

Wise Choices

Winter 2026



Use tax savings from new law to add to your retirement plan

The recently enacted tax bill contains good news for workers who have income from tips and overtime pay. One provision in the bill allows for a federal income tax deduction of up to \$25,000 for qualified income from tips for single filers with income up to \$150,000 and joint filers with income up to \$300,000. Taxpayers must meet other qualifications to be eligible for this provision.

In addition, the new law provides a significant benefit for individuals who work overtime hours. The new tax law allows a deduction of up to \$12,500 for single filers with income up to \$150,000 and a deduction of up to \$25,000 for joint filers with income up to \$300,000 for qualified overtime pay.

If it is likely that you will have income from these two sources, you may want to think about putting some or all of the tax savings into your retirement plan. It makes sense. You won't owe income taxes on what you contribute until you start receiving money from your plan when you retire. In addition, any income your plan contributions earn is also tax-deferred. Your contributions and earnings will compound over time. All else being equal, the more you contribute to your plan, the better your chances of reaching a financially secure retirement.

Are you ready to step it up in 2026?

The beginning of a new year is always a good time to look at your progress toward achieving your goals. That's true for your career and your personal goals. It's particularly true when it comes to your financial goals. Take a look at your overall financial situation and see where you can make improvements in 2026.

Plan contributions—Are you adding enough to your retirement plan? Compounding over many years can potentially turn even a small increase in the amount you contribute into a higher account balance at retirement.

Investments—Variations in investment performance can cause your portfolio's asset allocation to shift.* Moreover, your tolerance for investment risk may have changed. Either situation may be a reason for you to reevaluate and possibly modify your portfolio.

Your income—If you want to boost your income, look for ways you can further your skills or education to increase your earning capacity. Consider the gig economy or part-time work. The bottom line is that boosting earnings can add to your overall financial security.

Your budget—Changes in your personal situation might impact your budget. For example, if you are planning to marry, buy a home, or have a child, you'll need to adjust certain budget categories. If you are expecting a bonus or a pay increase, figure out how you can use that money for maximum benefit.

Debt burden—Spending a large portion of your income on debt is a red flag. Make 2026 the year you pay down your debts.

** While an asset allocation program can help manage risk, it does not guarantee a profit or protect against all losses.*

Savings and debt among consumers

4.4% Personal savings rate—percentage of disposable personal income saved by US households in July 2025
Source: US Bureau of Economic Analysis

\$11,594 Average balance per US consumer in unsecured personal loans in February 2025
(credit cards, personal loans, student debt)

Source: TransUnion—Credit Industry Snapshot, February 2025

7.7% Average 401(k) deferral rate for 2024
Source: Vanguard Investment Company, How America Saves

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