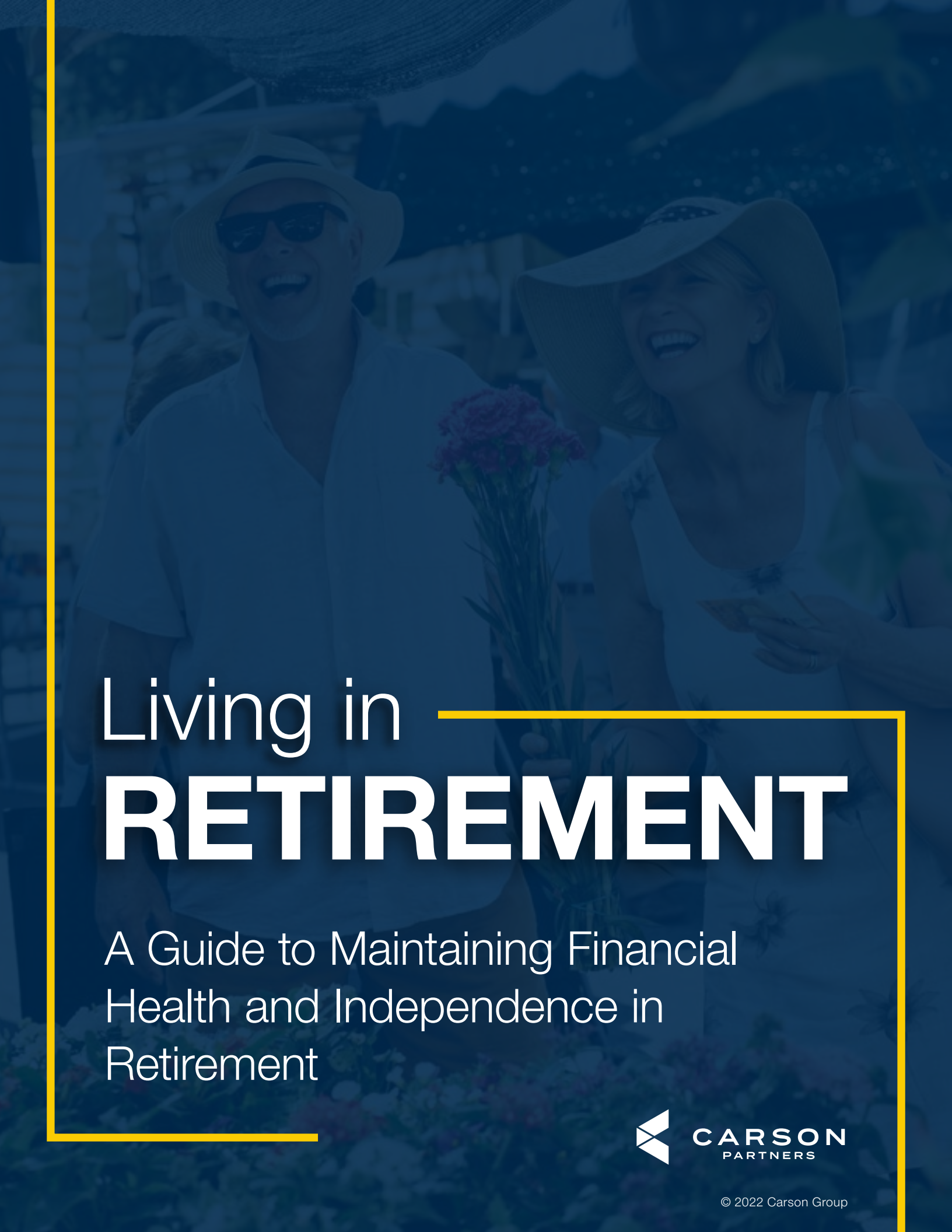




Living in **RETIREMENT**

A Guide to Maintaining Financial
Health and Independence in
Retirement



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As traditional concepts of life in retirement fall to the wayside, today's retirement is ripe with possibilities. For many, it's an exciting time to begin a new career or business, complete a degree or continue working in your chosen field – but at your pace and on your terms. For others, it means more time to travel, spend time with family or grandchildren, garden or write a novel. However you define life in retirement, it should offer ample time to focus on and enjoy the people, relationships and activities that mean the most to you.

