MFS®

TOP RETIREMENT PLANNING MISTAKES

Talk with your financial advisor, accountant or attorney today about these potential retirement planning issues and how best to address them.

1 Not having a plan

Do you know how to achieve the retirement lifestyle you want? Talk to your advisor about three things: 1) when you want to retire, 2) how much income you will need and 3) what steps you can take now to help you get closer to your goals. Once you have defined your goals, your advisor can help you come up with a plan designed to work toward achieving them.

2 Not naming or updating beneficiaries

Not naming primary and contingent beneficiaries may result in the assets passing to the owner's estate, which could result in accelerated distributions and taxation. Keeping beneficiary designations current helps protect your intended beneficiaries.

3 Investment mistakes

Common investment mistakes include being too aggressive or too conservative, holding too much of your employer's stock and a failure to periodically rebalance your investments. A regular investment review with your advisor can help keep your strategy on track.

4 Not knowing about in-service withdrawals

Your employer's retirement plan may allow you to withdraw some money while you are still employed. Some plans allow hardship distributions, which can be a source of funds in an emergency, or, if you have reached age 59½ and think you can get better investment results elsewhere, you may be able to withdraw money from your plan and roll it into an IRA.* Amounts you withdraw that are not rolled over are subject to income tax and may be subject to the early distribution penalty, and some plans impose restrictions on contributions after a hardship withdrawal.

5 Not considering a Roth

Distributions from a Roth account can be tax free, do not affect the taxation of Social Security and can pass income-tax free to your beneficiaries. However, you will not get a tax deduction for your contribution. Talk to your advisor about whether the Roth option may be right for you.

6 Paying unnecessary penalties on early distributions

Distributions from a retirement plan before you reach age 59½ can be subject to a 10% penalty, but there are a variety of exceptions. If you need to take an early distribution, first review your plan document and talk to your plan's Human Resources contact and your advisor.

* There are advantages and disadvantages to an IRA rollover, depending on investment options, services, fees and expenses, withdrawal options, required minimum distributions, tax treatment, and the investor's unique financial needs and retirement plans. Please be aware that rolling over retirement assets into an IRA account could potentially increase fees, as the underlying funds may be subject to sales loads, higher management fees, 12b-1 fees, and IRA account fees such as custodial fees. If any of these issues apply to your situation, be sure to discuss them with your financial advisor, accountant, or attorney so you can avoid what might be a costly mistake.

See the reverse side for the rest of our top retirement planning mistakes.

Talk with your financial advisor, accountant or attorney today about these potential retirement planning issues and how best to address them.

7 Failing to consider net unrealized appreciation

If you own your employer's stock in your qualified plan, you may be eligible for a special tax treatment called net unrealized appreciation (NUA). In some circumstances, NUA treatment will result in a lower total tax liability. The rules are complicated, and NUA treatment is not always your best option. The key is to talk to your financial and tax advisors before taking a distribution from your plan because some mistakes can make you permanently ineligible for NUA treatment.

8 Not taking advantage of IRD if you are a beneficiary

If you inherit a retirement account from someone who had to pay the federal estate tax, you could be eligible for an income tax deduction called income in respect of a decedent (IRD). The amount of an IRD deduction is equal to the amount of the estate tax paid on your portion of the account. Consult a tax professional for details.

9 Required minimum distribution errors

The IRS penalty on a missed RMD is 50%. The rules on RMDs from 401(k)s and other qualified plans are different than the rules for IRAs. Talk to your advisor to make sure you understand your RMD requirements.

10 Not taking advantage of the Stretch distribution option

The designated beneficiary of a qualified plan can roll assets into a beneficiary IRA. This can help the beneficiary spread distribution and help limit taxation over a long period and offers the potential for continued tax-deferred growth. However, a failure to follow very specific IRS guidelines can make you permanently ineligible for this strategy.

11 Ignoring taxes

A plan that adapts to different and changing tax rates is important. Maintaining a diversified mix of tax treatments can give you and your tax advisor the flexibility to adapt to tax changes.

12 Having too many accounts

Keeping your assets in too many places can lead to unnecessary complexity in your retirement plan. Consolidation can make it easier to allocate your assets effectively as part of a workable plan.

13 Not getting ongoing advice

Over time, the market changes, tax laws change and you change. Meet with your advisors regularly to make sure your plan still meets your needs.

The investments you choose should correspond to your financial needs, goals, and risk tolerance. For assistance in determining your financial situation, please consult a financial advisor.

MFS® does not provide legal, tax, or accounting advice. Any statement contained in this communication (including any attachments) concerning U.S. tax matters was not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code. This communication was written to support the promotion or marketing of the transaction(s) or matter(s) addressed. Clients of MFS should obtain their own independent tax and legal advice based on their particular circumstances.

MFS Fund Distributors, Inc., Boston, MA

IRAE-RETINC-SFL-4/17
20032.8