



The Ultimate Retirement Playbook: 5 Strategies For Millennials

NOYACK

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Introduction

At NOYACK Wealth Club, we believe in investing for love. We aim to transform the investment conversation, focusing on altruistic and selfless motivations. Our approach connects with you emotionally, emphasizing why you invest: for the love of your family, your future retirement, and helping others through philanthropy.

Planning for retirement is crucial for financial stability, yet many Millennials and HENRYs (HighEarners Not Rich Yet) often overlook it. This guide provides a comprehensive overview of retirement planning tailored specifically for Millennials and HENRYs, offering actionable steps to secure a comfortable and financially secure future.

Millennials and Gen Z are set to inherit \$4.4 trillion by 2025 and \$38.4 trillion by 2040 – the largest wealth transfer in history. NOYACK's mission is to empower these generations to manage their wealth effectively, creating lasting impacts on their lives and future generations. With \$84 trillion expected to

transfer from baby boomers by 2045, Millennials and Gen Z face a unique opportunity and responsibility. They are more likely to invest in alternatives and seek to align their investments with personal passions and values.

I'm CJ Follini, Founder/CEO of NOYACK. My journey in wealth management began at 19, leading to a successful career managing a \$1B AUM multi-family investment office. NOYACK stands at the forefront of financial innovation, breaking down barriers to elite investment opportunities and empowering our members with critical insights and tools.

This guide breaks down complex financial concepts into actionable steps, helping Millennials and HENRYs navigate the path to a secure retirement with confidence. The earlier you start planning, the more you can take advantage of compound interest and strategic investment opportunities.

Visioning Your Retirement: Invest for LOVE

01 Love of Your Future Self – Retirement

Visualize your ideal retirement: where you want to live, activities you will pursue, and how you will spend your time. This helps estimate your retirement expenses and ensures a fulfilling retirement.

02 Love of Family – Family Planning

Consider how your financial decisions impact your loved ones. Set clear financial targets, prioritize essential expenses, and create achievable milestones to provide security and stability for your family.

03 Love of Helping Others – Philanthropy and Impact as Legacy

Align your investments with your passions and values, contributing to causes you care about. Whether through donations, charitable funds, or community projects, investing for the love of helping others ensures your wealth makes a positive impact on society.

By integrating these principles into your retirement planning, you secure your financial future and create a meaningful legacy. NOYACK Wealth Club is here to guide you, providing the knowledge and tools to invest for love.

Who Are Millennials and High Earners Not Rich Yet (HENRYs)?

Millennials, typically defined as individuals born between 1981 and 1996, are now entering the prime of their careers. They are characterized by their technological savviness, a strong desire for work-life balance, and a cautious approach to financial investments due to witnessing the Great Recession. HENRYs, or High Earners Not Rich Yet, are a subset of Millennials who earn a high income but have not yet accumulated significant wealth. This group often faces the dual pressures of high living costs and the need to save for future goals.

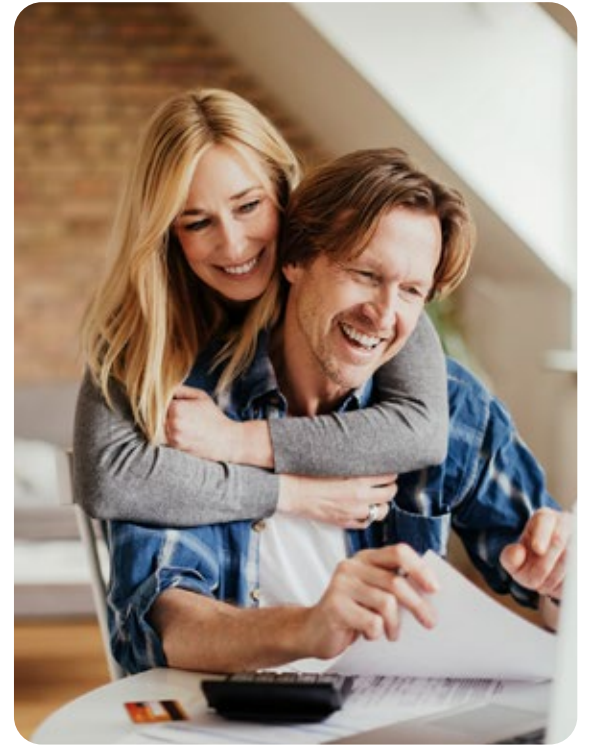
Why Retirement Planning is Crucial for Millennials

