OPPENHEIMER

INVESTOR UPDATE

We're sending you this newsletter to keep you informed of some of our thoughts and ideas. Let us know if you have any questions about the topics in this newsletter or if you want to discuss anything about your account.

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Retirement Planning for Two?

Use Teamwork and Communication

Nowadays, most of us live in a two income household – where both spouses accumulate assets in separate employer-sponsored retirement accounts.

Even when your retirement assets are in different accounts, it's still possible to design a retirement strategy that works for your future together. Open communication and teamwork are especially important when it comes to saving and investing for retirement.

Use two employee-sponsored plans to your advantage.

IRAs and an individual's, tax-deferred retirement plan accounts in 401(k)s, 403(b)s, and other employer retirement plans can only be held in one person's name. Although it would be your spouse who is, typically, listed as the beneficiary, and would therefore inherit the account should the worst happen. Taxable investment accounts, on the other hand, can be held jointly.

While it may seem cumbersome to manage two accounts, sharing each other's plan information and coordinating investments might actually help build more wealth over time.

Here's how: your spouse's plan may offer a broad selection of investment options, while yours is limited. With a joint strategy, you can agree on an appropriate asset allocation for your combined savings, and your contributions are invested in a way that takes advantage of each plan's strengths and avoids weaknesses.

Additionally, managing separate portfolios allows you to accommodate your own individual risk tolerances. In other words, one of you may be more comfortable with market volatility than the other.

In 2018, the maximum dollar contribution to a 401(k) or 403(b) plan is $18,500 ($24,500 for those age 50 and older), and it is often the case that employers match contributions up to a set percentage.

Important note: Asset allocation is a method to help manage investment risk; it does not guarantee a profit or protect against loss.

What if my spouse doesn't have a work-sponsored plan?

Some stay-at-home parents, those who are taking some time off, or anyone who isn't an active participant in an employer-sponsored plan, may be worried about keeping retirement savings on track.

DID YOU KNOW...

As the working spouse you can contribute up to $5,500 to your IRA and up to $5,500 more to a non-working spouse's IRA (in 2018), as long as your combined income exceeds both contributions and you file a joint tax return. An additional $1,000 catch-up contribution can be made if you're 50 or older.

Contributing to the IRA of a nonworking spouse offers married couples a chance to double up on retirement savings and might also provide a larger tax deduction than contributing to a single IRA.

Withdrawals of pre-tax contributions and earnings from tax-deferred retirement plans are taxed as ordinary income and may be subject to a 10% federal income tax penalty if withdrawn prior to age 59½, with certain exceptions as outlined by the IRS.