HORIZONS

savingsplus
CALIFORNIA STATE EMPLOYEE 401(k) & 457(b) PLANS

IN THIS EDITION

Six Ways to Build Financial Resilience

This April, we invite you to celebrate Financial Literacy Month by growing your financial skills—and your savings. As 2023 began, 74% of Americans were living paycheck to paycheck, a survey found. More than half (54%) of survey respondents said their personal savings have decreased over the last year, with 65% citing inflation as the factor impacting their finances the most.[1]

As you continue to develop your financial skills, you're also building financial resilience. The more financially resilient you are, the better you can withstand events that impact both your daily life and future.

continued on next page

[1] SecureSave, 2023 Survey: Americans personal savings are plummeting as 74% are now living paycheck to paycheck

Six Ways to Build Financial Resilience (continued)

Here are six tips to help you build financial resilience:

1 Keep track of cash flow

Do you know how you spend your money each month? If not, it can be easy to overspend. Starting and sticking to a budget can help you better track spending. A budget can also help identify where you may be able to cut costs to meet your savings goals.

2 Consider your purchases

Are you paying for a gym membership you don't use? Burning up cash on multiple subscription services you don't need? Spending more than your budget allows on unplanned splurges? Spending less on these discretionary items could give you an instant cash flow boost.

3 Eliminate debt

If you have a high debt-to-income ratio, any type of financial crisis can quickly increase the strain on your wallet. Start paying off debt with the highest interest rate and work your way toward eliminating the rest.

4 Create and maintain an emergency savings

Prepare for emergencies and unexpected costs by creating an emergency fund ahead of time. Financial experts recommend that those still in the workforce maintain funds that could cover three to six months of expenses. For retirees, experts recommend an emergency fund that can cover up to two years of expenses—this can help prevent you from liquidating assets in the face of unexpected costs.[1]

5 Create a long-term savings plan

Growing your savings and creating a long-term plan can help you achieve your goals—and live your retirement adventure. Consider an increase to your Savings Plus contributions to help you feel confident that what you're doing now can positively impact your longer-term goals.

6 Be aware of fraud

Setting up your online account with a unique username and password gives you the ability to easily monitor your account transactions and update your contact information. If you notice suspicious activity in your Savings Plus account(s), contact the Savings Plus Solutions Center at (855) 616-4776 immediately.

Join us for live webinars on budgeting, building your savings, retirement planning, and more. To access webinars and on-demand videos, scan the QR code or visit **savingsplusnow.com** and select the ***Webinars and Videos*** tile.

[1]SmartAsset, "How Much Should You Have in an Emergency Fund?" Published July 27, 2022. https://smartasset.com/financial-advisor/how-much-should-you-have-in-an-emergency-fund

What changed under SECURE 2.0 Act?

Passed in late 2022, the SECURE 2.0 Act provides a slate of changes that could help strengthen the retirement system—and your financial readiness for retirement. The law builds on earlier legislation that removed obstacles to help you save for retirement and stretch your savings. SECURE 2.0 offers dozens of provisions that could help you have even more control over your financial future.

While some SECURE 2.0 provisions will come into effect over the next several years, here are the SECURE 2.0 changes that could affect you in the near future:

- **Age requirements for Required Minimum Distributions (RMDs).** Under SECURE 2.0 Act, age requirements for RMDs increased from age 72 to age 73. The good news: Savings Plus takes care of RMDs on your behalf when you turn 73, so you don't have to worry about setting up RMDs for your 401(k) or 457(b).
- **Tax treatment for catch-up contributions.** If you're making catch-up contributions to your 401(k) or 457(b), you may be affected by a change requiring Roth tax treatment for contributions over the regular contribution limit, which is currently $22,500 per plan for 2023. The Roth tax treatment will likely impact you if your annual income is over $145,000 **and/or** you plan to make a lump-sum separation pay contribution to your 401(k) and/or 457(b) Plans. Eligible participants who earn less than $145,000 may still make catch-up contributions on a pre-tax basis. The new Roth tax treatment is effective for taxable years after December 31, 2023.

We'll keep you in the know as more relevant information becomes available. Stay up to date at **savingsplusnow.com**.

Pre-tax vs Roth

Did you know that you can contribute to your Savings Plus retirement accounts in multiple ways? Savings Plus offers both pre-tax and Roth 401(k) and 457(b) plans.

Pre-Tax

When you make a pre-tax contribution to your Savings Plus 401(k) and/or 457(b), **your contribution is invested before taxes are deducted.**

However, when you make a withdrawal or begin taking distributions in retirement, you'll pay taxes on your initial contribution *plus* any growth that your account has gained.