Retirement planning is often postponed by Millennials due to immediate financial pressures and the perception that retirement is far off. However, starting early is the key to building a substantial retirement fund. The power of compound interest cannot be overstated; even small contributions made consistently over time can grow significantly.

This section emphasizes the importance of early retirement planning and the potential consequences of delaying.

The Impact of Compound Interest

Compound interest allows your investments to grow exponentially. For example, if you start saving \$200 a month at age 25, assuming an average annual return of 7%, you could have over \$500,000 by the time you retire at 65. If you start the same savings plan at age 35, your retirement savings would grow to approximately \$244,000. The difference highlights the critical advantage of starting early.



Overcoming Financial Barriers

Millennials often cite financial barriers such as student loan debt, credit card debt, and high living expenses as reasons for delaying retirement savings. This section will provide strategies for overcoming these barriers, such as prioritizing high-interest debt repayment, creating a budget that includes retirement savings, and exploring options like employer matching contributions in 401(k) plans.

The Risks of Delaying

Delaying retirement planning can lead to significant risks, including insufficient savings, reliance on social security, and the inability to maintain your desired lifestyle in retirement. This section will discuss the potential pitfalls of procrastination and the long-term benefits of starting early.



Understanding the Basics of Retirement Accounts



Traditional and Roth IRAs

Individual Retirement Accounts (IRAs) are essential tools for retirement savings. Understanding the differences between Traditional and Roth IRAs, including tax implications and contribution limits, is crucial for effective planning.



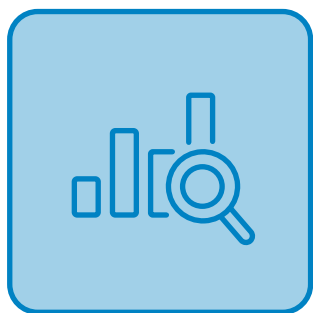
Traditional IRA

A Traditional IRA allows you to make pre-tax contributions, which can reduce your taxable income for the year. The investments grow tax-deferred, meaning you won't pay taxes on the gains until you withdraw the money in retirement. This can be beneficial if you expect to be in a lower tax bracket in retirement.



401(k) Plans

401(k) plans, offered by many employers, allow employees to save for retirement on a pre-tax basis. Understanding contribution limits, employer matches, and investment options within a 401(k) plan can maximize retirement savings.



Contribution Limits

For 2023, the contribution limit for 401(k) plans is \$22,500, with an additional catch-up contribution of \$7,500 for those aged 50 and above. Employer contributions do not count towards these limits, which can significantly boost your retirement savings.



Employer Matching

Many employers offer matching contributions, which is essentially free money for your retirement. For example, an employer might match 50% of your contributions up to 6% of your salary. This section will explore strategies to maximize employer matching.



SEP IRA

A SEP IRA allows self-employed individuals to make tax-deductible contributions as an employer. The contribution limit is the lesser of 25% of your net earnings or \$66,000 for 2023. This plan is simpler to set up and maintain than a Solo 401(k).



Solo 401(k)

A Solo 401(k) is designed for self-employed individuals and offers the same benefits as a traditional 401(k), but with higher contribution limits because you can contribute as both the employer and the employee. For 2023, the total contribution limit is \$66,000, or \$73,500 if you are 50 or older.



Solo 401(k) and SEP IRA for Self-Employed

Self-employed individuals have unique retirement savings options, such as Solo 401(k) and SEP IRA. These plans offer higher contribution limits and tax advantages, making them ideal for business owners and freelancers.



