HELP NEWS

The Monthly Newsletter of Helping Employees Learn Prosperity (HELP)

December 2024

Welcome!

helplac.org

Helping Employees Learn Prosperity (HELP) is an IRC 501 (c)(4) charitable non-profit, tax-exempt, non-partisan, independent employee affiliation.

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HELP's status with the City of Los Angeles is a Qualified Employee Organization.

"AI" aka Artificial Intelligence

On November 30, 2022, OpenAI launched ChatGPT, a generative artificial intelligence (AI) chatbot based on an open-source large language model. Technology disrupting the workplace is not new. However, the AI craze has reinvigorated new speculation that generative AI may replace human labor in the not-so-distant future.

During the summer of 2023, work stoppages in the entertainment industry involved disputes about AI and ChatGPT replacing workers, particularly writers. In the fall of 2023, Aura, one of the world's most advanced humanoid robots, began greeting and interacting with guests in the atrium at Sphere Las Vegas. In the fall of 2024, the Intuit Dome opened in Inglewood, using facial recognition and a smartphone app for entry. It also uses AiFi (an AI-powered shopping platform) to allow individuals to enter a food or merchandise market, take any item off the shelf, and walk out instantly, getting charged for what is taken without standing in line or getting out a credit card. Other stadiums and event spaces now use similar technology. The technology may soon be used in grocery stores, convenience stores, and shopping malls. All this leads to a diminishing workforce.

The dystopian future is here. Public sector workers have already started seeing AI used as a tool in their workplace in various ways. This month, we look at how AI may impact public sector workers and what public employee organizations can do to protect their members.

What is Generative AI:
According to ChatGPT (who better to ask), generative AI refers to a type of AI that can create content such as text, images, or even computer code, by learning patterns from large datasets. Unlike traditional AI, which focuses on recognizing patterns and making predictions, generative AI is designed to generate new, original outputs based on what it has learned. It works through models like neural networks, particularly deep learning techniques, which are trained on vast amounts of data to understand the relationships within it. Examples of AI generated content already include text, images, voices, music, and computer code..

What is Generative AI?

Recent Legislation in Response to the AI Boom: This fall, Governor Newsom signed several pieces of legislation in response to the AI boom. This includes:
- **AB 1836** – Protects the voice and likeness rights of deceased performers.
- **AB 2355** – Requires electoral advertisements using AI-generated or substantially altered content to disclose that the material has been altered. Authorizes the Fair Political Practices Commission to enforce violations by seeking injunctive relief.
- **AB 2602** – Requires informed consent before using a performer's digital replica.
- **AB 2655** – Requires large online platforms to remove or label deceptive and digitally altered or created content related to elections and requires them to provide mechanisms to report such content. Authorizes injunctive relief against a large online platform for noncompliance. The legislation attempts to curtail the use of "deepfakes" that pose a risk to our elections and democracy.
- **AB 2839** – Expands the time prohibiting a committee or other entity from knowingly distributing an advertisement or other election material containing deceptive AI-generated or manipulated content.
- **SB 926** – Prohibits creating and distributing sexually explicit images of a person that appear authentic, when intended to cause that person emotional distress. Attempts to curtail the use of sexually explicit deepfakes.
- **SB 942** – Requires widely-used generative AI systems to include disclosures in the content they generate to ensure transparency and accountability in the creation and dissemination of digital content.
- **SB 981** – Requires social media platforms to establish a mechanism for users to report sexually explicit deepfakes and, once reported, to temporarily block the content while the platform investigates and, if confirmed, remove the deepfakes.

Governor Newsom also vetoed Senate Bill 1047, which would have required developers of large AI models and those providing the computing power to train such models to put certain safeguards and policies in place to prevent catastrophic harm and establish a state board to oversee the development of these models. Governor Newsom vetoed the bill because it focused only on the most expensive and large-scale models. According to his veto message, the bill "could give the public a false sense of security about controlling this fast-moving technology. Smaller, specialized models may emerge as equally or even more dangerous than the models targeted by SB 1047 – at the potential expense of curtailing the very innovation that fuels advancement in favor of the public good." Governor Newsom said "the bill applies stringent standards to even the most basic functions – so long as a large system deploys it. I do not believe this is the best approach to protecting the public from real threats posed by the technology."

Will AI Replace Public Sector Workers?
The short answer is no. Robots and AI will not likely replace or reduce the need for human labor in the public sector anytime soon. Public sector employees are essential workers who perform vital public services, as we were all reminded during the pandemic. Although the recent pace of technological development with AI has been extraordi-

nary, we are a long way away from technology or robots fully replacing permanent full-time public sector workers. Existing technology simply cannot perform the skilled and demanding work that maintenance crews, water operators, building inspectors, engineers, accountants, investigators, analysts, IT staff, public safety staff, or other work which public employees perform every day.

Even the chatbots agree. We gave Chat GPT several prompts, and the responses were all similar. According to Chat GPT, although AI is rapidly expanding and transforming the nature of work, including in the public sector, a full-scale replacement of jobs is unlikely to occur anytime soon. Instead, AI is expected to automate certain tasks or streamline workflows to allow public sector employees to spend more of their time focused on the tasks that require human skill, judgment, and empathy.

