Love to help others? There are many ways to give back.

> Watch our video

The 401(k) balancing act

An employer plan has undeniable benefits, but your retirement strategy doesn’t need to stop at that.

> Boost your savings

5 ways to handle a windfall

Bonuses, tax refunds and gifts can open up new possibilities. Here are key points to consider.

> First steps to take
If helping others is important to you, here are several practical ways to fulfill that goal.

Are you planning on a purpose-driven retirement? Giving back to the causes or people you care about may begin after leaving work, but planning for it can begin much earlier. Once you’ve decided what you’d like to support, your financial advisor can help you create a giving plan that aligns with your values as well as your financial goals.

The first step? Determining how you’d like to give back. Watch our video below to help get your decision-making process started. If any of the options in the video pique your interest, read on for tips on how to plan for them financially.
What’s your giving path?

1. Donating your skills to a cause
After leaving the workforce, you may want to continue to apply your professional skills to causes you’re passionate about. Consider working with organizations that will tap into your skill set while providing personal fulfillment. If you’ve already been making connections with community organizations outside of work hours, then skills-based volunteering — using your career expertise to help others — may be a natural progression for you.

Financial tip: If you become indispensable to a charitable organization and love spending your days there, you may be able to move into a paid leadership or administrative role. Should this become an option, make sure to talk to your financial advisor about planning for a supplemental income in retirement.

2. Giving around the globe
The dream of exploring the world while making it a better place can become a reality in retirement, when you’ll likely have a more flexible schedule. Traveling with a purpose — commonly referred to as “voluntourism” — can be done independently, but working with an accredited organization can ensure your safety, as well as the impact of your endeavors. Exploring the world can lead to new friendships and human connections, which are key to well-being. In fact, people who volunteer tend to feel better physically, mentally and emotionally, according to a UnitedHealth Group Study.*

Financial tip: Consider supplementing your health insurance. Medicare and other insurance policies don’t always provide coverage when you’re traveling. Your financial advisor can help determine whether your coverage is sufficient.
3. Mentoring the next generation
While many Baby Boomers are becoming more involved grandparents, others are choosing to build meaningful relationships beyond the immediate family. You may enjoy tutoring kids in underserved schools, coaching a sports team or mentoring young professionals. Some retirees and empty nesters — especially those who have the space and no urgent desire to downsize — are fostering children who need a temporary home. There’s no shortage of need among our younger generations; it’s just a matter of choosing the right fit for you.

**Financial tip:** If you receive foster care payments from a child-placement agency, the state or local government, these funds count as nontaxable income. You may also be able to deduct expenses related to tutoring or teaching part time. Talk to both your financial advisor and a tax expert early in the process.

4. Giving through financial support
If you’d prefer to support causes you care about through financial giving, your advisor can help leverage your assets or life insurance to make an impact while also taking steps to protect your portfolio. At Ameriprise, we create holistic, personalized financial plans that take a variety of considerations into account — from philanthropic goals and family obligations to tax considerations and risk tolerance.

**Financial tip:** Here are some key questions you’ll want to address when you meet with your advisor:
• Do I need to align my saving goals with a giving strategy?
• Once I do retire, how can my giving plan fit with my lifestyle?
• Are there giving-back strategies that can also provide me with tax benefits?
Is an employer retirement plan your primary source of savings for the future? Depending on your circumstances, this may not be sufficient.

It’s not surprising that 401(k) plans make up the bulk of retirement savings for most Americans when you consider benefits such as pre-tax deductions and company matches. But employer-based plans can be limiting for those who want to invest more than the current annual contribution limit of $18,000.

Perhaps even more importantly, the preselected investment options in your plan may not be suited to your needs and goals.

If you’d like to take control of your employer-based investments before you retire, your plan may permit these two options:

- The IRS allows after-tax contributions made to a 401(k) to be converted to a Roth IRA each year, enabling you to invest the funds as you like within a tax-free account.
- At age 59 ½, you can roll all or part of a 401(k) into an IRA through an in-service distribution, allowing further expansion of investment options in the crucial preretirement phase of saving.
The 401(k) balancing act

Here are some benefits — as well as drawbacks — of moving funds out of an employer plan.

Investment options
“Because the plan administrator chooses the investment lineup, an employer-based 401(k) is really a ‘one size fits all’ model,” says Amy Diesen, Vice President of Wealth Management Solutions at Ameriprise Financial. “With a self-directed IRA, you are an owner, rather than a participant, which means you can select from a variety of investment options tailored to your specific needs and goals.”

Distribution flexibility
Some employer plans have limits on how many distributions can come out per year in retirement. “Your employer determines the rules for participants, and they may limit distributions to a single lump sum or a certain number per year,” Diesen says. “With a self-directed IRA, you decide the timing of distributions.”

Improved diversification
Many IRAs are built from 401(k) rollovers by those who have separated from service. “On average, people change jobs seven times in their career, resulting in what we call ‘401(k) orphans,’” Diesen says. “By consolidating investments in one place, assets can be managed and diversified by risk tolerance, tax liability, years to retirement and more.”