Roth IRA

A Roth IRA, on the other hand, allows you to contribute after-tax dollars. While this means you don't get a tax deduction upfront, your investments grow tax-free, and you can withdraw them tax-free in retirement. This is advantageous if you expect to be in a higher tax bracket in the future.

Advanced Tax Strategies for HENRYs



Tax-Deferred Accounts

Using tax-deferred accounts, such as Traditional 401(k)s and IRAs, can reduce taxable income during high-earning years. This chapter explores strategies to maximize these accounts and minimize tax liabilities.



Maximizing Contributions

HENRYs should aim to maximize contributions to tax-deferred accounts to lower their taxable income. This includes taking full advantage of employer matches and catch-up contributions if eligible.



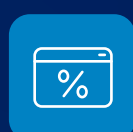
Strategic Withdrawals

Understanding the rules for withdrawals and Required Minimum Distributions (RMDs) is crucial for tax planning. This section will cover strategies for minimizing tax impact through careful withdrawal planning.



Roth Conversions

Roth conversions can be a powerful tool for HENRYs, allowing them to pay taxes now at lower rates and enjoy tax-free withdrawals in retirement. This chapter details the process and benefits of Roth conversions.



When to Convert

Roth conversions are most beneficial when you expect to be in a higher tax bracket in retirement. This section will discuss ideal times for conversions, such as years with lower income or higher deductions.



Partial Conversions

Instead of converting your entire Traditional IRA to a Roth IRA in one go, consider partial conversions over several years to avoid jumping into a higher tax bracket.



Mega Backdoor Roth IRA

The Mega Backdoor Roth IRA is an advanced strategy that allows high earners to contribute significantly more to a Roth IRA through after-tax 401(k) contributions and conversions. This chapter explains the steps and benefits of this strategy.

What is a Mega Backdoor Roth?

A Mega Backdoor Roth refers to a strategy that enables individuals who are ineligible to contribute to a Roth account based on their income or contribution limits to transfer certain types of 401(k) contributions into a Roth IRA or Roth 401(k). This strategy is particularly useful for those earning above the income limits for direct Roth IRA contributions. For the 2024 tax year, single taxpayers earning \$161,000 or more, and married-filing-jointly taxpayers earning \$240,000 or more, are ineligible to contribute directly to a Roth IRA.

How Does a Mega Backdoor Roth Work?

The Mega Backdoor Roth strategy involves two main steps:

01 Making After-Tax Contributions to Your 401(k)

This involves contributing to your 401(k) plan on an after-tax basis. After-tax 401(k) contributions differ from Roth 401(k) contributions and pre-tax contributions, allowing you to exceed the annual contribution limits set for pre-tax and Roth contributions.

02 Converting After-Tax Contributions to a Roth Account

This step involves converting the after-tax contributions to a Roth IRA or Roth 401(k). This can be done through in plan Roth conversions (converting within the same retirement plan) or rolling the after-tax contributions to a Roth IRA. The conversion process typically requires paying taxes on any earnings that have accrued on the after-tax contributions.

Detailed Steps and Considerations



Contribution Limits

For the 2024 tax year, individuals under age 50 can contribute up to \$23,000 in pre-tax and Roth contributions. After-tax contributions can increase the total amount saved to \$69,000 (or \$76,500 if 50 or older), including employer contributions.



Tax Implications

When converting after-tax contributions to a Roth account, any earnings on those contributions are subject to taxes. The contributions themselves are not taxed again as they were initially made with after-tax dollars.



Plan Eligibility

Not all 401(k) plans allow for after-tax contributions or in-service withdrawals (taking distributions while still employed). It is crucial to consult your plan documents and plan administrator to understand the rules specific to your plan.



Implementation:

If your plan allows, you can set up the Mega Backdoor Roth by making after-tax contributions to your 401(k) and periodically converting those contributions to a Roth IRA or doing an in-plan conversion to a Roth 401(k). Some plans offer an auto-convert feature, automatically converting after-tax contributions to a Roth account at regular intervals.