Making the most of your years in retirement also requires a sense of financial well-being – the knowledge that you won't outlive your assets or create a financial burden for children or other loved ones. The confidence that adequate income will be available to you from sources like Social Security, a pension, investments and personal savings not only provides reassurance, but also allows you to focus your time and energy on the other important aspects of your life without the stress and anxiety that comes from worrying about your finances.

Whether you're confident in your ability to generate income for another 20, 30 or more years in retirement, or have concerns about how long your income may last, this guide can provide you with a better understanding of how to minimize the financial challenges today's retirees face regardless of income level, and make the most of this exciting period in your life.

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Understanding the Top 4 Challenges to Your Income in Retirement

No matter how well-prepared you may feel for life in retirement, none of us is immune to the challenges presented by market volatility, rising taxes and inflation, and longevity. Fluctuations in the financial markets, interest rates and the value of the dollar affect the price of the goods and services you use, which in turn has a direct impact on your wallet. Even spending – something largely within your control – is impacted by these other factors. If you're not generating enough income to outpace rising taxes, inflation and health care costs, it's only a matter of time before your expenses may begin to exceed your income, creating a shortfall.

The good news is that with proper planning, you can develop strategies to minimize the following risk factors that threaten to erode your income in retirement.

1 Market Volatility – A sudden market downturn can have a significant impact on investors receiving regular distributions from retirement plans or investment accounts, who are not well-diversified or who don't have the time to wait out a market recovery. Market volatility can be especially damaging in the early stages of retirement due to the long-range impact it can have on your income-producing assets.

2 Spending Behavior – The spending strategy that is right for you depends on your personal expenses, anticipated lifespan and income sources. Understanding how to modify your spending when faced with unforeseen expenses or a prolonged downturn in the financial markets – especially in the early stages of your retirement – is essential to preserving your income stream.

3 Taxes and Inflation – The longer your time in retirement, the greater the potential that taxes and inflation may erode the purchasing power of your savings and impact your lifestyle. Protecting your assets from inflation as you move forward in retirement is critical to ensuring the income you rely on will be available for as long as you need it.

4 Longevity – Modern advances in medicine and health care mean that Americans are not only living longer, but enjoying more active and productive lives. However, coupled with rising health care costs, longevity represents the single greatest threat to retirement security: outliving one's income in retirement.



“With proper planning, you can develop strategies to minimize risk factors that threaten to erode your income in retirement.”

Remain Flexible

During the various stages of retirement, your assets may be more or less vulnerable to the different retirement income challenges listed above. For example, during the early stages of retirement, it's critical to protect your assets from excessive market volatility and aggressive spending so you don't diminish the value of assets needed to generate income throughout your retirement. Later in retirement, your assets are typically more vulnerable to the impact of inflation and an increase in medical expenses as you age, requiring you to place greater emphasis on these challenging areas.

The 3 Stages of Spending in Retirement



EARLY | Age 60-74

Retirees in the early stage of retirement tend to be the most active and spend the most money. Many find they will need 80% or more of their annual pre-retirement income to support their lifestyle. It's not unusual for retirees to find that they're actually spending more than when they were working, now that they have additional time for leisure activities, meals out and travel. However, overspending at this stage can be detrimental to your long-range goals if it leads to a reduction in investment principal needed to generate additional income to support the later stages of retirement.



MID | Age 75-84

Spending tends to level off mid-retirement for a number of reasons. Paying off a mortgage or downsizing, selling a second car, boat or vacation home that you no longer use, a less active lifestyle or the loss of a spouse can all contribute to a reduction in spending.