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Tax advantages
“The earnings on after-tax 401(k) contributions are taxable when you convert those funds into a Roth IRA,” Diesen says. “Depending on your situation, converting every year could make sense rather than

— Amy Diesen, Vice President of Wealth Management Solutions, Ameriprise Financial

Next page: Managing tax implications
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waiting for earnings to grow and then paying more taxes on them.” Once those funds are in a Roth IRA, future earnings will grow tax-free if conditions are met.

So, what are some of the reasons you may not want to roll over funds?

“If the investment costs in your 401(k) are relatively low and the plan has picked out a great assortment of funds, you may want to leave investments where they are,” Diesen says.

You may also want to leave at least some funds in a 401(k) if you’re retiring early. “If you retire at 55 or older, you can take distributions straight from a 401(k), while you have to wait until 59 ½ to draw on an IRA,” Diesen says. “For those retiring earlier, we’d recommend leaving enough funds in the 401(k) to bridge those years.”

Individuals with concerns about creditor protection should check with an attorney before rolling over. Assets rolled from a 401(k) plan to an IRA retain federal bankruptcy protection but creditor protection outside of bankruptcy is a matter of state law.

If you have highly appreciated employer stock in your 401(k), there may be an opportunity to utilize special tax treatment that is available for an in-kind distribution of employer stock from the plan. This special treatment is not available from an IRA.

In short, the pros and cons of investing outside of a 401(k) are going to differ depending on your individual needs and goals, and an advisor can help by looking at your bigger financial picture.

“A 401(k) may be sufficient if you’re younger or in the ‘accumulation phase’ of retirement saving, but you may want to explore a wider array of options when you’re closer to retirement and thinking more about safety, tax-efficiency and making your money last,” Diesen says.

Retirement age considerations for common account types

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<th>401(k)</th>
<th>IRA</th>
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<tr>
<td><strong>Withdraw at 55 or older</strong>&lt;sup&gt;*&lt;/sup&gt;</td>
<td><strong>Withdraw at 59 ½ or older</strong></td>
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For those retiring before 59 ½, consider leaving enough funds in your 401(k) to bridge the years until you can make IRA withdrawals.

<sup>*</sup>If you left your employer in the year you turned 55 or later.

What’s your giving path?

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5 ways to handle a windfall
5 Ways to Handle a Windfall

Unexpected funds can open up all kinds of opportunities. Here’s how to enjoy the decision-making process.

Whether you’ve earned a bonus, collected a sizable tax return or received an inheritance, managing a windfall isn’t as easy as it may seem. Without the proper guidance, it’s possible to spend down a lump sum quickly. You may even be a little overwhelmed by all the choices you have for how to allocate your money.

This anxiety can be further magnified if your windfall is a product of the death of a loved one. In this situation, it’s not uncommon to experience mixed feelings or even guilt about spending the money.

Conversely, if the windfall comes from a hard-earned work bonus or a tax refund that involved hours of paperwork, you may be tempted to reward yourself with a splurge or two.

25% of people said an inheritance caused tension.

Source: Ameriprise Family Wealth Check-up study (January 2017)

Just remember that the money is not going anywhere, so give yourself time to process, and don’t rush into any decisions. When you’re ready, set up a meeting with your financial advisor, who can help you decide where the money may work hardest for you.

Here are five options to consider going into the conversation with your advisor.
### 5 ways to handle a windfall

1. **Estimate taxes**
   Before making any plans, find out whether you’re going to owe any taxes on the money and set those funds aside before they’re spent. If you’ve received an inheritance, there may be tax-friendly ways to take distributions or reinvest the money. Check in with your tax accountant as well as your financial advisor for advice.

2. **Knock off debt**
   If you have any lingering credit card debt, student loans or medical bills, it may be a good idea to apply your extra cash there. There’s an old adage that the best way to earn interest is to stop paying it. There’s probably not much point in putting $10,000 in the stock market at the average long-term return of 6–7% if you owe $10,000 on a credit card with an 18% interest rate. Getting rid of credit card debt can also bump up your credit score. This could get you better interest rates on “good debt” that credit agencies consider an investment in the future, such as mortgages or education loans.

3. **Assess future needs**
   If you’re already tracking on your retirement goals, check in with your financial advisor to see whether you can supercharge your savings. Invested properly, an extra influx of cash may allow you to retire a bit earlier or “upgrade” one of your retirement dreams. Case in point: Opening up a $5,000 IRA now and adding the same amount each year at an estimated 6% return over 20 years could add $200,000 to your retirement income.

4. **Invest in your health**
   If you’ve been concerned about whether you’ve saved enough for health care expenses down the road, now’s a good time to explore your options. Max out your health savings account at work and consider a long-term care insurance policy. Using extra funds to purchase a gym membership or invest in new sports equipment is another way to keep health care costs down now and in the future.

5. **Have a little fun**
   You don’t have to save every last dollar. Consider taking a percent of the money and doing something nice for yourself or your family. Enjoy a long weekend getaway or make home improvements. Spending a reasonable portion on something fun — while using the lion’s share to improve your financial future — allows you to extend the unexpected pleasure of a windfall out over time.

If unexpected funds come your way, be strategic with them. Learn more about building a smarter cash strategy by exploring our interactive guide.

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**How a windfall could add up over time**

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<tr>
<th>Annual contribution</th>
<th>20 years at 6% return rate</th>
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<td>$5K</td>
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For illustrative purposes only. Not meant to represent any specific investment or imply any guaranteed rate of return.