Subject: Greenleaf Newsletter: Credit Scores Still Matter in Retirement. Plus, Catch-Up Contributions Set to Change in 2024.
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Hello Greenleaf,
Welcome to Our Client Newsletter

In the July Issue:

- **Catch-Up Contributions Will Be Roth-Only Soon for Some Employees.**
- **Do I Need Good Credit Scores in Retirement?**
- **Market News: Stocks Respond to Positive Economic Data.**

Catch-Up Contributions Set to Change Next Year

High Earners Catch-Up Dollars Must Go Into Roth Workplace Plans

Starting in 2024, employees ages 50 and older that also earned more than $154,000 in 2023 must direct their catch-up dollars into after-tax Roth 401k or Roth 403b accounts. The catch-up dollars can no longer go into Traditional (pre-tax) workplace plan accounts.

For high-earners, this

Question:

I'm retiring next year with my mortgage paid off and no debts. I'm thinking of closing most of my credit cards, which I know will alter my credit score negatively.

Since I don't plan on borrowing money in the future, do I need to maintain a good credit score in retirement?

Answer: Yes, even if you don't plan on a future mortgage or car loan or home equity line of credit,

Market News: Stocks Rise as Inflation Ebbs

The U.S. stock market rose in July as investors increasingly believe that central bankers will be able to tame inflation without causing a recession.

Shares of home builders and suppliers have jumped upon these glass-half-full expectations. Financial stocks have also rallied, recently moving into positive territory for the first time this year as fears of further bank change means the loss of a valuable current year tax break. However, it also means the chance to accumulate tax-free retirement assets.

Congress included this change in a bill they passed in December 2022. The maximum catch-up contribution for 2024 has not been announced, but it is $7,500 this year.

Although this change is disappointing to those who expect to be in a lower tax bracket in retirement, the requirement has a silver lining. Roth dollars can be used strategically in retirement. For example, these dollars can be spent in years when tapping traditional 401k or IRA accounts would result in a higher tax bracket or higher Medicare premiums.

Roth accounts also have tax advantages for heirs as beneficiaries' inherited Roth withdrawals continue to be tax-free.

Since Roth IRA (not 401k) income limits preclude many high earners from saving each year in a Roth IRA, the ability to save in a Roth 401k or Roth 403b is an excellent substitute.

For 2023, single taxpayers are allowed a full Roth IRA contribution only if their

your credit score matters.

Credit scores are often used in setting auto and home insurance premiums and they can impact whether you are accepted into an assisted-living facility, among other considerations.

Retirees and older Americans should continue to maintain good credit scores. If you want to save money, a good score will help. Cellphone plan providers frequently use credit scores, for example. Retirement communities will also require higher security deposits for those with only moderate scores.

To maintain a credit score of 700 or higher, we recommend the following:

Put All Bills on Autopay

On-time payments are critical to a good credit score. However, if you miss paying even a small bill while you are traveling in Spain or you are late paying a utility bill because you struggle with daily tasks due to cognitive or physical decline, your score may immediately drop by 60 or more points. Getting it back up may take years. Take this opportunity to enroll all your regular and annual bills in an autopay program.

Keep Credit Cards Open

The longer you've had credit cards, the better your score. Resist the urge to tidy up too

failures recede.

Most importantly for investors, the market's recent gains have not come from just a few AI-related tech stocks. Instead, gains have come from a variety of sectors, including utility, energy, and other value stocks, as well as small companies. Broader participation among different sectors is generally a sign of strength.

Of course, expectations for the course of the stock market rarely match the future. Although the worst-case scenario is no longer the prevailing expectation, further economic contraction is entirely possible.

In addition, much of the stock market is trading at historically high levels, which could dampen further gains. The S&P 500 Index recently traded at 19.7 times its projected earnings (for the next 12 months) compared with a 10-year average of 17.7 according to FactSet.

Although we don't see a recession in the near future, we have positioned your accounts for a variety of economic modified adjusted gross income is below $138,000. A lower contribution is permitted for income between $138,000 and $153,000. Married filing jointly taxpayers must be below $218,000 to make the maximum Roth IRA contribution. Partial contributions are allowed for incomes between $218,000 and $228,000.

However, it's possible that this catch-up contribution change will be delayed. More than 200 employers, payroll providers, and workplace plan administrators -- including Delta Air Lines, Anheuser Busch, and Fidelity Investments -- have asked Congress for a two-year delay. Citing the logistical challenges of identifying who earned more than $145,000 the prior year, many also noted that a large number of plans do not yet offer a Roth feature. Some 30% of Fidelity's 24,800 401k clients will need to add a Roth option before the new law begins.

Furthermore, some retirement plans, such as those for state employees in Idaho, can't add a Roth feature unless their state legislature passes new laws allowing them.

A delay, therefore, is quite possible. We are watching all developments and will be in contact with our impacted clients as the year progresses.

Resist the urge to tidy up too much and the desire to close decades-old accounts, even if they are inactive. Credit scores are designed to reward borrowers for a mix of loans and if your mortgage and auto loans are paid off, then credit cards are necessary to keep your score up.

Use Your Cards Regularly
Even if you like paying by debit, cash, or check, you should charge some expenses every month. You don't need to carry a balance -- paying off your credit cards each month is still financially sound -- but the often counter-intuitive nature of credit scores means it's important to show that someone is willing to loan you money regularly, even if it is only for a month.

In conclusion, there are advantages to using credit wisely and regularly throughout your life. You may feel the urge to do otherwise, but it's important to keep playing the credit score game by the credit score game's rules.

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for a variety of economic conditions nonetheless. The economy is not a monolith -- it is iinfluenced by many, many factors, including worker skills, trade skirmishes, post-pandemic production distortions, fiscal policies, resource availability, and unexpected events. In the near term, we can only accurately predict that stock and bond markets are unpredictable.

Over the long term, staying invested is the path with the highest probability of success. Therefore, it is our core approach with customizations for our clients' specific life circumstances.

As always, we are happy to discuss your investments with you. If you have a question or a concern, please contact us!

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