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**Amy Palm, CWS®**
**Senior Vice President, Financial Advisor**
**Palm Wealth Management**
**A Member of D.A. Davidson & Co.**
1495 NW Garden Valley Blvd • Suite 201 • Roseburg • OR • 97471
541-677-7600
apalm@dadco.com • www.palmwealthmanagement.com


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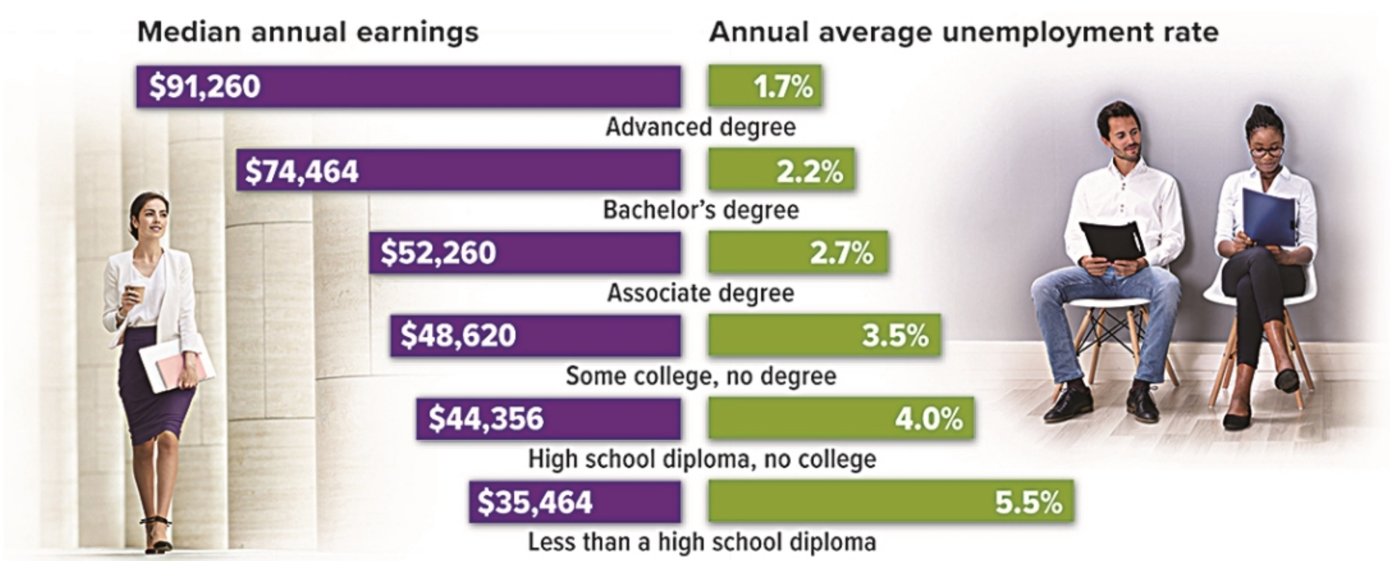
# Education and Earnings

While there is widespread concern about student debt and the cost of higher education, data from the U.S. Bureau of Labor Statistics makes a strong case that higher education leads to higher earnings and lower unemployment rates.

In 2022, median annual earnings for a full-time worker with a bachelor's degree were about $30,000 more than for a worker with only a high school diploma, a difference of more than $1 million over a 35-year career. Even so, it's important to be realistic about taking on debt in relation to expected earnings, as the job market and potential compensation can vary widely for different fields of study.




Source: U.S. Bureau of Labor Statistics, 2023 (data for ages 25 and older; annual earnings based on usual weekly earnings for full-time wage and salary workers)

# SECURE 2.0: Big Impacts for Small Businesses

An AARP study released in July 2022 found that nearly half of all private sector employees ages 18 to 64 had no access to a retirement plan at work. It also found that small businesses are more likely to lack a work-based plan, putting their workers at a significant disadvantage when it comes to retirement preparations (see chart).

Last December, Congress passed a $1.7 trillion omnibus package that included the SECURE 2.0 Act of 2022, a sweeping set of provisions designed to improve the nation's retirement-planning health. Here is a brief look at some of the tax perks, rule changes, and incentives included in the legislation to help small businesses and their employees.[1]

## Tax Perks for Employers in 2023

Perhaps most appealing to small business owners, the Act enhances the tax credits associated with adopting new retirement plans, beginning in 2023.

For employers with 50 employees or less, the pension plan start-up tax credit increases from 50% of qualified start-up costs to 100%. Employers with 51 to 100 employees will still be eligible for the 50% credit. In either case, the credit maximum is $5,000 per year (based on the number of employees) for the first three years the plan is in effect.

In addition, the Act offers a tax credit for employer contributions to employee accounts for the first five tax years of the plan's existence. The amount of the credit is a maximum of $1,000 per participant, and for each year, a specific percentage applies. In years one and two, employers receive 100% of the credit; in year three, 75%; in year four, 50%; and in year five, 25%. The amount of the credit is reduced for employers with 51 to 100 employees. No credit is allowed for employers with more than 100 workers.