LATE | Age 85+

Spending tends to pick up again in late retirement, primarily due to a rise in the cost of goods and services over time and increased medical expenses associated with aging. Hospitalization, in-home care and/or nursing home care can drive up expenses substantially during the late stages of retirement. Retirees in good health moving to an independent living facility may also see an increase in daily living costs due to paying rent and other facility charges if they had previously been living mortgage-free.



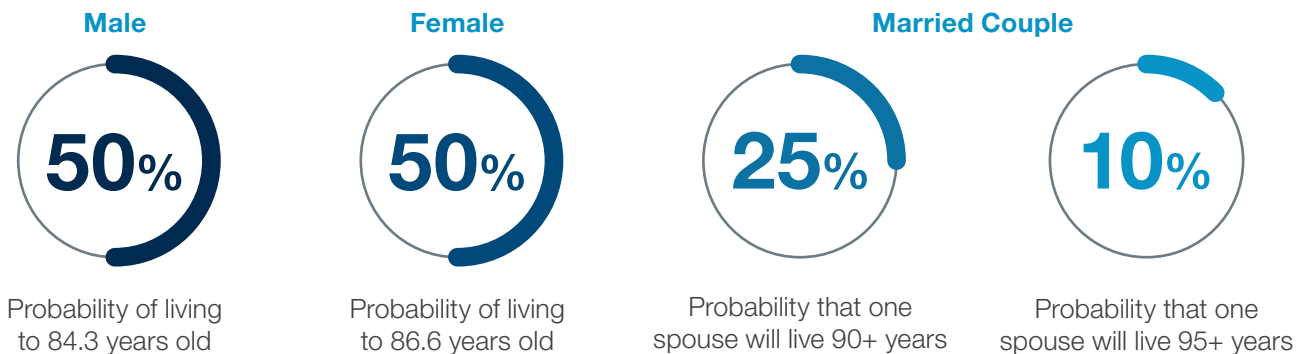
Maximize the Social Benefits

If you're currently receiving Social Security benefits, you already know that up to 85% of the benefits you receive may be taxable if your total income from Social Security and other sources exceeds \$34,000 for single individuals and \$44,000 for married couples filing jointly. However, there are many ways to help reduce your overall tax burden in retirement, helping you to keep more of the income and benefits you worked so hard to accumulate. For more information on closing the gap on taxes and maximizing your Social Security benefits, check out our complimentary guide – **[Social Security: Maximize Social Security Benefits & Minimize Tax Burden](#)**.

Live Long and Prosper

No matter which stage of retirement you find yourself in today, as a group, today's retirees are healthier, more active and expected to live longer than any previous generation. According to data compiled by the Social Security Administration, a man reaching age 65 today can expect to live, on average, until age 84, and a woman turning age 65 today can expect to live until age 86. But remember, those are just averages. About one out of every four 65-year-olds today will live past age 90, and one out of 10 will live past age 95.

The Probability of a 65-Year-Old in Good Health Living to Various Ages: Source: Social Security Administration (SSA)



While longer lifespans are a good thing, longevity also points to the increased need for prudent and comprehensive planning. You need to plan finances for essential and non-essential lifestyle needs (and wants) for possibly 25 years or more. The longer you live, the longer your money needs to last. If your spending behavior only supports a period of 20 years in retirement, but you live well beyond that, it's likely you will outlive your income. Likewise, if your investment portfolio is not generating adequate growth to offset the eroding effects of inflation, taxes and rising healthcare costs over time, living longer can increase both the likelihood and severity of a shortfall.

Maintain Balance

While none of us knows how long we will live, managing investment risk is critical to helping ensure your investment portfolio continues to generate the income you need throughout your years in retirement. That requires careful monitoring of your investments over time, as well as regular adjustments to ensure asset allocations remain aligned with your risk tolerance and investment objectives.