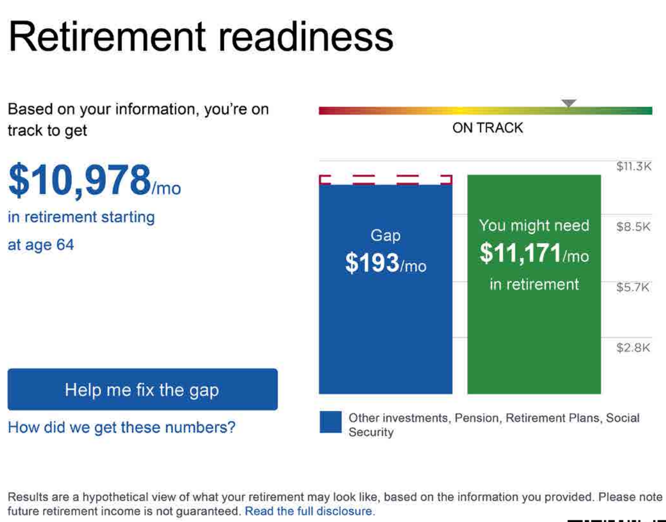
Roth

A Roth contribution is the opposite of pre-tax—**income taxes are deducted from your contribution *before* it's invested** into your Savings Plus Roth 401(k) and/or Roth 457(b) account.

Once you begin taking distributions, you won't pay taxes on income from your Roth retirement account, including any gains your account has made.[1]

Whether you select Pre-Tax or Roth, your decision can have consequences for your current and future tax liability. Before making this selection, consider consulting your tax preparation specialist. To learn more about pre-tax and Roth, scan the QR code.

[1] Contributions and earnings distributed from a Roth 401(k) or 457(b) account are not taxable if the distribution is made after five or more years after the January 1 of the first year a Roth contribution was made to the Roth 401(k) or 457(b) account AND the distribution is made of attainment of age 591/2, death, or disability.



MIRP enhancements

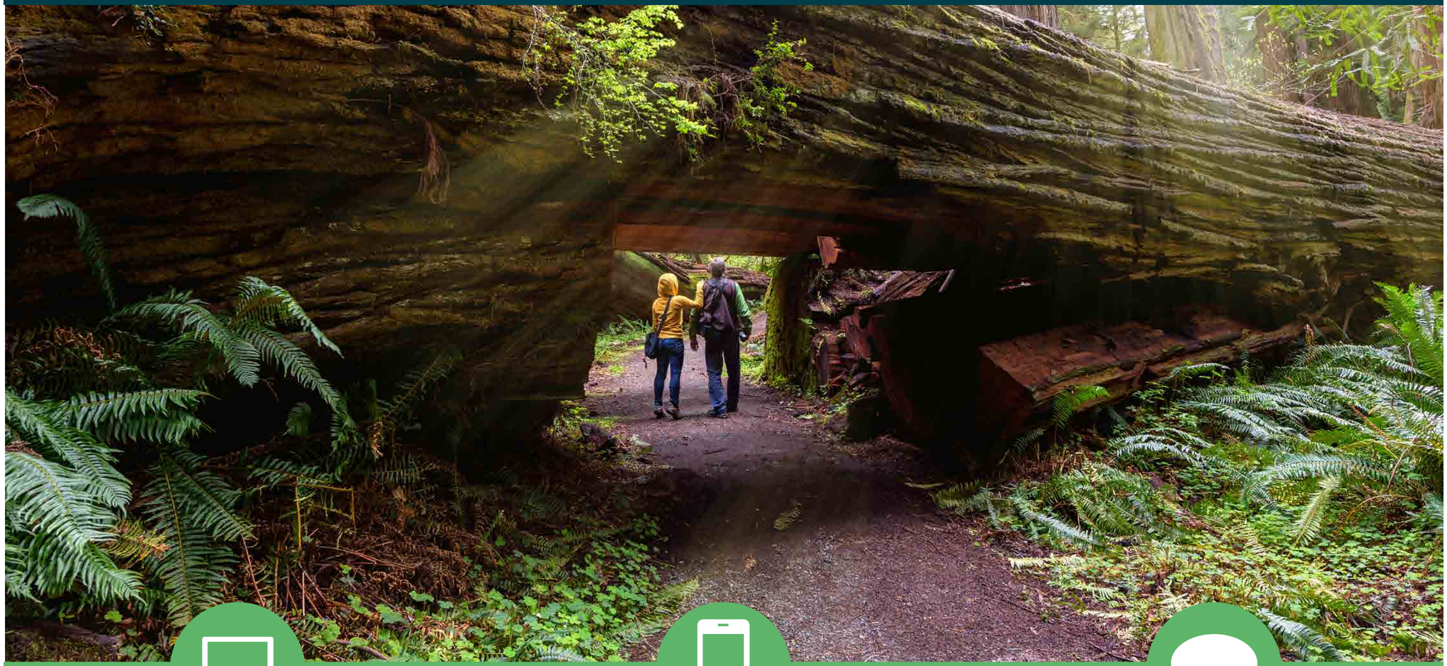
As of 2021, 60% of non-retirees feel like their retirement savings aren't on track for retirement, according to the Federal Reserve.[1] Use our **My Interactive Retirement Planner (MIRP)** tool to evaluate whether you're on track for retirement. New enhancements to MIRP help you better calculate the impact taxes and inflation will have on your income in retirement.

Scan the QR code or log into your online account at **savingsplusnow.com** to access MIRP and your Retirement Readiness Report and Detailed Income View.

[1]Federal Reserve, "Economic Well-Being of U.S. Households in 2021." Published May 2022.

WHAT'S YOUR ADVENTURE?

Both your definition of "adventure" and your retirement goals are unique. Send photos, videos, and stories that define your adventure to Taylor.Schultze@calhr.ca.gov for a chance to be published in future issues of the Horizons newsletter. For more information, reach out to Taylor Schultze.



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