However, employees in job classifications that perform primarily administrative work, data analysis, customer service, or drafting or reviewing a lot of reports may begin seeing AI affect their work sooner than jobs that require more physical labor, that operate heavy equipment, or that require specialized education or certification. For example, AI might help with drafting summaries of documents, data entry, scheduling, analyzing large datasets, or communicating general information about public services to residents.

In any event, the employer cannot remove work from the bargaining unit without negotiating with the employee organization. This is similar to the contracting out of bargaining-unit work, and it does not become less so just because the work is assigned to a robot instead of a human. The employee organization can use the negotiation process to help keep the work in the unit, and to keep bargaining unit employees performing the work to the greatest extent possible. If AI were to ever fully replace a worker, the employer would still need to follow the negotiated layoff process, which may include advanced notice, the right to displace other workers or be reassigned to a vacancy if qualified, severance pay, and negotiation with the employee organization over how any remaining duties will be performed and by who.

Will
AI Replace
Public Sector
Workers?

How Might AI Affect Public Sector Workers?

Replacing people or removing work duties is not the biggest risk AI poses for public sector workers. The biggest risk involves ways in which AI might negatively affect terms and conditions of employment.

AI is already used in surveillance. This includes drones, GPS, and other tools that public agencies can use to monitor and protect their equipment or facilities. Although management has the right to install this equipment in the workplace, and safeguarding assets is not inherently a bad justification, employee organizations have the right to negotiate over any effects on terms and conditions of employment. With surveillance, the issues typically concern how data might be used for disciplinary purposes or performance evaluations, as well as who can access the data and for what reasons.

Human Resources has already begun using AI to assist with recruiting. The last few years have seen rampant hiring, and HR often uses technology to assist with tasks like drafting recruitment flyers, screening resumes, identifying and ranking top candidates, and scheduling and conducting initial interviews. It is not surprising that many agencies have sought to revamp or streamline their hiring policies or abolish civil service systems altogether. Management often views civil service as outdated and not on par with what they perceive as the flashy new tools private sector hiring entities use to recruit. Speed is preferable to a comprehensive and independent testing and interview process, they believe. This approach too is not inherently bad, but it does reflect a major change in the way public sector hiring has traditionally been handled. One potential is that candidates who know how to use the right buzzwords or who have more experience with these new recruiting tools may have an advantage over a candidate who might be better qualified but have less experience with how recruiting is handled today. Employee organizations can and should negotiate over any proposed

changes to the hiring process to help ensure the system is fair for everyone, transparent, and merit based. Recruitment violations can be challenged through the grievance procedure, but employees often hesitate to bring these cases. This grievance can be hard to win since management has so much discretion over who is hired for an opening.

AI is also being used to draft and revise all sorts of documents, like job descriptions and policies. There has been a trend over the last decade or so for agencies to use very generic job titles and job descriptions. For example, using titles like maintenance worker, operator, analyst, coordinator, technician, specialist, or assistant. Again, this trend is not inherently bad. It can lead to greater pay equity in organizations, and less disparity in pay, for example, based on who you work for or what department or division you work in. However, generic titles and job descriptions give management a greater ability to use a position in all sorts of ways, in various departments and divisions, possibly without even having to pay employees extra compensation for working out-of-class or negotiating with employee organizations over changes to job descriptions. Generic titles are the modern equivalent of "other duties as assigned," which many public sector workers have heard used at some point as an excuse to assign work outside of their job classification.

Most, if not all, the vendors who perform classification and compensation studies prefer and promote generic titling concepts. Regardless of whether an outside vendor or your internal HR department conducts the study, the likelihood is that AI will be used to assist with drafting and revising job descriptions going forward (if not already). AI will use more vague and ambiguous language in job descriptions that sound fine in theory but avoid identifying at a granular level the types of tasks workers do on a day-to-day basis and the specific skills that are needed to perform the role in a particular work group. Employee organizations should be mindful of how AI might describe or water down the job specification. Employee organizations should be aggressive in negotiating with the employer to add back more detail, which AI will likely omit.

AI is increasingly being used to manage payroll data, attendance, leave requests, scheduling, shift bidding, and other benefits administration. Gone are the days when public employers issued paper checks and stubs, or routed leave requests through paper forms. Most employers today have implemented electronic software or databases for managing this (e.g., NeoGov). AI is being integrated into the technology the employer currently uses. This can be good. For example, employees may be able to log in to the system and see the status of a request or download records from a computer or smartphone. Previously, employees may have had to manually submit a request and wait for finance, human resources, or management to respond with the information. AI can make it easier for employees to get what they need more quickly.

But AI can also negatively affect how benefits are administered. For example, it is far easier now with AI for employers to monitor attendance or the use of sick leave. This includes the total number of hours used by an individual employee in a defined period, or any pattern of how an

News Release - CPI Data

The U.S. Department of Labor, Bureau of Labor Statistics, publishes monthly consumer price index figures that look back over a rolling 12-month period to measure inflation.

