RETIREMENT REPORT

County of San Mateo, CA | Deferred Compensation Plan

Fall 2022

Rekindle the Romance

Your 457 Plan Offers You Valuable Benefits You Just Can't Find Anywhere Else

In the midst of economic adversity, market volatility, geopolitical uncertainty and a host of other things (including a still-active pandemic, now in its third year), it can be hard to find a silver lining. However, there is one thing that keeps showing you some love every day — your 457! Here are some tips to remind you why you got together in the first place — and help keep the romance alive.

Your Savings Are Automatic

With your 457 plan, you're following the core financial planning principle of "pay yourself first." Money is deposited from your paycheck to your account without you even having to think about it. It doesn't get much easier than that.

Tax Savings

You can defer paying income tax on up to $20,500 that you save in a 457 plan in 2022. A worker in the 24% tax bracket who saves this amount could reduce their tax bill by $4,920. Income tax won't be due on this money until it is withdrawn from the account. Workers who earn less than $34,000 in 2022 ($68,000 for couples) might additionally qualify for the saver's credit, which is worth between 10% and 50% of 457 contributions up to $2,000 for individuals and $4,000 for couples. The biggest saver's credits go to workers with the lowest incomes.

Savings on Top of Savings

Employees who are age 50 and older are eligible to contribute an additional amount (called a catch-up contribution) to 457 plans. The 457 plan catch-up contribution limit is $6,500 in 2022. That means older workers can defer paying income tax on up to $27,000 in a 457 account. As a result, someone in the 24% tax bracket could potentially reduce their current tax bill by $6,480.

Your Money Goes Where You Go

If you leave your employer for any reason, you can take your vested balance with you. It's fully portable, and you can roll it into an individual retirement account or a new employer's 457 plan (if allowed).

Account Management Made Easy

Your recordkeeper (Empower Retirement) provides you with comprehensive account access where you can view your balance, perform transactions and talk to a call center representative for guidance. On top of that, you can view retirement planning education materials and calculators, and likely even model various saving scenarios and assumptions to help gauge your progress toward retirement readiness.

The stock market will always have its ups and downs… but in the end, your 457 is your partner for life!

Taking a Hike

Four Ways Interest Rate Hikes Can Affect Your Finances — and How to Manage It

Unless you live on another planet, you are fully aware of this thing called inflation — whether you're at the grocery store, a gas station, buying clothes online, hiring a contractor or doing almost any other thing that requires spending money for something. Earlier this year, the Federal Reserve started raising interest rates to rein in inflation, which reached another 40-year high in June. By raising rates, the Fed hopes to slow the economy and inflation. That's because as borrowing becomes more expensive, consumers tend to reduce spending. The drop in demand for goods eventually leads to lower prices.

The Fed doesn't set interest rates on credit cards, mortgages, auto loans, and savings accounts, but its actions influence those rates. Here are four ways interest-rate hikes can affect your finances and how to deal with the impact:

1. Credit Cards

Most cards charge a variable rate that's tied to the bank's prime rate — the rate banks charge their best customers (many consumers pay an additional rate on top of prime, based on their credit profile.) Banks typically raise their prime rate quickly after the Fed boosts its key rate. HIKING TIP: It may take a couple of statements before you notice the impact of a rate increase. Start paying down any balance before rates get much higher, focusing on the card with the highest rate first.

2. Mortgages

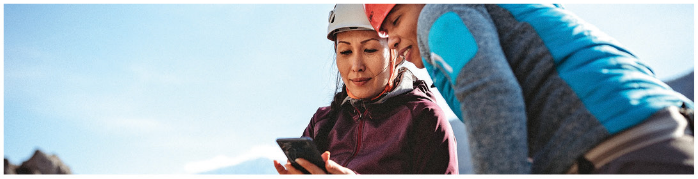
If you have a fixed-rate mortgage, your monthly payments will stay the same. If you refinanced over the last few years and locked in a rate in the 2% to 3% range, that was really good timing. However, if you have an adjustable-rate mortgage (ARM), you may be faced with having to make larger payments, depending on the terms of your loan. HIKING TIP: If you have an ARM, budget for higher payments. Or, if you anticipate buying a home within the next year or two, take steps to improve your credit score so you can secure a lower interest rate.

3. Home Equity Line of Credit

This allows you to borrow against the equity in your home as needed, usually at a variable interest rate. Borrowers typically pay only interest on the amount borrowed for the first 10 years, and thereafter must repay interest and the principal over the next, say, 15 or 20 years. Your Home Equity Line of Credit (HELOC) rate can adjust monthly or quarterly. So, if you have an outstanding balance, your payments will likely go up when the Fed implements a rate hike. HIKING TIP: If you have a HELOC, budget for higher payments. You can also pay down your HELOC balance to reduce the interest you pay, or talk to your lender about options, such as refinancing.

4. Auto Loans

It's already more expensive to buy a new or used car, as their prices have increased dramatically over the last two years. This is due to a number of reasons that have resulted in supply not keeping up with demand. Unfortunately, if you're planning on financing the purchase of a vehicle in the near future, you'll need to add in the higher cost of borrowing. HIKING TIP: Make a down payment of at least 20% of the purchase of a new car, and no less than 10% for a used car. A sizable down payment will lower your monthly payments and could help secure a lower interest rate.



Whom do I call for help?

Account Information

Balances | Investment Changes | Personal Info

Contact: Empower

1-800-743-5274

www.retiresmart.com

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