As the financial markets change and evolve, most investment portfolios will experience some degree of "style creep." For simplicity's sake, let's say you allocated 60% of your investment portfolio to stocks and 40% to bond or fixed income investments. However, following a sustained period of rising stock market returns, the growth realized in the equity sector of your portfolio causes your equity allocation to exceed 60%, assuming no adjustments were made to the portfolio. Now, instead of holding 60% of your assets in stock market investments, you hold 68% in equity investments. That may represent a considerably more aggressive portfolio and greater risk than you may be comfortable with in retirement.



Taking the Pulse of Rising Health Care Costs

According to a 2019 survey, an average 65-year-old couple will need around \$363,946 for premiums and out-of-pocket costs during the last chapter of their lives. Keep in mind as well that Medicare offers no coverage for long-term care, and someone turning 65 today has an almost 70% chance of needing long-term care in the future. Out-of-pocket expenses for over-the-counter medications, equipment and supplies; insurance premiums, deductibles and co-pays for Medicare supplement or private insurance plans; and in-home care as well as nursing home care can add up quickly in retirement.

Source: Insured Retirement Institute, [Boomer Expectations for Retirement](https://www.myirionline.org/docs/default-source/default-document-library/iri_babyboomers_whitepaper_2019_final.pdf?sfvrsn=0) 2019
https://www.myirionline.org/docs/default-source/default-document-library/iri_babyboomers_whitepaper_2019_final.pdf?sfvrsn=0

Monitor Risk Factors

While growth is an essential component in helping to ensure your income needs are met for 20 or 30 years in retirement, it must be prudently managed. Investment growth helps guard against the damaging effects of inflation, rising health care costs and taxes.

In retirement, the objective of the growth component of your investment portfolio is to generate earnings that, when added to existing principal, fuel future growth. Investment earnings, when reinvested, can then be used to create a steady stream of new dollars over time that can be repurposed at a later date as income. But risk and reward must be carefully balanced in retirement for this strategy to be effective.

Think of it this way: Consuming protein is helpful for maintaining strong bones and lean muscle, especially as we age. The stronger your bones and muscles, the longer you may remain active and healthy. Protein helps fuel this growth. However, the amount and types of protein you consume are critical. Obtaining all of your protein needs from cheeseburgers vs. low-fat dairy may have a negative effect, resulting in certain health risks you weren't counting on, like weight gain, increased cholesterol or a higher risk of heart disease or stroke. So your protein needs have to be carefully balanced with your individual calorie needs and overall health profile.

Investing is similar. You want to make sure you're generating the right kind of risk-adjusted returns aligned with your investment objectives, timeframe and personal tolerance for risk. That can go a long way toward helping you avoid significant losses at a time when you can least afford them.



Are you generating the right kind of risk-adjusted returns aligned with your investment objectives, timeframe and personal tolerance for risk?

Get Routine Check-Ups

Routine screenings and check-ups are as important for your financial health as they are for your physical health, but they don't end with managing and monitoring your investment portfolio. As federal and state tax laws change over time, your tax and estate strategies can quickly become outdated. And outdated estate planning documents, like wills, powers of attorney, medical directives or trust documents can create problems for those appointed to manage your affairs should you no longer be able to do so yourself. Out-of-date documents can also result in unintended tax consequences for beneficiaries upon the distribution of your estate. Fortunately, there's an easy way to determine whether or not your estate planning documents require updating.

Your estate planning documents may be out-of-date if they were created before:

April 14, 2003

Although the Health Insurance Portability and Accountability Act (HIPAA) was enacted in 1996, required compliance with its privacy regulations was not instituted until April 14, 2003. If your estate planning documents were executed before this date, your executor, trustee or agent may not be able to work effectively with your medical providers and insurers.

January 01, 2005

The Economic Growth and Tax Relief Act of 2001 phased out the federal credit for state death taxes between 2002 and 2004. As a result, effective Jan. 1, 2005, state estate or inheritance taxes apply on top of any federal estate tax. If you live in a state that imposes its own estate tax and your wills or revocable trusts were executed before 2005, it's important to understand how to plan for those taxes.