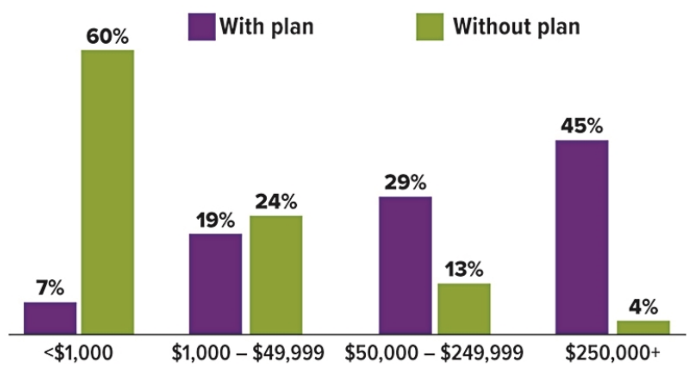
## Rule Changes and Relevant Years

In 2024, employers will be able to adopt a starter 401(k) or similar 403(b) plan, an auto-enrollment plan for employee contributions only. The plan may accept up to $6,000 per participant annually ($7,000 for those 50 and older), indexed for inflation. Designed to be lower cost and easier to administer than traditional plans, these programs impose minimum and maximum contribution rates and other rules.

SIMPLE plans may benefit from two new contribution rules. First, employers may make nonelective contributions to employee accounts up to 10% of compensation or $5,000. Second, the annual contribution limits (standard and catch-up) for employers with no more than 25 employees will increase by 10% more than the limit that would otherwise apply. An employer with 26 to 100 employees would be permitted to allow the higher contribution limits if the employer makes either a matching contribution on the first 4% of compensation or a 3% nonelective contribution to all participants, whether or not they contribute. These changes also take effect in 2024.

Beginning in 2025, 401(k) and 403(b) plans will generally be required to automatically enroll eligible employees and automatically increase their contribution rates every year, unless they opt out. Employees will be enrolled at a minimum contribution rate of 3% of income, and rates will increase each year by 1% until they reach at least 10% (but not more than 15%). Not all plans will be subject to this new provision; exceptions include those in existence prior to December 29, 2022, and those sponsored by organizations less than three years old or employing 10 or fewer workers, among others.

### Worker Savings Amounts: With Retirement Plan vs. Without




Source: Employee Benefit Research Institute, 2023. "With plan" includes workers with a defined contribution plan, IRA, or defined benefit (DB) plan. Total assets include savings and investments other than the value of their home and DB plan. Numbers may not add up to 100% due to rounding.

## Participant Incentives on the Horizon

SECURE 2.0 drafters were creative in finding ways to encourage workers to take advantage of their plans. For example, effective immediately, employers may choose to offer small-value financial incentives, such as gift cards, for joining a plan, or beginning in 2024, they may provide a matching contribution on employee student loan payments. Also starting in 2024, workers will be able to withdraw up to $1,000 a year in an emergency without having to pay a 10% early distribution penalty, which may ease the fear of locking up savings until retirement (restrictions apply).

1) SECURE stands for Setting Every Community Up for Retirement Enhancement and originated with the SECURE Act of 2019.

# Yours, Mine, and Ours: Financial Tips for Blended Families

Combining finances can be complicated for any couple, but the challenges become more complex the second time around, especially when children are involved. Here are some ideas to consider if you are already part of a blended family or looking forward to combining households sometime soon.

## Be Clear and Comprehensive

It's important to reveal all assets, income, and debts, and discuss how these should be treated in your combined family. A prenuptial agreement may seem unromantic, but it could prevent acrimony and misunderstanding if the marriage ends through divorce or the death of a spouse. If you don't want a legal agreement, have an open and honest discussion, and lay all your cards on the table. It's not too late to clarify the situation after you've tied the knot.

One of the most fundamental issues is where you and your new spouse will live. It might be more convenient — and perhaps better financially — to move into a residence that one of you already owns. But couples in a second marriage often report that moving into a new home gives them a feeling of a fresh start, which could have value that can't be measured financially.[1]

Create a blueprint for short-term and long-term finances. Do you plan to combine bank accounts or keep separate accounts, perhaps with a joint account to pay shared expenses? To what accounts will each of your salaries be deposited? Will one spouse help pay off the other spouse's debts such as student loans, auto loans, and credit cards? Research suggests that remarried couples are generally happier when they pool resources, but there are many variations in how that might be carried out.[2]

