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FINANCIAL IDEAS FOR TODAY AND TOMORROW

Footnotes

Have You Planned How You'll Spend Your Time Once Retired?

Retirement planning usually focuses on saving enough, Social Security and Medicare, but there's a big, nonfinancial planning element that too many people overlook.

While the ability to fund a secure, comfortable lifestyle is vital, emotional and physical health are just as important. And a big factor in maintaining good health in retirement is living with a sense of purpose. However, nearly half of retirees in an AARP survey reported that they hadn't thought about their purpose in retirement.¹

What We Lose When We Retire

It's easy to find ourselves adrift once our work routine is removed. Whether we love or merely tolerate them, our jobs typically provide decades of structure, purpose and daily social interaction. When we retire abruptly, that structure vanishes. Without it, many retirees gradually become less active, which can lead to health issues like obesity, cardiovascular problems, weaker muscles and stiff joints. Social isolation, meanwhile, is a well-established contributor to depression and other mental health concerns.

How Sense of Purpose Relates to Health

Having a sense of purpose can make a big difference in retirees' physical and emotional health—and even their longevity. A 2019 study of almost 7,000 Americans over age 50 found a high correlation between a strong sense of purpose and lower risk of early death.² So what does it mean to find a purpose in

retirement? You don't have to set out to change the world. You'll find opportunities to do meaningful things all around you. Some examples:

Volunteer: Engaging in community service or nonprofit work can provide a fulfilling sense of contribution.

Mentor: Sharing your knowledge and experience with younger generations through mentoring programs helps recipients and can help you feel like you're making a difference.

Pursue hobbies: Joining a choir, a gardening club, an over-50 sports league or other group activities provides a social outlet, fun and a sense of accomplishment while keeping you physically active.

Travel: Exploring new places, experiencing different cultures and embarking on adventures
(Continued on following page)

**Lisa Wall is a partner in
our Waterloo office
and Director of Wealth
Management**



Important Moves to Consider When Interest Rates Change

A domino effect occurs each time the Federal Reserve changes interest rates. An increase leads to higher rates for consumers when they borrow, while paving the way to better returns for savings accounts. A decrease results in paying less interest when borrowing money, but also causes a drop in how much your savings can earn. Here are some ideas for formulating your own financial plan for each scenario.

When Interest Rates Increase

- **Shop around for new savings accounts.** Rate increases are good for long-term savers and families who are stashing away money for short-term goals like buying a home. When interest rates are on an uptick, it's a great time to shop around for a high-yield savings account or to lock in a great rate for a portion of your savings with a certificate of deposit.

- **Focus on paying down high-interest debt.** Rate increases can create disastrous results for people who have debt with variable interest rates. For example, data from the Federal Reserve Bank shows the average credit card interest rate increased from 14.22% in 2018 to 21.19% in the second half of 2023. If high-interest debt is dragging you down financially, rate increases give you more incentive to pay it off.

- **Avoid borrowing when possible.** Surging interest rates make borrowing money more expensive, so try and avoid borrowing for personal and business reasons. If you must borrow, attempt to exhaust every other source of cash before taking on new debt.

(Retirement Continued)

can give you a fresh perspective on life. And, if you're thinking about moving for weather or activities, traveling and spending time in places you might like to live or have a second home is a great way to test out a favorite city.

Keep learning: For many, being a lifelong learner is rewarding. Classes, workshops and online courses on a whole range of topics allows retirees to expand their knowledge and skills while fostering personal growth.

Pursue fitness and wellness: Having a 10K running race on your calendar can certainly motivate you to get out there and train. But walking, yoga, swimming

or joining fitness classes also promote physical health and social interaction.

Advocate: Consider getting involved with groups or causes that reflect your values. Retirement gives you the bandwidth to make a positive impact on the issues you really care about.

Start a small business or consult: You may find that you still have the itch to go to work. Pursuing entrepreneurial ventures can provide a valuable sense of autonomy, challenge and achievement. Consulting in your area of expertise is another way to work, but on your terms and time frame.

Be a caregiver: Providing support and assistance to family members, friends or neighbors in need can certainly give retirees a sense of purpose and fulfillment. But remember to take care of yourself as well with activities that replenish your energy.

Spend time with family: Whether you're a grandparent, mom, dad, sister or brother, retirement brings more

downtime to create memories with immediate and extended family members.