Benefits and Drawbacks

The Mega Backdoor Roth strategy can significantly increase your tax-free retirement savings. However, it requires careful planning and consideration of tax implications. It is advisable to consult with a tax or financial professional to ensure the strategy aligns with your financial situation and goals.

Potential Legislative Changes

While the Mega Backdoor Roth strategy is currently permissible, it is subject to potential legislative changes. Proposed legislation has sought to eliminate the ability to convert after-tax 401(k) contributions to Roth accounts, though no such legislation has been enacted into law as of now. It is essential to stay informed about potential changes that could impact the viability of this strategy.

Actionable Steps to Secure Your Retirement

01

Set Clear Retirement Goals

Determining clear retirement goals is the foundational step in securing your financial future. Your goals will guide every decision you make, from how much to save, where to invest, and when to retire.

- How will you spend your time? Will you engage in volunteer work, part-time employment, or spend more time with family and friends?

This visualization helps you create a vivid picture of your desired retirement lifestyle, making it easier to estimate your retirement expenses.

✓ Visualizing Your Retirement

Begin by visualizing what your ideal retirement looks like. Consider the following questions:

- Where do you want to live? Do you envision staying in your current home, downsizing, or relocating to a different city or country?
- What activities will you pursue? Think about hobbies, travel plans, and new interests you wish to explore.

✓ Prioritizing Your Goals

Not all retirement goals are equally important. Rank your goals in order of priority. Essential expenses like housing, healthcare, and daily living should take precedence over discretionary spending such as luxury travel and entertainment. This prioritization will help you allocate your resources more effectively and ensure that your essential needs are met.

✓ Setting Financial Targets

Once you have a clear vision of your retirement, translate it into financial targets. These targets should include:

- **Retirement Age:** Decide the age at which you plan to retire. This will determine your savings timeline.
- **Annual Retirement Expenses:** Estimate your annual expenses based on your envisioned lifestyle. Include categories like housing, healthcare, travel, entertainment, and daily living costs.
- **Total Retirement Savings Needed:** Calculate the total amount you need to save by multiplying your estimated annual expenses by the number of years you expect to be retired.



✓ Creating Milestones

Break down your long-term retirement goals into smaller, achievable milestones. For example:

- **By age 30:** Save \$50,000 in retirement accounts.
- **By age 40:** Save \$200,000 and own your home.
- **By age 50:** Save \$500,000 and eliminate all debt.
- **By age 60:** Save \$1,000,000 and finalize retirement plans.

Setting these milestones provides a roadmap to track your progress and stay motivated.

02

Create a Budget and Savings Plan

Develop a budget that prioritizes retirement savings. Automate contributions to retirement accounts to ensure consistent saving.

✓ Prioritizing Savings

Allocate a percentage of your income towards retirement savings before other expenses. This ensures that saving for retirement remains a top priority.



✓ Automating Contributions

Set up automatic transfers from your checking account to your retirement accounts. This makes saving effortless and consistent.

✓ Cutting Unnecessary Expenses

Review your budget regularly to identify and eliminate unnecessary expenses. Redirect the savings towards your retirement fund to accelerate your progress.

Detailed Step-by-Step Guide to Create a Budget and Savings Plan

Assess Your Current Financial Situation

Begin by listing all your sources of income and your monthly expenses. Categorize your expenses into fixed (e.g., rent, mortgage, utilities) and variable (e.g., dining out, entertainment).

Set Financial Goals

Determine short-term (1-3 years), medium-term (4-9 years), and long-term (10+ years) financial goals. Short-term goals might include building an emergency fund or paying off high-interest debt, while long-term goals include retirement savings.

Calculate Your Savings Rate

Decide on a savings rate that aligns with your financial goals. A common recommendation is to save at least 20% of your income. Allocate this savings towards different goals, prioritizing retirement.

Create a Spending Plan

Develop a spending plan that aligns with your savings rate. Track your spending to ensure you are adhering to your budget. Use tools like budgeting apps or spreadsheets to monitor your expenses.