2.6% - CPI for All Urban Consumers (CPI-U) Nationally

2.1% - CPI-U for the West Region

3.0% - CPI-U for the Los Angeles Area

2.4% - CPI-U for San Francisco Bay Area

1.4% - CPI-U for the Riverside Area (from Sep)

2.5% - CPI-U for San Diego Area (from Sep)

employee uses sick leave during that period. The system might even allow the employer to use an algorithm to alert management when an employee's attendance or sick leave use exceeds a threshold number of hours. The system might be able to identify potential for attendance violations or sick leave abuse. Employers can also run reports that allow them to see how benefits are used or abused, and to compare it against averages for other employees or for prior years. Employee organizations should be on guard as to how this might affect how benefits are administered. This includes evaluating the relevant MOU or policy language to decide if the employee organization should propose more specific protection in the next round of MOU negotiations.

AI has also been integrated into "performance management" systems. This is the fancy terminology for how management evaluates and monitors employee work performance. Most public agencies use annual performance evaluations to assess how an employee is progressing, to identify areas an employee can improve, and to set goals for the next review period. Compensation is often tied to an evaluation score, especially for those who are not at the top of their pay scale. Not that long ago, this data was managed through paper forms and placed in hard copy employee personnel files. More recently, employers have been using technology and AI specifically to assist with performance management, including drafting or revising evaluation forms, monitoring progress during the review period, developing goals and metrics, and identifying how those are weighted in any overall scoring. Some systems are now fully digitized and managed in the cloud. Employees can expect this trend to continue. Employee organizations should be prepared to negotiate over this to a greater extent than they did in the past.

The
Short
Answer
is NO

Conclusion:

For workers who are still feeling the effects of understaffing, and who are trained in how to use new technology to assist with their work duties, generative AI might help to alleviate the burden of staffing shortages in the short term. However, employees should be mindful of how AI might negatively affect their work conditions in the longer term. The best safeguard is a strong employee organization that is vigilant about the ways public employers are deploying new technology, and who exercise the right to negotiate over how technology affects the terms and conditions of employment of their members.

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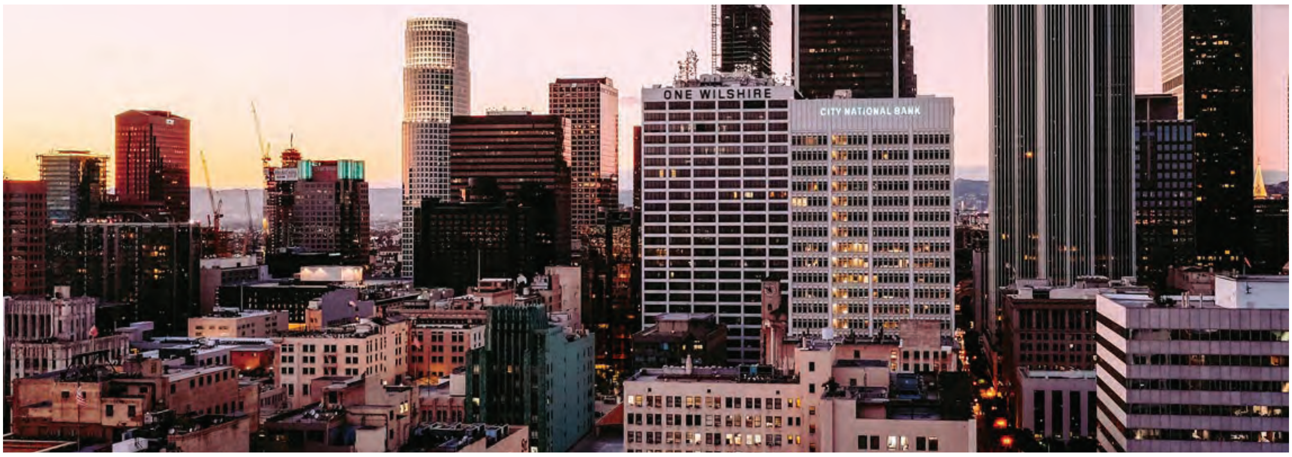
Questions & Answers about Your Job

Each month we receive dozens of questions about your rights on the job.
The following are some GENERAL answers.
If you have a specific problem, talk to your professional staff.

Question: I notified my supervisor in advance that I needed to use two hours of leave at the beginning of my shift on November 5 so that I could vote in the general election. My supervisor asked me why I could not simply vote by mail or return my ballot to one of the Secretary of State drop boxes near my home or workplace. I felt like my supervisor was giving me a hard time for wanting to vote on-site at one of the voting precincts on the day of the election. I am empathetic because we are short staffed, and scheduling is always a challenge. But I do not think that should prevent me from voting on election day. Does my supervisor have the right to tell me about other ways that I could have voted that do not require my absence from my work shift?

Answer: Under California Elections Code Section 14000, employees have a protected right to take up to two hours of paid time off to vote in a statewide elec-



tion if they do not have sufficient time outside of working hours. This law requires that employees provide at least two working days' notice to their employer, and that the time off be scheduled at the beginning or end of the work shift. If these requirements are met, your supervisor must allow you to vote in person on election day, regardless of short staffing or other constraints.

