FOURTH QUARTER 2023

# HORIZONS

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

IN THIS EDITION


Eight ways to boost your financial fitness in 2024

How can contributing to your plan affect your tax bill?

2024 tax checklist

Increased 2024 IRS contribution limits offer more opportunity to save

Five ways to tackle student loan repayment

How could the SECURE 2.0 Act affect you in 2024?

New year, new you — on a budget


## Eight ways to boost your financial fitness in 2024

As we ring in 2024, many Americans will use the start of the new year to reflect on what they hope to achieve in the coming months.

As you're making your resolutions for the new year, here are eight financial wellness goals to consider:

1 **Track your spending and start or refine your budget.**

One of the keys to achieving financial wellness is making a budget — and sticking to it — as you work to gradually increase your income. The first key to saving is knowing where you're spending. Use our **budgeting resources** to start or refine your budget.

# Eight ways to boost your financial fitness in 2024
(continued)

## 2 Rent or borrow instead of buying.

Before making a new purchase, investigate opportunities to rent for cheap — or, even better, to borrow for free! Check your local library before ordering paperbacks, DVDs, and audiobooks to save on book costs or subscription services. Got a home improvement project? You can borrow tools from friends or family members or see about renting from a hardware store.

## 3 Check in on your retirement readiness.

Experts suggest that you'll need 80 to 90%[1] of your pre-retirement income to maintain your lifestyle in retirement. Our **My Interactive Retirement Planner tool** can help you evaluate whether you're on track to meet your financial needs in retirement. The tool also evaluates any gaps you may have with your pension and any assets outside of your Savings Plus plan.

## 4 Reduce and reuse.

This practice applies to more than just recyclables: Secondhand toys, furniture, and home décor items can save you a bundle.

## 5 Invest time in your financial education.

Savings Plus offers webinars and online resources on a range of topics, including Nearing Retirement and Save Like a Millionaire. Visit **savingsplusnow.com** to access **webinars and other resources**.

## 6 Eat more meals at home.

Each month, Americans spend an average of $166 per person dining out.[2] In 2024, consider swapping one or two of those restaurant meals with a home-cooked lunch or dinner. Decreasing your spending won't be the only benefit: Sitting down to a home-cooked meal offers family members, partners, or roommates a great opportunity to pause from their busy schedules and connect with one another.

## 7 Review your investments.

Reviewing your investments at least once a year can help you evaluate whether your current allocations still meet your needs. Sign in to your account at **savingsplusnow.com** today.

## 8 Review your account information.

Like reviewing your investments, we recommend reviewing your account information once a year to help ensure that your contact information, beneficiaries, and more stay up to date. To review your account, sign in at **savingsplusnow.com**.

[1] U.S. Dept of Labor, "Taking the mystery out of retirement planning." https://www.dol.gov/sites/dolgov/files/ebsa/about-ebsa/our-activities/resource-center/publications/taking-the-mystery-out-of-retirement-planning.pdf

[2] "The Diner Dispatch: 2023 American Dining Out Habits," USFoods.com, usfoods.com/our-services/business-trends/american-dining-out-habits-2023.html.

# How can contributing to your plan affect your tax bill?

Contributing to your Savings Plus plan(s) not only can help you reach your retirement goals; it also can affect your annual tax bill. Your plan offers two ways to contribute, which can affect your taxes differently.

## Pre-tax

Your plan offers tax-deferred, also known as pre-tax, options. This means that when you contribute to your plan, you don't pay any taxes on the money you contribute — or any gains, interest, or dividends the plan produces — until you withdraw from the account.

Because contributions to a tax-deferred plan come out of your paycheck before it's taxed, you won't pay income tax on those contributions. They can also help reduce your adjusted gross income, meaning when you go to file your tax return, you'll be able to report a lower number, which means fewer taxable dollars.

