As you gather your tax return paperwork with 2016 underway, it's also a perfect time to set goals and take the steps to better prepare for retirement. Did you know that you could easily spend 25% or more of your life in retirement? Have you contemplated life without a paycheck for 20+ years?

With this in mind, we offer you a few things to do now to better prepare for retirement, and some of these action items could provide tax breaks to lower the taxes you may pay this year...

- **Set an appointment and meet with your Advisor** to create and discuss your Customized Financial Analysis. Our Customized Financial Analysis can help you and your Advisor evaluate your current financial situation and make sure you are on track to retirement readiness.

- **Create and review your budget** to identify expenses that could be reduced and provide extra saving capacity. Most people have a general idea of how much they are spending and what they are spending it on, but you may be surprised at what a review/audit of your expenses could reveal. Make sure you have a spending plan in place and make your future goals a priority.

- **Create and/or add to your emergency reserves.** Without a proper cash reserve to withdraw from, it could become necessary to withdraw from retirement accounts. An early withdrawal may open the door to taxes and, if you are under age 59½, possible tax penalties. We recommend you have the equivalent of six to nine months of living expenses set aside in liquid savings.

- **Create systematic savings and increase it each year.** Behavioral finance suggests the more we automate our finances, the better our saving habits become. By having a specific dollar amount automatically taken out of each paycheck and invested into your retirement, brokerage, and savings accounts, you “pay yourself first.”

- **Contribute to your company retirement plan.** Allocate a percentage of your income to your company-sponsored retirement plan. Review what you are contributing to make sure you are getting the entire employer match that you are eligible to receive. For 2016, you can contribute up to $18,000 to your employer 401(k), 403(b), or 457 plan. If you are age 50 or older at any time during the year, you can take advantage of the extra $6,000 you can stash away under the “catch up” provision. The small business owner or self-employed individual can put away up to $53,000 for 2016 in a SEP-IRA or Individual 401(k) plan based on a maximum $265,000 IRS compensation limit. Another option for small businesses and small business owners is a SIMPLE IRA retirement plan, allowing up to $12,500 in pre-tax contributions and an additional $3,000 “catch-up” provision.
• **Consider an IRA contribution** to build even more of your retirement nest egg. Depending on your earned income level and participation in your employer’s retirement plan, you may also be eligible to make deductible IRA contributions of up to $5,500 to an IRA in 2016 plus the “catch up” provision of $1,000 if you are 50 or over. By the way, if you haven’t contributed to your IRA for 2015, you have until April 18, 2016 to make that deposit.

• **Consider contributing to a triple-tax-free Health Savings Account (HSA) if eligible.** An area that is often a secondary thought—or may be overlooked altogether—in retirement income planning is the rising cost of healthcare. For retired couples, one out of every five dollars (20%) spent each month on expenses goes toward healthcare. Healthcare is the second-largest expense in retirement (after housing) and could be the biggest risk to the success of a retirement income plan. (Source: The Urban Institute, “Understanding Expenditure Patterns in Retirement,” 2005.)

For 2016, single individuals can contribute up to $3,350 pre-tax, and couples can contribute up to a combined $6,750 pre-tax to an HSA. If you are age 55 or older, you can contribute an additional $1,000 as a “catch up” provision. Your contributions are pre-tax and grow tax-deferred and can be withdrawn tax-free for medical expenses. Any funds contributed that are not used for medical expenses during the current year can stay in the HSA and accumulate for future medical expense needs. You can possibly create your own retirement health care fund by maximizing your contributions to these HSAs while minimizing/avoiding withdrawals from the plan during your working years. If your health insurance policy has a deductible of at least $1,300 for individual coverage and $2,600 for family coverage, you may be eligible to contribute to an HSA, but not all high-deductible policies are HSA-eligible. Check with your employer for HSA eligibility.

We hope your 2016 is off to a great start, and we hope you resolve to take advantage of your many planning and savings opportunities during 2016 in order to increase your retirement readiness. For more information, call your Advisor today.

**Why April 18, 2016?**

Emancipation Day, a holiday observed in the District of Columbia that falls on Saturday, April 16, will be observed on Friday, April 15. As a result, all U.S. taxpayers, nationwide (with the exception of taxpayers who are residents of Massachusetts and Maine), have until Monday, April 18, 2016, to file their taxes and make Traditional and Roth IRA contributions for tax year 2015. The IRA contribution deadline for taxpayers who are residents of Massachusetts and Maine, however, is further extended to Tuesday, April 19 due to the observation of Patriot’s Day in those two states on Monday, April 18.