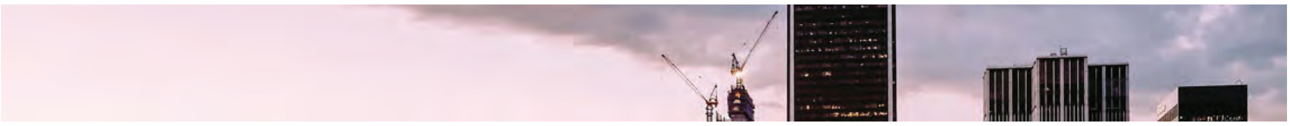
Your supervisor can suggest alternative voting methods, such as mail-in ballots or drop boxes. These options are intended to make it easier to vote without having to stand in long lines or deal with difficult commutes between your worksite and your polling location. However, your employer cannot require that you vote this way. You are entitled to vote in-person on election day if you choose, if you provide the necessary notice and can demonstrate that your work schedule does not allow you sufficient time outside of work to vote.

Additionally, it may be helpful to check your MOU or personnel policies for any provisions that might offer more flexibility to vote. The MOU can offer a greater right to take leave to vote than what the statute provides for. If you choose to vote in-person, you can respond to your supervisor that you are aware of those options, but you will be voting in person on election day and need to leave early or come in late.

Question: I need guidance on the use of sick leave. We have always provided notice by calling in sick before a scheduled work shift. However, supervision believes we should not assume that sick leave will be approved simply because we provide advanced notice. They believe sick leave requests are contingent on daily staffing, from their perspective. If an employee provides advanced notice via email, time sheet entry, verbal request, etc., can the supervisor deny the request for sick leave? The lack of clarity as to whether an advance notice request can be denied is causing unnecessary stress when scheduling appointments?

Answer: Under state law – California's Healthy Workplaces, Healthy Families Act of 2014 (Labor Code §245 - §249) – an employer shall provide paid sick days to an employee who requests it orally or in writing for the purpose of diagnosis, care, or treatment of an existing health condition of, or preventative care for, an employee or an employee's family member. (§246.5(a)(1)). An employer shall not require as a condition of using paid sick days that the employee search for or find a replacement worker to cover the days during which the employee uses paid sick days. (§246.5(b)). An employer shall not deny an employee the right to use any accrued sick days. (§246.5(c)).

If the need for paid sick leave is foreseeable, the employee



shall provide reasonable advance notice. (§246(m)). If the need for paid sick leave is not foreseeable, the employee shall provide notice of the need for the leave as soon as practicable. (Id.) An employer shall provide payment for sick leave taken by an employee no later than the payday for the next regular payroll period after the sick leave was taken. (§246(n)).

California law mandates that employers provide at least 40 hours (or five days) of paid sick leave per year. (§246). California law also says that an employer who provides sick leave for employees shall permit an employee to use in any calendar year the employee's accrued and available sick leave entitlement, in an amount not less than the sick leave that would be accrued during six months, at the employee's then current rate of entitlement, for the reasons specified in §246.5(a). (§233(a)). The designation of sick leave taken for these reasons shall be made at the sole discretion of the employee. (Id.). An employer shall not deny an employee the right to use sick leave to attend to an illness or the preventive care of a family member or for any other reason specified in §246.5(a). (Id.)

Your supervisor cannot deny your right to use accrued and available sick leave for sick leave purposes provided you give notice according to the law and established department policy or your MOU. This right is not contingent on staffing considerations. If you follow the prescribed procedure for notice, such as calling in before a shift or notifying in advance for scheduled appointments, sick leave must be approved. While supervisors may appreciate advance notice for scheduling, staffing constraints alone are not grounds to deny sick leave.

If your supervisor is suggesting that your request is subject to approval, or your supervisor is not timely acknowledging or confirming your request, contact your employee organization leaders or professional staff for assistance.

Question: I am an hourly employee and recently interviewed for an internal promotion during my workday. I was informed that I must use my own leave time to cover the time that I spent interviewing. Is that correct? Would an internal interview with the employer be considered a meeting if it were during regular work hours and on-site?

Answer: Although your internal interview occurred during regular work hours, time spent on internal interviews is typically not considered "hours worked." This is because internal interviews are voluntary activities focused on future career opportunities, rather than tasks required for your current role. Under wage and hour laws, compensable "hours worked" generally include only those tasks performed at the employer's direction and necessary for an employee's current responsibilities.

Policies can vary, so it is worth reviewing your employer's policies or MOU to see if internal interviews are specifically covered as compensable time. For example, some employers may wish to encourage internal promotions, which can be more cost-effective than hiring externally, and doing so can promote good labor-management relations. Requiring an employee to use personal time for an internal promotional interview may discourage staff from seeking advancement. However, unless otherwise specified, current employees are expected to use personal leave time for internal promotional interviews.

Question: Can I bring my pet to work?

Answer: Although many people understandably dislike leaving their furry friends at home, bringing pets to work is generally at the employer's discretion and may be influenced by specific policies related to pet-friendly workplaces. Ask your human resources department to clarify the employer's policy on bringing pets to work.

If your employer allows it, they will likely have guidelines in place to ensure a safe and comfortable environment for all employees. This may include but is not limited to (1) pet behavior and training (ensuring pets are well-behaved and socialized); (2) allergies and phobias (accommodating coworkers who may have allergies or phobias related to animals); and (3) hygiene and cleanliness (maintaining cleanliness to prevent health or sanitation issues).