Getting Started Now

You don't necessarily need to wait until after retirement to get started with elements of your post-retirement life. Sticking your toe in the volunteering world or taking up light running toward the end of your career can lead to a sense of continuity once you retire and lean in more to these activities.

It's never too late to find your retirement purpose. If you retire without yet having identified a purpose, use your newfound freedom to explore interests and passions that may have been neglected during your working years. And if you're really stuck, remember that a therapist or life coach can help you get on track.

Sources:

¹"AARP Report: Only 2 in 5 Older Adults Feel Prepared for Retirement"
²"Association Between Life Purpose and Mortality Among US Adults Older Than 50 Years"

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When Interest Rates Drop

- **Refinance existing debts.** Look into consolidating or refinancing all your existing debts, including your mortgage, personal loans and credit cards. Lower rates can help you save money on interest, secure a lower monthly payment and help you pay off a debt's balance more quickly.

- **Look for ways to put additional funds to good use.** Lower interest rates make it less appealing to stash money away in savings account products, money market accounts and certificates of deposit. Instead of savings accounts that feature little or no interest, look for ways to invest for the future or put your money to use for things you need.

- **Apply for funding.** Rate drops also make borrowing money more attractive. Consider

applying for a personal or small business loan, but only if you have a plan for it.

As always, should you have any questions or concerns regarding your tax situation, please feel free to call.



Tax Quiz - Is It Taxable?

The IRS seems to always have a surprise up its sleeve for the unsuspecting taxpayer. Here's a fun True or False quiz to test your knowledge of what's taxable.

If a thief steals someone's property, he owes tax on the value of the stolen property.

True. But don't expect the person whose property was stolen to issue a Form 1099. Tax instructions tell you to list this as stolen property on your tax return. This part of the tax code is what famously put gangster Al Capone behind bars.

Scholarships are never taxable.

False. If you get scholarship money to cover tuition, fees and books, you pay no taxes. But if your scholarship also covers room and board, travel and other expenses, that portion of the award is taxable. Students who receive financial aid in exchange for work must also pay tax on that money even if they use it to pay tuition.

Minor gambling winnings are not taxable.

False. When lady luck smiles on you, the tax collector typically doesn't. While virtually all gambling winnings are deemed taxable income, not all winnings are reported to the IRS. The IRS requires reporting of winnings at various thresholds depending on the game: \$1,200 or more from bingo or slot machines, or more than \$5,000, minus the wager, from a poker tournament. If reported, the payer will issue you a Form W-2G and report what you won to the IRS. The practical nature of keeping track of and claiming this minor income is a different matter entirely.

If you lose your job and start collecting unemployment benefits, the IRS will cut you a tax break.

False. The IRS considers unemployment income to be a replacement for your regular income, and is therefore taxable. (During the pandemic, the IRS was legislated to make this unemployment tax-free, but this was only for a limited time.) The good news is that not all states do the same.

If someone forgives an amount of money that you owe them, you typically have to pay taxes on that amount.

True. Debt cancelled or otherwise discharged for less than what you owe – credit cards, mortgages, loans and so on – is generally taxable income per the IRS. Exceptions can include student loans, debts discharged in bankruptcy or amounts in specific mortgage foreclosures as defined in a special tax law. The creditor may send you a federal Form 1099-C in the amount of the cancelled debt, which means the money also gets reported to IRS.

An agreement between two small businesses to get free hair cuts in exchange for mowing a lawn is not taxable.

False. When you exchange services in lieu of cash in a formal arrangement, the fair market value of the goods and services are fully taxable. You should get an IRS Form 1099-B or the like showing the value of cash, property, services, credits or other items that you received from the barter. On the positive side, any expenses you incurred to hold up your end of a deal are typically deductible as a business expense.

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1601 Golden Aspen Drive, Suite 107

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NOTABLE QUOTES

It isn't where you came from. It's where you're going that counts.

- ELLA FITZGERALD

Don't wait. The time will never be just right.

- NAPOLEON HILL

Every problem has in it the seeds of its own solution. If you don't have any problems, you don't get any seeds.

- NORMAN VINCENT PEALE

You're only here for a short visit. Don't hurry. Don't worry. And be sure to smell the flowers along the way.

- WALTER MAGEN

A flower does not think of competing with the flower next to it. It just blooms.

- ZEN SHIN

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