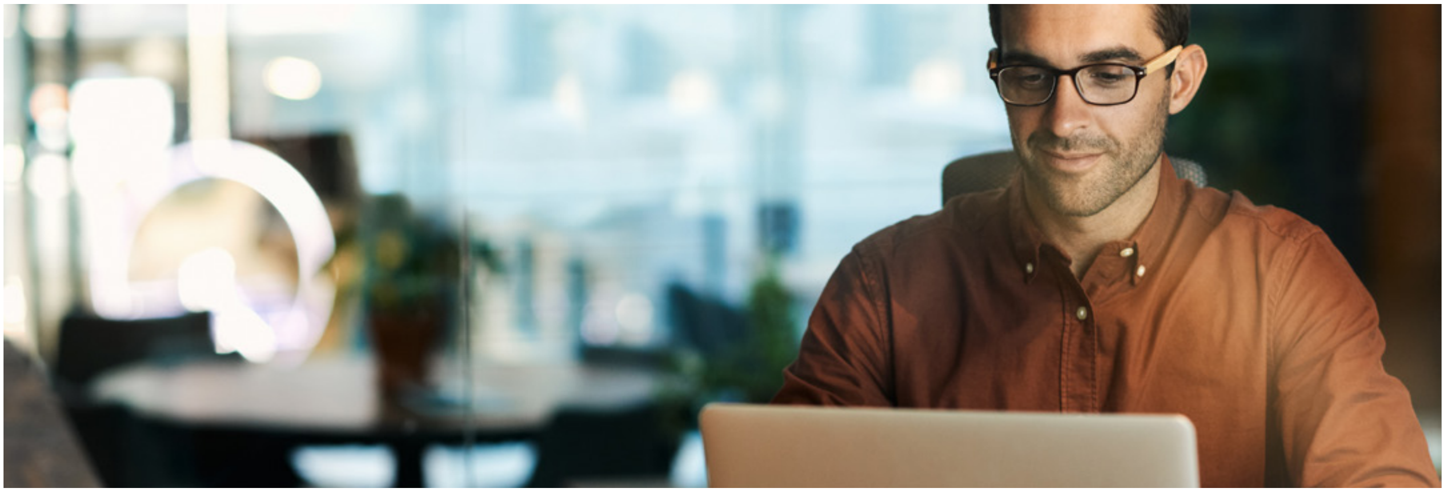
Additionally, it is likely that you'll find yourself in a lower tax bracket when living in retirement than when you were employed. This means that once you withdraw your savings and are taxed on your earnings and contributions, you'll likely be taxed at a lower rate than what you currently pay as a full-time employee.

## Roth

Savings Plus also offers Roth investment options. When you contribute to a Roth 401(k) and/or 457(b), you fund your account with money that's already been taxed in exchange for tax-free withdrawals in retirement. This includes any earnings your money makes while it's in your plan.

Additionally, if you've left your employer by the age of 59½, you may be able to withdraw funds without penalty. In this case, you would only be responsible for paying applicable income taxes on anything you withdraw.

**You can get a head start on next year's tax season by increasing your contributions. Use our My Interactive Retirement Planner℠ tool to evaluate how an increase can affect your retirement readiness and tax bill in retirement. To learn more, check out our article comparing pre-tax vs Roth.**



# 2024 tax checklist

Tax Day is Monday, April 15! Whether you're hiring a professional or doing it yourself, taking the time to gather documents now will ensure that you have everything you need to claim the tax deductions and credits available to you. Review this checklist of common information and documents you'll likely need when filing.

- **Personal information**, such as your Social Security card, bank account and routing numbers, and copies of last year's federal and state tax returns. If you, your spouse, or a dependent have been issued an identity protection PIN by the IRS, you'll want to have that handy, as well.
- **Proof of income**, which could include W-2 forms, 1099 forms, alimony received, records of cryptocurrency transactions, jury duty pay, or cancellation of debt.
- **Deductions** such as medical bills, real estate taxes, charitable donations, state and local taxes, and retirement account contributions. Teachers and other eligible educators can also deduct up to $300 spent on classroom supplies.
- **Tax credits**, such as child care costs, expenses for higher education (requires Form 1098-T), or adoption costs. Contributions to a 401(k), a similar employer-sponsored plan, or an IRA may also allow you to claim a retirement savings contributions credit.
- **Records demonstrating proof of loss**, such as stocks or other investments that became worthless or records of non-business bad debts that are not collectible.

Keep in mind that this checklist covers issues common to most filers, but you should be prepared to tailor your preparation to your unique situation. For questions, reach out to a tax professional.

# Increased 2024 IRS contribution limits offer more opportunity to save

The IRS sets limits on the amount that employees can contribute to their retirement plans. In 2024, contribution limits will increase, offering you the opportunity to contribute more to your retirement plan.

**Contribution limits for 2024**

| | 401(k) | 457(b) |
|---|---|---|
| Regular deferral | Up to $23,000 | Up to $23,000 |
| Age 50+ catch-up | Up to $30,500 | Up to $30,500 |
| 3-year 457(b) retirement catch-up | N/A | Up to $46,000 |

Source: irs.gov

To increase your contributions, log in to your account at **savingsplusnow.com**. Want to see how an increase could affect your retirement readiness? Use our **My Interactive Retirement Planner tool** to project how increasing your contributions could affect your income in retirement.

# Five ways to tackle student loan repayment

After more than a three-year pause, many Americans are again faced with the responsibility of repaying their student loans. If you're struggling to fit these payments back into your budget, here are some tips to help you stay on track without sacrificing your other financial goals.