Service animals fall into a different category, as they are protected under state and federal disability law (California's FEHA and the Federal ADA). If you need to bring a pet to work due to medical reasons, contact HR to request a medical accommodation.

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What are YOUR questions?

Let us know!

info@helplac.org

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Tips and Takeaways: How to Stand Out at Work

NEXTGEN
PROFESSIONAL DEVELOPMENT BY govloop

This resource was brought to you by NextGen. The NextGen Government Training Summits are virtual professional development events for public servants to learn, innovate and get to the next level in their career. The upcoming Summit will be hosted Oct. 25, 2023. Learn more here: **https://www.nextgengovt.com**

You can't be a stand-out if nobody sees you.

What your colleagues and leadership team know about your skills and contributions is what powers you forward in your career. You must be seen, and you must be trusted.

To gain visibility and trust, it helps to strengthen your relationships, establish your professional brand and be clear about your career goals. At a recent **GovLoop training**, "How to Stand out at Work," experts from government and industry shared their perspectives on how to do that.

Establish Trust

1. **Take actions** that help you trust yourself, which will help others trust you. Understand your goals and objectives. **Think about** what motivates you in the workplace and what helps you follow through.

2. **Cultivate** mutual relationships. **Show up** for your team (as well as yourself) and **build rapport** with colleagues. **Enhance** relationships by being accountable and by challenging yourself.

"They have to see you in action, you have to follow through, and you have to be active from your inner core."

— Kristin Austin

"Trust is everything… But you've got to understand the style of your leader and be able to build the trust in that way."

— Claudette Fernandez

Speaker Box:

Amanda Andrews
Interim Chief of Staff for the Office of the Chief Information Officer at the National Nuclear Security Administration

Kirstin Austin
Chief Learning Officer at the Internal Revenue Service

Steaphanie Geiger
CEO and Founder of Geiger Consulting Group

Claudette Fernandez
General Deputy Assistant Secretary for Community Planning and Development at the U.S. Department of Housing and Urban Development

Tips and Takeaways: How to Stand Out at Work

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Consider Environment

1. **Be intentional** about interacting with leadership, especially in virtual environments.
2. **Make** a safe space for feedback and **allow** difficult conversations.
3. **Know** your audience. **Embrace** your uniqueness and **express yourself** confidently. **Remain aware** of workplace dynamics.
4. **Think** about your unique contributions, especially in managing difficult tasks and situations.

"I first think about being authentic. For me that's about showing up and presenting myself to my peers with the same positive attitude and energy every day.... It's that rapport, and that authenticity with yourself and your team, that ultimately helps you stand out at work."

— Amanda Andrews

"Take time to understand the leadership priorities. How can you align yourself to what is important to them, and their goals?"

— Stephanie Geiger

"Talk loud and often about your goals...Because people will help you identify those opportunities."

— Amanda Andrews

Tips and Takeaways: How to Stand Out at Work

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Support Your Team(s)

1. **Aim** to be a problem-solver and a resource. **Maintain** positivity as you **align** with your organization's mission.

2 If you're brand new, **ask questions** that help you expand your expertise and help your organization focus on its mission. **Look** for support when you need it.

3 If you're a seasoned employee, **share** your influence and **lift others** with your institutional knowledge. **Be inclusive** in the way you approach a problem — let others shine as you develop your network.

4. **Go outside** your own office to establish relationships with partner agencies. **Create** strong lines of communication with them.

"Sometimes, it's not about you being front and center. Sometimes, it's about authentically giving to others and sharing your authority and power...and that's how you get noticed."

— Claudette Fernandez

"Volunteer for challenging assignments... and find the ones that you're passionate about."

— Stephanie Geiger

"Solving a problem and advocating for others who can help with the issue — that's also going to create moments for visibility."

— Amanda Andrews

Your Personal Brand:

It should represent your authentic self, what you're passionate about, what values you believe in and what you can contribute. One technique to understand your brand is to think about a historical figure who inspires you and read up on that person. Make a list of what you'd like to emulate about them in your work and in your life.

"It is worth your time to reflect on your values and what you want to be aligned with, because that's how you can establish your brand."

– Kristin Austin

Know your IRA options

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Put an IRA to work for your retirement

1 | What you need to know about IRAs

What's an IRA?

An individual retirement account (IRA) offers tax benefits that can help you save the money you'll need for your retirement. IRAs come in two versions:

- **Traditional IRA.** Invest after-tax money (may be deductible when filing taxes); defer taxes on earnings until withdrawal, usually during retirement.
- **Roth IRA.** Invest after-tax money; withdrawals of contributions are always tax-free, while the withdrawal of earnings are tax-free if it is a qualified distribution. (See page 6.)

Both choices offer significant tax advantages and investment compounding potential, giving you the flexibility to make withdrawals during retirement as tax rates rise or fall. (See page 4 to learn more and find out about eligibility and deductibility.)

Why would I need an IRA?