Automate Your Savings

Set up automatic transfers from your checking account to your retirement accounts and other savings goals. Automating helps ensure consistency and reduces the temptation to spend.

Review and Adjust Regularly

Periodically review your budget to ensure it still aligns with your goals. Adjust your spending and savings as needed to accommodate changes in your financial situation.

03

Diversify Your Investments

Diversifying your investments is a crucial component of retirement planning, especially for Millennials and HENRYs. Diversification involves spreading your investments across various asset classes to reduce risk and maximize potential returns. While traditional investments like stocks and bonds are essential, incorporating alternative investments into your portfolio can provide additional benefits and enhance the overall stability and growth potential of your retirement savings.



The Role of Alternative Investments in Your Retirement Plan

Diversifying your portfolio beyond traditional markets is essential for robust retirement planning.

Alternative investments encompass a range of assets outside of standard stocks, bonds, and mutual funds. These include real estate, fine art, venture capital, private equity, and private credit.

Each offers unique benefits and can play a crucial role in diversifying and strengthening a retirement portfolio.

Real Estate



✓ Characteristics

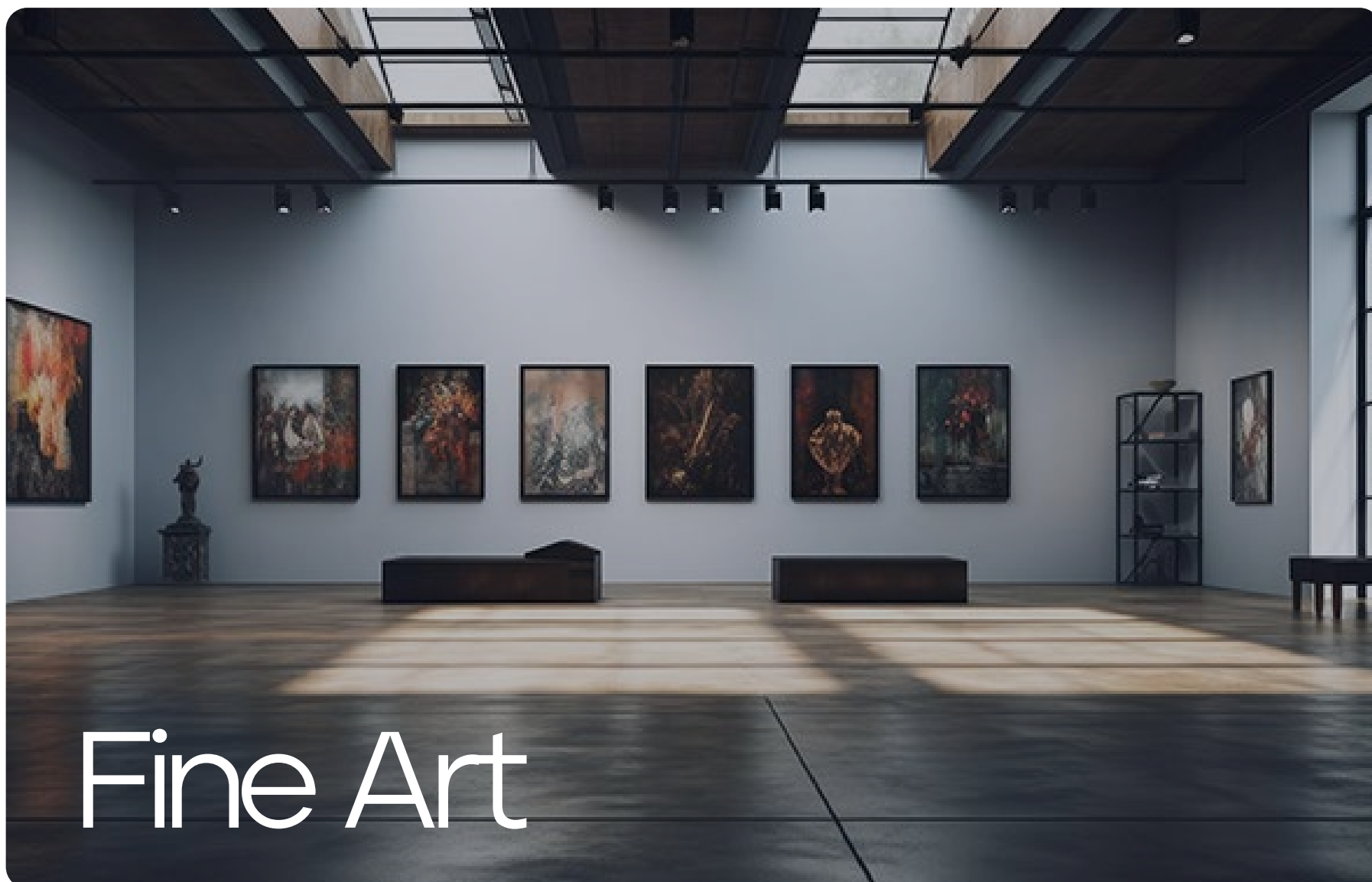
Real estate investments can include residential properties, commercial real estate, and real estate investment trusts (REITs). These assets generally provide steady cash flow through rental income and potential appreciation in property value.

