribution to cover other expenses in the next year.
- You've consistently saved for retirement, and you feel confident in your ability to reach (or exceed) your retirement savings goal.
- You have other savings goals, such as saving for a loved one's education, taking a vacation, or buying a home.

Article #2 (continued)

It's not all or nothing

For better or worse, you get to answer the catch-up contribution question every year from the time you're 50 until you stop working. Making (or skipping) an IRA catch-up contribution in any given year won't make or break your retirement dream; catch-ups are simply an opportunity to save more as retirement approaches.

If you're on the fence about what to do, consider making a partial catch-up contribution, or make a catch-up contribution in just your IRA (but not any other retirement accounts). You can also **partner with an advisor** who can give you a recommendation about catch-up contributions as part of your complete retirement plan.

Article #3

PLANNING FOR RETIREMENT

Don't feel left out of the FIRE movement

8 minute read • October 18, 2021

Planning for retirement | Early retirement | Vanguard news | Page

The FIRE movement is heating up, but you've kept your cool. Are you missing out?

The acronym and the investors

If you've ever considered early retirement, you could join the FIRE movement. FIRE stands for "financial independence retire early."

During their working years, FIRE investors invest as much of their income as possible in hopes of attaining financial independence at a young age and maintaining it for the long term—a.k.a. retirement. Their goal is to live off their investments so they're free to enjoy an independent lifestyle without needing income from a traditional job.

Not all FIRE investors have the same approach to financial independence. They don't necessarily work 70 hours a week, live in a tiny house, and eat ramen noodles every meal. The FIRE movement has a diverse following, and each investor has their own "rules" for pursuing financial independence and security.

How to think like a FIRE investor

The level of commitment to living frugally and investing aggressively varies by investor, but most FIRE investors adhere to the following best practices.

Plan ahead

Make a specific retirement goal. Start by asking yourself a few questions:

- What's my income?
- What's my current retirement balance?
- What's my savings rate (the percentage of income I'm saving)?
- What's my spending rate (the percentage of income I'm spending)?
- How do I envision my postretirement lifestyle? Do I think my spending rate in retirement will be higher, lower, or the same as it is today?
- How soon do I want to retire?

Our **advice services** can help you create and maintain a comprehensive financial plan that's tailored to your specific goals, or you can check out our **investment calculators and tools** to come up with your own investment strategy.

Article #3 (continued)

Avoid debt

Avoiding debt is good advice for anyone, but it's especially crucial to investors who'd like to live off their investments long-term. Bottom line: If you have debt, make a plan to pay it off. And don't take on any new debt, especially high-interest debt like credit cards.

For example, let's say you have a $5,000 credit card balance with an interest rate of 15%. If you pay $100 a month, it will take you about 6.5 years to pay it off, and you'll have paid almost $3,000 in interest—money that you could've been investing.

Reduce your spending

Here are some ideas for how to spend less, but the possibilities are endless:

- Drive a fuel-efficient car, and keep it until it dies.
- Go to restaurants and bars sparingly. Try entertaining at home, potluck style.
- Avoid spending money on activities and entertainment. Instead, consider hiking, visiting parks and libraries, and attending free community concerts.
- Shop infrequently—but when you do, buy generic and preowned items.
- Do occasional "no-spend challenges"—when you don't spend any money (or only spend money on true essentials) for a set period of time.

You'll be more successful spending less if you can get into the right frame of mind. Here are some ways to challenge that impulse to buy:

- Wait a set period of time before purchasing anything over a certain dollar amount. This will give you time to carefully consider how the purchase will impact your life and eliminate the temptation of instant gratification.
- Think about cost in terms of your time. Let's say you make $100 in tips after waiting tables from 5 to 10 p.m. on a Saturday night. Is a $20 shirt worth 1 hour of hard work on a Saturday night?
- Mean what you say (and say what you mean) using **fact statements**. Saying "I *don't* overspend on eating out because saving for the future is important to me" is more empowering than saying "I *can't* eat out because I want to start saving more."

Article #3 (continued)

Earn as much as possible

Take advantage of any opportunity to increase your income. That could mean taking a higher-paying job with less convenient hours or filling your spare time with a part-time job or freelance work.

Invest as much as possible

Once you establish your spending rate, try to push it even lower: If you can live on 80% of your income, maybe you can live on 75%. (Keep in mind, some FIRE investors live on as little as 30% of their income!)

Let's say you make $75,000 a year, invest 20% of your income from each paycheck for 15 years, and earn a 6% average annual return. After 15 years, your nest egg would be about $359,963. If you invested an additional 5% (or 25% of your income), your nest egg would be about $449,798—that's almost a $90,000 difference!*

*This example is hypothetical and does not represent the returns from any particular investment and the rate is not guaranteed.

Invest appropriately

Your asset mix affects your investment returns more than any other factor within your control. Choose an asset allocation that complements your goals, time horizon, and risk tolerance.

Do it your way

The best part of the FIRE movement is that it's *not* all or nothing. You can tailor your spending and saving behaviors to align with your goals. But even if you choose to follow just a *few* FIRE best practices, you can help improve your financial outlook over the long term.