- We're living longer and, as a result, your retirement could last 30 years or more. This, however, means your lifestyle during those years may be significantly impacted by the amount you've saved during your working years.
- Social Security is intended to replace only about 40% of your pre-retirement income, which means accumulating the other 60% is your responsibility.
- **An IRA could:**
  - Be particularly important if your employer doesn't offer a retirement plan – or if you're already saving the maximum in your employer's plan, but want to save more.
  - Supplement other retirement income sources such as Social Security, pensions, employer-sponsored plans, sale of property, inheritances and annuities, while also acting as a potential hedge against inflation.
  - Help cover health care costs during retirement, as medical bills are often more costly and frequent as we age.

When you might consider an IRA

Changing jobs?

If you have money in a retirement plan when changing employers, consider the pros and cons of all your options, which may include leaving the money in the plan or rolling the assets into an IRA.

About to retire?

As you prepare to retire, you may wish to consider consolidating retirement plan assets into a traditional or Roth IRA.

Spouse not employed?

Although you must earn an income to contribute to an IRA account, the IRS allows couples who file as "married filing jointly" to open an IRA in the nonworking spouse's name.

This material was not written for and is not intended to be used by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer under U.S. federal tax law. Each taxpayer should seek advice from an independent tax advisor based on the taxpayer's particular circumstances.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

Benefits of a traditional IRA

- **No income limits** – Everyone is eligible to open a traditional IRA.
- **Annual income tax deductions** – Part or all of annual contributions to a traditional IRA may be deductible on your tax return. (See pages 4 and 5 for more information.)
- **Tax-deferred growth** – You don't have to pay taxes on your earnings until you make withdrawals.
- **Estate planning** – Beneficiaries will not pay taxes at the point of inheritance, but are subject to required minimum distributions, which are taxable.

We chose a traditional IRA

Age: 48

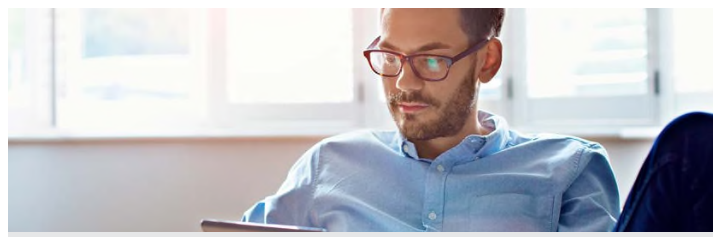
Filing status: Married

Modified adjusted gross income: $152,000

"We picked a traditional IRA to complement my husband's employer plan. Our traditional IRA allows us to deduct the contribution on our tax return – a definite advantage."

Benefits of a Roth IRA

- **Tax-free growth** – Earnings are tax-free if you (1) delay withdrawals until at least five years after the first contribution made to a Roth IRA set up for your benefit, and (2) you're at least age 59½, disabled or using the money for a first-home purchase ($10,000 lifetime limit).
- **Liquidity** – Contributions to your Roth IRA can be withdrawn tax-free at any time, although earnings will be taxable if the withdrawal doesn't meet certain conditions. The withdrawal may also be subject to an early withdrawal penalty unless you met an exception.
- **Delay withdrawals as long as you like** – You are not required to make minimum withdrawals during your lifetime. This gives you the ability to leave money in your IRA, which means your assets can continue to grow tax-free.
- **Estate planning** – Your IRA beneficiaries receive the inheritance without having to pay income taxes but are subject to required minimum distributions. However, distributions (both earnings and contributions) from the inherited IRA will not be taxable if it is a "qualified" distribution.



I chose a Roth IRA

Age: 38

Filing status: Single

Modified adjusted gross income: $88,000

"Although I could take a tax deduction for a traditional IRA, I'm going with a Roth because I like the idea of taking tax-free distributions when I reach age 59½.* Who knows how high federal income taxes will be by the time I retire?"

* Distributions are tax-free as long as you're age 59½ or older and it's been at least five years since the first Roth contribution was made. (See "Withdrawals" on page 6.)

IRA contribution limits

	If younger than age 50	If age 50 or older
2022	$6,000	$7,000
2023	$6,500	$7,500

Future contribution limits may be adjusted for cost-of-living increases. Contributions for the current tax year must be made by April 15 of the following year, unless April 15 falls on a Saturday, Sunday or legal holiday. In those cases, the due date is delayed until the next business day.

2 | Determine your eligibility for IRAs

What's your MAGI?

Your **modified adjusted gross income (MAGI)** is used to determine your eligibility to claim deductions for traditional IRA contributions and determines how much you may directly contribute to a Roth IRA. MAGI is calculated by subtracting certain expenses and allowable adjustments from your gross income.

For more information, see below and on page 5. To determine your MAGI, review your most recent IRS income tax filing or contact your tax advisor.

Cutting to the chase

- You may contribute money to a traditional IRA each year as long as you have earned income from employment.
- However, your ability to deduct contributions to a traditional IRA will depend on whether you participate in a retirement plan at work, your tax filing status and your MAGI.
- Your ability to contribute to a Roth IRA depends on your household income. (For more details, see the chart at the bottom of page 5.)