December 17, 2010

This is the enactment date for the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010, which increased the federal estate tax exclusion to \$5 million for 2010 and indexed it to inflation after that. For 2017, the federal estate tax exclusion is \$5.49 million. If your estate plan was created prior to this date, your estate planning documents may contain federal tax-planning provisions that are no longer necessary. However, if you live in a state that imposes a state estate tax or inheritance tax, you may need to consider new strategies to deal with state estate taxes, which often begin at a much lower threshold.

January 02, 2013

Married couples with a will or trust drafted before this date may be missing out on certain valuable tax planning opportunities. Traditional estate tax planning strategies for married couples relied on creating a credit shelter or bypass trust that would not be part of the surviving spouse's taxable estate. However, assets in this trust are not eligible for what's known as a step-up in cost basis at the death of the surviving spouse that can eliminate or reduce certain capital gains taxes.

December 22, 2017

The Tax Cuts and Job Act was signed into law, meaning a groundshift for estate planning. Federal gift, estate and generation-skipping transfer tax exemptions doubled from \$5 million to \$10 million + inflation (\$11,180,000 for 2018; \$11.7 million in 2021). Increased exemptions sunset at the end of 2025. There are a couple indicators

that mean you should definitely revisit planning. First, if you're a resident of a state with state income tax and/or state estate tax. Second, if your estate falls below the threshold of exemption because of the passage of the act (you may have exceeded it before). Finally, if you have formula clauses to fund transfers to certain beneficiaries.

December 20, 2019

The SECURE Act passed, ending the "stretch IRA" for inherited accounts and delaying the age for required minimum distributions to 72.

March 27, 2020

The CARES Act was a response to the COVID-19 pandemic. The legislation helped businesses, offering tax breaks and introducing the Paycheck Protection Program. For individuals, it suspended required minimum distributions for the year and helped those affected directly by the virus.

Source: <https://www.gtlaw.com/en/insights/2018/3/estate-planning-under-the-tax-cuts-and-jobs-act>

December 29, 2022

The SECURE Act 2.0 passed, increasing the age for required minimum distributions to age 73.

Keep your estate planning documents up to date by asking your wealth advisor or estate planning attorney to review your documents on an annual basis. This can help to ensure they comply with current laws and enable you to take full advantage of the estate and legacy planning and opportunities available to you.

Create Karma

While many people think of their legacy in terms of what they will leave to others after they're gone, your legacy is much more than that. Your legacy is a reflection of what you have achieved in your lifetime and how you have used your knowledge, talents and financial resources to help others and benefit the causes and communities that are important to you. Philanthropy and charitable giving during your lifetime provide the added benefit of enabling you to witness and enjoy the impact your legacy and generosity have on the people and causes you support.

However, before determining when, how and how much to give during your lifetime, it's important to stress test your current retirement income strategy.



Giving From the Heart is Good for the Heart

Did you know that giving is actually good for your health? Giving of your time, talent or money is not only a noble act, but one that health professionals now say actually stimulates those positive, feel-good hormones you usually have to spend a lot of time on a treadmill to benefit from.

An experienced wealth advisor can work with you to help make sure you're thoroughly comfortable with your nest egg's ability to last throughout a potentially long period in retirement before you choose a specific strategy. He or she can educate you on the various tax-efficient gifting strategies and help you implement a strategy aligned with your legacy goals.

Simplify

Retirement should be a time when life is simpler and less stressful. However, financial stress tops the list for creating the most anxiety for both retirees and pre-retirees, with many citing the impact of emergency or unexpected expenses and the complexity of financial products as leading causes of concern.* Fortunately, our wealth advisors happen to specialize in reducing financial stress and anxiety, helping you:

- » Plan for your income needs at every stage of retirement
- » Simplify financial management through hands-on coaching and education
- » Manage and monitor investment risk
- » Develop strategies to minimize the impacts of inflation, taxes and rising health care costs
- » Maximize your Social Security benefits
- » Ensure important estate and tax planning strategies and documents are up to date
- » Access a simple yet sophisticated method for organizing and coordinating your entire financial life

Our wealth advisors offer a private and secure website customized to your needs that allows you and designated family members to see a complete real-time snapshot of every financial balance you have across your financial accounts and institutions.