1 **Enroll in an income-driven repayment plan.**

These programs will limit your monthly student loan payment based on your discretionary income, family size, and the type of repayment plan you choose.

2 **Seek loan forgiveness opportunities.**

There are dozens of loan forgiveness programs available that may be able to help reduce your student loans. These programs include Total and Permanent Disability Discharge, Closed School Discharge, and Borrower Defense to Repayment. You may also be eligible for Public Service Loan Forgiveness (PSLF). PSLF is available to many full-time employees of U.S. federal, state, local, and tribal governments who meet certain requirements. For more information on PSLF, visit **studentaid.gov**.

3 **Consolidate multiple student loans into one payment.**

Many borrowers with multiple federal student loans are eligible to combine their debt into one loan with a single monthly payment. This includes loans from different loan servicers. For those with private student loans, you may qualify for a lower interest rate by consolidating, because private student loan rates vary by lender based on the borrower's creditworthiness.

4 **Refinance your student loans at a lower rate.**

Refinancing at a lower interest rate can help you pay off your loans faster and reduce monthly payments. To increase your chances of getting a lower interest rate when you refinance, work on building your credit score before you apply, or consider enlisting the help of a creditworthy co-signer. It's also a good idea to compare interest rates across multiple lenders to ensure that you're getting the best repayment terms possible.

5 **Maximize your employer's retirement savings match.**

Although saving for retirement may feel impossible when faced with significant student loan debt, you still owe it to yourself to plan for your financial future. By contributing enough to your retirement savings to earn your employer's full match, you can capitalize on the money you're putting toward retirement without losing extra dollars from your own pocket. Our **Paycheck Impact Calculator tool** can help you evaluate how a contribution or increase could affect your current income, so you can stay within your budget and continue planning for the future.

# How could the SECURE 2.0 Act affect you in 2024?

The SECURE 2.0 Act was designed with the goal of "Setting Every Community Up for Retirement Enhancement" by increasing the number of retirement plans offered and the participation rates within them. The act was passed by Congress in December 2022, but SECURE 2.0 provisions will go into effect over the next several years.

Here are the provisions to look out for in 2024:

**Required minimum distributions** — Under SECURE 2.0, the age requirement to begin taking required minimum distributions (RMDs) increased from age 72 to age 73. This change affects all tax-advantaged retirement accounts, including your Savings Plus plans.

**Roth RMDs** — Also beginning in 2024, if you have money invested in a Roth 401(k) and/or 457(b), you are no longer required to take RMDs on that portion of your Plan account.

**RMD surviving spouse election** — A surviving spouse may elect to be treated as the deceased employee for purposes of RMD rules.

**Withdrawals for survivors of domestic abuse** — Survivors of domestic abuse can make penalty-free withdrawals from their Savings Plus 401(k) and/or 457(b) plan. Under this SECURE 2.0 provision, survivors may withdraw the lesser of $10,000 or 50% of their vested account balance without penalty. Any withdrawals made this way may be repaid within three years. To qualify, participants must self-certify that they experienced domestic abuse.

**Questions about how the SECURE 2.0 Act might affect you? Contact the Solutions Center at 1-855-616-4776 or 1-800-848-0833 (TTY) Monday through Friday 5 a.m. – 8 p.m.**

# New year, new you — on a budget

With January being a time for resolutions, this often means it's a time for spending — over 50% of people who make a New Year's resolution will make a purchase to support that resolution. In one study, more than 40% of respondents said they would spend between $100 and $500 on resolution-related materials.[2]

While a new year might mean a new you, it doesn't have to mean new spending. Review these tips on how to prevent three of the most common New Year's resolutions from breaking the bank.

**Exercising more** — Many Americans' first instinct for upping exercise may be to sign up for a fancy new gym. Unfortunately, many memberships come with a high price tag, and often require an extended commitment. Instead, consider lower-budget alternatives such as at-home workout classes and free online training programs. If you prefer a workout space, look for fitness studios that offer free classes to first-timers, allowing you to sample different kinds of workouts and find what suits you best. You may also look for gyms that offer month-to-month memberships.

**Eating healthier** — While many meal kit services boast beginner-friendly convenience, the price tag isn't always so friendly. Before dropping major bucks on a meal kit subscription, refer to online tips for do-it-yourself meal prepping. By setting aside just an hour or two a week to prepare large-batch breakfasts, lunches, and dinners, you can avoid those last-minute meals made or bought in a pinch — which also tend to result in less nutritious choices.

**Spending more time with friends and family** — For many, spending time with the people we love often becomes synonymous with spending money — dinners, movies, traveling to visit family or friends. Consider low- or no-cost alternatives that can still help you spend time with the ones you care about, such as going on a walk, visiting a farmer's market, or watching a show or movie at one of your homes. Missing someone far away? Try setting up a virtual date to catch up, play a game together or cook together at the same time.