Traditional IRA tax deductibility

If you **are covered by a retirement plan at work**, use this table:

If your filing status is ...	And your MAGI for 2022 is ...	And your MAGI for 2023 is ...	Then you can take...
Single or **head of household**	$68,000 or less	$73,000 or less	full deduction
	$68,001–$77,999	$73,0001–$82,999	partial deduction
	$78,000 or more	$83,000 or more	no deduction
Married filing jointly or **qualifying widow(er)**	$109,000 or less	$116,000 or less	full deduction
	$109,001–$128,999	$116,001–$135,999	partial deduction
	$129,000 or more	$136,000 or more	no deduction
Married filing separately	$9,999 or less	$9,999 or less	partial deduction
	$10,000 or more	$10,000 or more	no deduction

Traditional IRA tax deductibility

If you **are not covered by a retirement plan at work** (a spouse or married partner could be covered), use this table:

If your filing status is ...	And your MAGI for 2022 is ...	And your MAGI for 2023 is ...	Then you can take ...
Single, head of household or **qualifying widow(er)**	any amount	any amount	full deduction
Married filing jointly or **separately** with a spouse who is not covered by a plan at work	any amount	any amount	full deduction
Married filing jointly with a spouse who is covered by a plan at work	$204,000 or less	$218,000 or less	full deduction
	$204,001–$213,999	$218,001–$227,999	partial deduction
	$214,000 or more	$228,000 or more	no deduction
Married filing separately with a spouse who is covered by a plan at work	$9,999 or less	$9,999 or less	partial deduction
	$10,000 or more	$10,000 or more	no deduction

If you file separately and did not live with your spouse at any time during the year, your IRA deduction is determined under the "single" filing status.

Roth IRA eligibility

If you **are interested in a Roth IRA,** use this table to find out if you're eligible and, if you are, how much you can contribute:

If your filing status is ...	And your MAGI for 2022 is ...	And your MAGI for 2023 is ...	Then you can contribute ...
Single, head of household, or **married filing separately,** and you did not live with your spouse at any time during the year	$128,999 or less	$137,999 or less	full contribution
	$129,000–$143,999	$138,000–$152,999	reduced amount
	$144,000 or more	$153,000 or more	nothing/not eligible
Married filing jointly or **qualifying widow(er)**	$203,999 or less	$217,999 or less	full contribution
	$204,000–$213,999	$218,000–$227,999	reduced amount
	$214,000 or more	$228,000 or more	nothing/not eligible
Married filing separately, and you lived with your spouse at any time during the year	$9,999 or less	$9,999 or less	reduced amount
	$10,000 or more	$10,000 or more	nothing/not eligible

3 | Comparing IRA options

This side-by-side chart provides a comparison of each IRA option and the various factors you should keep in mind. For additional information about distributions, tax treatments and more, see *IRS Publication 590-A* and *IRS Publication 590-B*.

	Traditional IRA	Roth IRA
Annual tax credit	The maximum is 50% of your annual contribution, not to exceed $2,000, so long as your household income doesn't exceed certain limits.	
Tax advantages	Earnings, until withdrawn, grow tax-deferred.	Earnings grow tax-deferred and can be withdrawn tax-free if certain conditions are met. *See below.*
Withdrawals	Withdrawals are taxable and those made before age 59½ are subject to a 10% federal tax penalty unless the IRA owner is disabled or qualifies for an exception, including but not limited to the following: • Taken as substantially equal periodic payments • Used for one of the following payments or purchases: – Certain unreimbursed medical bills – Health insurance premiums during unemployment lasting at least 12 weeks – Qualified education expenses – Qualified first-time homebuyer (up to $10,000) – Birth or adoption expenses (up to $5,000) • Payments after owner's death (i.e., taken by beneficiaries)	Qualified withdrawals are tax-free and penalty-free, if the withdrawal is made at least five years after the first contribution was made to a Roth IRA set up for your benefit, and the IRA owner meets one of the following conditions: • Age 59½ or older • Disability • First-time homebuyer* If these conditions are not met, earnings are taxable and may be subject to a penalty, unless an exception applies. (See the traditional IRA "Withdrawals" section to the left.)
	Withdrawals made by beneficiaries are not subject to the 10% early withdrawal tax penalty. In addition, if the first Roth contribution was made at least five years earlier, these withdrawals aren't subject to taxes either.	
Age limit for contributions	Contributions can be made as long as the owner has earned income at the end of the calendar year for which it is being made.	None, as long as the IRA owner's income meets the annual eligibility requirements.
Required minimum distributions (RMDs)	Must begin taking RMDs no later than April 1 of the year following the year in which the owner reached age 73.	Not required during the Roth IRA owner's lifetime.
	For beneficiaries, distribution rules vary depending on the age of and relationship to owner at death.	
Taxability of retirement plan rollovers	May roll any non-Roth portion of a retirement plan account into a traditional IRA without tax consequences.	• Rolling the non-Roth portion of a retirement plan account into a Roth IRA is a taxable event, but the amount is not subject to a 10% early withdrawal penalty. • Rolling over the Roth portion isn't a taxable event.

Key IRA age milestones and tips

Catch-up contributions	Penalty-free withdrawals	Take your RMDs
Age 50	**Age 59½**	**Age 73**
Starting at age 50, your annual contribution limit increases, enabling you to put more money into an IRA.	Once you turn 59½, you are permitted to withdraw funds from your IRAs without incurring a penalty, even if you are still working.	You must begin taking RMDs from your traditional IRAs upon reaching age 73, whether or not you have actually retired from work.