This complete aggregation of balances from your checking, savings, investment accounts, credit card companies, mortgage providers and more is available to you 24/7. Your personal website also provides you with an accurate daily net worth statement that dynamically overlays your financial plan, enabling you to view progress toward your goals every step of the way.

Our wealth planning system provides:

- » Scenario planning from single-goal or event analysis to a comprehensive financial plan
- » A comprehensive, aggregated view of all of your financial assets
- » Real-time asset values for your financial plan across multiple accounts and advisors
- » A method for tracking spending, resulting in a consistently clear understanding of cash flow
- » Secure, online vault for storing critical documents and information, including copies of your estate planning documents, birth certificates, passports, family photos and more

*AARP: Financial Innovation Frontiers, April 2017

Our wealth planning system is also a very effective tool for helping married couples access and remain up to date on their finances. In most marriages, one spouse tends to handle the lion's share of financial organization, coordination and decision-making. Our wealth planning system provides both you and your spouse with:

- » The knowledge and comfort that your financial life is organized and available to view in one place
- » Access to your financial information from anywhere in the world via a secure internet connection
- » Confidence from knowing that in the event of a health crisis or the loss of a spouse, your spouse or other family members have ready access to the information, tools and documents they need



Go With Your Gut

If it sounds too good to be true, it probably is.

Retirees are a primary target for scams and identity theft, especially those with ample nest eggs. To help safeguard your assets and your good name, consider these tips:

- » Be wary of callers requesting personal information and/or offering free prizes or discounted products. No legitimate organization will ask you to pay a fee to collect lottery or contest winnings or sweepstakes prizes.
- » Obtain copies of your credit reports once a year and review them for accuracy.
- » Review all financial account activity and statements on a regular basis.
- » Before donating to non-profit or charitable organizations, check them out at www.charitywatch.org.
- » Sign up for the National Do Not Call Registry at www.donotcall.gov to minimize the number of telemarketing calls you receive.
- » Most phone service providers offer call blocking services, which can be effective in eliminating unwanted, repeat calls from a specific number.
- » If you don't recognize the sender of an email, or suspect it may be spam, delete it before opening.
- » Never click on a link embedded in an email unless you're 100% confident it's from a legitimate source.
- » To report a suspected scam, visit www.ftccomplaintassistant.gov.

Your Financial Well-Being Always Comes First

Consulting with an experienced, independent wealth advisor during retirement can help you:

- » Identify any gaps, challenges or vulnerabilities in your current income strategy
- » Access recommendations aligned with your financial and lifestyle goals
- » Put strategies in place to help head off a potential income shortfall during your lifetime
- » Maintain a sense of personal and financial well-being throughout your years in retirement
- » Ensure that a trusted team is in place to help carry out your legacy and provide competent guidance to your spouse or other family members when you are no longer able to do so

Whether you have concerns about how long your income will last or are just seeking a second opinion, our wealth advisors can provide the answers you seek. Our consultative approach begins with a conversation to get to know you and understand what's most important to you. Your wealth advisor will conduct an in-depth analysis of your existing financial situation and investment portfolio, and stress test your strategy on a regular basis to help you maintain the financial independence you seek throughout retirement.



Contact your wealth advisor today to learn more about maintaining the financial health and well-being you seek in retirement.

Many people leave their financial advisor confused about what's happening with their money.

Our advisors are just as good at explaining investments as they are at making them. Our clients fully understand what's happening with their money at every stage of their financial journey.

How we make the complex simple:

- » **Straightforward Fees**
- » **Effective Game Plan**
- » **Advice in Common Language**

Our goal is to make your life easier. We exist to serve as your guide for life's big tradeoff decisions, and by working with us, we want you to be confident you made the right decisions.

Find your Freedom.

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