[2] "Make sure spending doesn't trip up your New Year's resolutions," Kelli Grant, cnbc.com/2018/12/31/how-much-people-spend-to-keep-new-years-resolutions.html (Dec. 31, 2018).

## WEBINAR SPOTLIGHT

Budget Like a Champ
January 29, 2 - 3 p.m. PT

Whether you are new to creating a budget or have been budgeting for a while, this webinar has tools and tips to help you. Learn the importance of tracking expenses, ways to cut spending, and how to plan for future expenses. Register now.

## MOBILE APP AVAILABLE

Manage your account on the go with our mobile app. Download the My Retirement® app from the Google Play Store and Apple App Store today.

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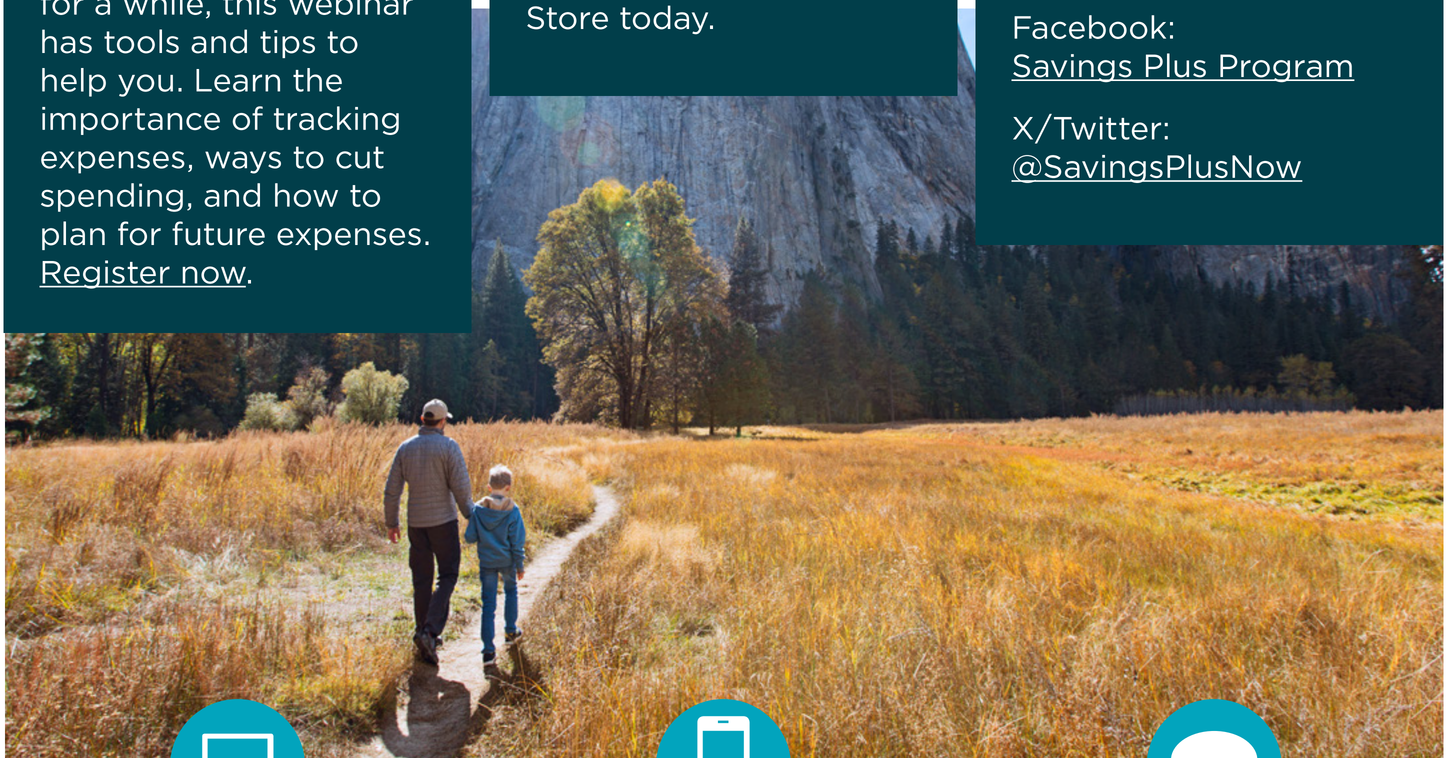

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**Savings Plus Solutions Center**
(855) 616-4776
(800) 848-0833 (TTY)
5 a.m. – 8 p.m. PT

**Savings Plus Walk-In Center**
1810 16th Street, Room 108
Sacramento, CA 95811
8 a.m. – 5 p.m. PT

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