✓ Benefits

Real estate is often seen as a hedge against inflation because property values and rents typically increase with inflation. Moreover, it provides a tangible yield, which can be more predictable than stock dividends.

✓ Considerations

Real estate requires significant capital outlay and involves management responsibilities unless managed through a REIT or a similar investment vehicle. It's also subject to market fluctuations, regulatory changes, and economic cycles.



✓ Characteristics

Investing in art involves purchasing pieces with the expectation that their value will increase over time. The art market includes paintings, sculptures, photography, and other media.

✓ Benefits

Fine art can diversify investment portfolios as its value often does not correlate directly with traditional financial markets. Additionally, art can offer aesthetic enjoyment and social prestige.

✓ Considerations

Art investing is highly illiquid and subjective, requiring expertise to avoid overpaying and to authenticate works. The market can also be volatile based on trends and collector interest.



✓ Characteristics

Venture capital is a form of private equity investment in startup companies with strong growth potential. Investors typically receive equity in exchange for their capital.

✓ Benefits

High potential returns if the startups succeed. Investing in startups can also provide personal satisfaction from helping foster innovation and supporting new technologies or solutions.

✓ Considerations

Venture capital is risky; many startups fail, and investments are usually illiquid. Success often requires a long investment horizon and a diversified portfolio of startup investments to mitigate risk.

Private Equity



✓ Characteristics

Private equity involves investing directly in private companies or conducting buyouts. These investments often focus on transforming and improving the companies to increase their value over time.

✓ Benefits

Private equity can offer significant returns through operational improvements and strategic exits. These investments allow investors to participate in the growth and success of private companies that are not available in public markets.

✓ Considerations

Private equity investments are typically illiquid, have long lock-up periods, and require substantial minimum investments. Additionally, they involve higher risk due to the operational changes and market factors impacting the businesses.



✓ Characteristics

Private credit involves lending money to companies outside of traditional banking channels. It can include direct lending, mezzanine debt, distressed debt, and other lending formats.

✓ Benefits

Typically offers higher yields than comparable traditional fixed-income investments. Payments are often structured to provide regular cash flow.

✓ Considerations

Private credit risks include default and limited liquidity. Thorough due diligence is required to assess the creditworthiness of borrowers.

* Incorporating these alternative investments into your retirement planning can enhance the resilience and growth potential of your portfolio, providing a more secure financial future.

Benefits of Alternative Investments

01

Diversification

By adding alternative investments to your portfolio, you can achieve greater diversification, which helps spread risk across different types of assets.

02

Potential for Higher Returns

Many alternative investments, such as private equity and venture capital, offer the potential for higher returns compared to traditional investments. These investments can capitalize on high-growth opportunities that may not be available in the public markets.