* In accordance with IRS qualification requirements.

4 | Other considerations

Can I convert a traditional IRA to a Roth IRA?

Yes, you may convert a traditional IRA to a Roth IRA regardless of your income or tax-filing status. A Roth conversion may be worth considering if you:

- Can leave the money in the account for at least five years after your first contribution and not withdraw assets until you reach age 59½.
- Expect your tax rate to rise in the future and, as a result, would rather pay income taxes now.
- Can pay the resulting income taxes from a source other than the IRA so that the full amount of the traditional IRA goes into the Roth IRA. You may be able to offset the tax due on the conversion if you have other losses or deductions on your tax return.

Could I be eligible to contribute to both types of IRAs?

Yes, as long as you meet eligibility rules for both traditional and Roth IRAs, and your combined contribution doesn't exceed the annual contribution limits shown on page 3. An advantage of investing in both a tax-deferred account (such as a 401(k) plan or a traditional IRA) and a tax-free account (such as a Roth IRA) is that you'll gain the flexibility to choose which account to make withdrawals from during retirement as your tax rate rises or falls.

Does having multiple IRAs affect the amount that is considered taxable on a Roth IRA conversion?

Yes. Even if all of the assets are not converting, the IRS requires that the tax calculation accounts for the value of all your IRA assets owned on December 31 of the conversion year. Taxable amounts converted are treated as taxable income; consult a tax advisor for your specific scenario.

Should I withdraw money from my IRA before I retire?

In moments of stress, reaching for the easiest solution is often attractive, but not always wise. While financial circumstances may require you to take a withdrawal from your IRA, doing so can carry a penalty and additional taxes. So, before you take an early withdrawal, review the following considerations:

- Is this a financial emergency?
- Have you considered other financial sources?
- What impact will it have on your long-term retirement savings program?

Is your beneficiary designation up to date?

Who will inherit your IRA account? Some investors forget to name a beneficiary or update an obsolete designation. In the event you fail to name a beneficiary, the IRA agreement explains how your account will be distributed.

Are you on track for retirement?

To help, we encourage you to:

- ☐ Review your quarterly statements.
- ☐ Check in with your financial professional at least once a year.
- ☐ Discuss with your financial professional whether you're still eligible to contribute to your IRA.

Ready? Set? Go!

Now that you know more about IRAs and the powerful role one or more could play in your financial well-being during retirement, it may be time to consider opening an IRA with Capital Group. Contact your financial professional today to get started.

The Capital Advantage®

Since 1931, Capital Group, home of American Funds, has helped investors pursue long-term investment success. Our consistent approach — in combination with The Capital System™ — has resulted in superior outcomes.

Aligned with investor success

We base our decisions on a long-term perspective, which we believe aligns our goals with the interests of our clients. Our portfolio managers average 28 years of investment industry experience, including 22 years at our company, reflecting a career commitment to our long-term approach.[1]

The Capital System

The Capital System combines individual accountability with teamwork. Funds using The Capital System are divided into portions that are managed independently by investment professionals with diverse backgrounds, ages and investment approaches. An extensive global research effort is the backbone of our system.

American Funds' superior outcomes

Equity-focused funds have beaten their Lipper peer indexes in 90% of 10-year periods and 99% of 20-year periods.[2] Relative to their peers, our fixed income funds have helped investors achieve better diversification through attention to correlation between bonds and equities.[3] Fund management fees have been among the lowest in the industry.[4]

1 Investment industry experience as of December 31, 2022.

2 Based on Class F-2 share results for rolling monthly 10- and 20-year periods starting with the first 10- or 20-year period after each mutual fund's inception through December 31, 2022. Periods covered are the shorter of the fund's lifetime or since the comparable Lipper index inception date (except Capital Income Builder and SMALLCAP World Fund, for which the Lipper average was used). Expenses differ for each share class, so results will vary. Past results are not predictive of results in future periods.

3 Based on Class F-2 share results as of December 31, 2022. Sixteen of the 18 fixed income American Funds that have been in existence for the three-year period showed a three-year correlation lower than their respective Morningstar peer group averages. S&P 500 Index was used as an equity market proxy. Correlation based on monthly total returns. Correlation is a statistical measure of how two securities move in relation to each other. A correlation ranges from –1 to 1. A positive correlation close to 1 implies that as one security moves, either up or down, the other security will move in "lockstep," in the same direction. A negative correlation close to –1 indicates that the securities have moved in the opposite direction.

4 On average, our mutual fund management fees were in the lowest quintile 62% of the time, based on the 20-year period ended December 31, 2022, versus comparable Lipper categories, excluding funds of funds.

Class F-2 shares were first offered on August 1, 2008. Class F-2 share results prior to the date of first sale are hypothetical based on the results of the original share class of the fund without a sales charge, adjusted for typical estimated expenses. Results for certain funds with an inception date after August 1, 2008, also include hypothetical returns because those funds' Class F-2 shares sold after the funds' date of first offering. Refer to **capitalgroup.com** for more information on specific expense adjustments and the actual dates of first sale.

Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing.

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