## Consider the Kids

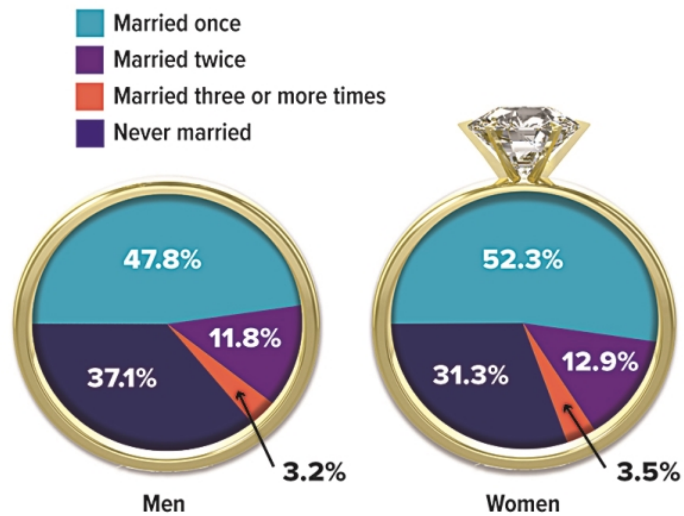
Discuss how you plan to handle financial responsibility for children from previous marriages versus any children you have together. Are they going to be "your kids, my kids, and our kids," or are they all "our kids"? Being a stepparent and/or a divorced parent can be complex emotionally, and there are no easy answers. But there are some not-so-complex financial questions you should address up front.

Be clear about alimony payments, child support, and other financial responsibilities. For example, what is each spouse's intention and/or legal obligation to pay college tuition costs for children from a previous marriage? Are there assets that one spouse wants to reserve for the benefit of his or her children? Is the other spouse willing to waive rights to those assets?

Communicating and planning with an ex-spouse is essential if you share custody of children. Along with responsibilities for everyday expenses, be sure you understand and agree on other financial issues, such as who will claim the child as a beneficiary on tax returns, and who is the "custodial parent" for purposes of financial aid applications. A beneficiary deduction may be more valuable for a parent with higher earnings, but a custodial parent with lower earnings may enable a student to qualify for more financial aid.

### I Do, I Do

Roughly two out of three Americans ages 15 and older have been married at least once, and a substantial number have been married more than once.




Source: U.S. Census Bureau, 2022 (2021 data)

## Update Wills and Beneficiary Forms

Be sure that your will and all beneficiary forms reflect your new situation and current wishes. A will can designate heirs and facilitate distribution of assets when an estate goes through the probate process. However, the assets in most pension plans, qualified retirement accounts, and life insurance policies convey directly to the people named on the beneficiary forms — even if they are different from those named in your will — and are not subject to probate. By law, your current spouse is the beneficiary of an ERISA-governed retirement account such as a 401(k) plan. If you want to designate an ex-spouse or children from a previous marriage as account beneficiaries, you must obtain a notarized waiver from your current spouse.

Blending families can be challenging on many levels. Financial matters may be easier to deal with than personal aspects as long as you take appropriate steps to identify the issues and agree on your shared financial goals.

1–2) American Psychological Association, August 23, 2019 (most current information available)

# As Your Parents Age, Help Them Protect Their Finances

It's heartbreaking to hear stories of people losing money (even their life savings) as a result of fraud or financial exploitation, especially if they are older and financially vulnerable. In fact, it's quite common. People age 70 and older reported losses of $567 million in 2022.[1] You know your parents could be at risk, and you want to protect them, but how?

One place to start is by looking for warning signs that your parents have been victimized, or are at risk of being influenced, manipulated, or coerced by a stranger or someone they know.

- Unusual bank account activity, including large or unexplained withdrawals, and nonsufficient fund notices
- Missing checks, credit cards, or financial statements
- Unpaid bills
- Lost money or valuables that can't be located after a thorough search
- Relationships with people who seem to have undue influence
- Unexplained changes to legal documents
- Declining memory and decision-making skills

Regularly checking in with your parents may help you spot issues that need to be addressed. If your parents have fallen victim to a financial scam or are being pressured for money from someone they know, they may be embarrassed or reluctant to tell you, even if you ask. Do your best to remain objective and nonjudgmental, and patiently listen to their views while expressing your own concern for their well-being.

Laying some groundwork to help prevent future incidents is also important. For example, talk to your parents about how they might handle common scams. Let them know it's a good idea to get a second opinion from you before acting on any request for information or money, even if it seems to come from their financial institution, a well-known company, law enforcement, a government agency such as the IRS or Social Security Administration, or even a grandchild in trouble.

Encourage them to set up appointments with their elder law attorney or financial professional to talk about concerns and legal and financial safeguards. They might also want to add layers of protection to their financial accounts, such as naming a trusted contact or setting up account alerts.

People are often reluctant to report financial fraud or exploitation, either out of embarrassment or fear of being wrong. But if you suspect your parents have been victimized, you can get help from many sources, including the National Elder Fraud Hotline, sponsored by the U.S. Department of Justice. You can call (833) 372-8311 to be connected with case managers who will assist you and direct you to additional resources.

1) Federal Trade Commission, 2022