- **Inflation Hedge:** Certain alternative investments, such as real estate and commodities, can act as a hedge against inflation, preserving the purchasing power of your retirement savings.
- **Lower Correlation with Traditional Markets:** Alternative investments often have a lower correlation with traditional asset classes like stocks and bonds. This means that their performance does not necessarily move in tandem with the broader market, providing a buffer during market downturns.

Incorporating alternative investments into your retirement plan can lead to a more resilient portfolio capable of weathering economic fluctuations. The potential for higher returns and reduced volatility can enhance the growth of your retirement savings, helping you achieve your financial goals more effectively. Additionally, alternative investments can offer unique opportunities that are not accessible through conventional investment vehicles.

Which Alternatives are Appropriate for Retirement Plans

While alternative investments can be beneficial, it is important to select those that are appropriate for retirement plans and comply with IRS regulations. Here are some viable options:

Venture Capital

Venture capital involves investing in early-stage companies with high growth potential. While risky, successful investments can yield substantial returns. Investors can participate through venture capital funds or directly in startups. This asset class requires a higher risk tolerance and a longer investment horizon.

Private Equity

Private equity involves investing in private companies or buyouts. This asset class can offer significant returns through operational improvements and strategic exits. Investments are typically made through private equity funds, which pool capital from multiple investors. Private equity investments usually have longer lock-up periods and higher minimum investments.

Commercial Real Estate

Commercial real estate can offer stable income through rental payments and potential appreciation.

Investment options include direct ownership, Real Estate Investment Trusts (REITs), and real estate crowdfunding platforms. Commercial properties often have long lease terms, providing a steady income stream.

IRS Rules on Fine Art Investments

The IRS prohibits the inclusion of certain collectibles, including fine art, in retirement accounts. This restriction aims to prevent tax-advantaged accounts from being used for investments that are difficult to value and liquidate. Instead, focus on alternative investments that comply with IRS regulations, such as real estate and private equity.



Case Studies

Peter Thiel's Roth IRA

Peter Thiel, co-founder of PayPal, famously used a Roth IRA to invest in early-stage startups, including Facebook.

By placing these high-growth investments within a Roth IRA, Thiel benefited from tax-free growth and withdrawals. His initial investment of around \$2,000 in PayPal shares within the Roth IRA grew to billions of dollars over time, demonstrating the power of alternative investments and tax-advantaged accounts.

Mary Smith's Commercial Real Estate Investments

Mary Smith, a tech executive, diversified her retirement portfolio by investing in commercial real estate through a self-directed IRA. She purchased a commercial property and leased it to a stable tenant, generating consistent rental income.

Over 15 years, the property's value appreciated significantly, boosting her retirement savings. This case illustrates how commercial real estate can provide stable income and long-term growth within a retirement account.

By carefully selecting and managing alternative investments, you can enhance the resilience and growth potential of your retirement portfolio, ensuring a more secure financial future.

04

Monitor and Adjust Your Plan

Regularly review your retirement plan and make adjustments as needed. This includes rebalancing your portfolio and updating your goals based on life changes.

✓ Annual Reviews

Conduct an annual review of your retirement plan to ensure it aligns with your goals. Adjust contributions, investment strategies, and goals as needed.

✓ Adapting to Life Changes

Life events such as marriage, children, or career changes can impact your retirement plan. Be prepared to adjust your plan accordingly.

✓ Staying Informed

Keep yourself informed about changes in tax laws, retirement account rules, and market trends. This knowledge will help you make timely adjustments to your retirement plan.

Conclusion

Retirement planning is a long-term process that requires careful consideration and consistent effort. By following the steps outlined in this guide, Millennials and HENRYs can build a robust retirement plan that ensures financial security and peace of mind.

The earlier you start, the more you can take advantage of compound interest and strategic investment opportunities.

Whether you are just starting your career or are already a high earner, taking proactive steps now can significantly impact your financial future. Remember, retirement planning is not a one-time task but an ongoing process. Regularly review and adjust your plan to reflect changes in your life and financial situation. With the right strategy and commitment, you can achieve a comfortable and secure retirement.



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