human investing® PRESENTS

# YOUR RETIREMENT PLAYBOOK

7 pivotal questions to ask when building your retirement strategy

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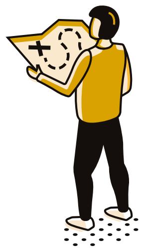
# SO YOU WANT TO MAKE THE TRANSITION?



This essay was crafted to lead retirees through the critical decisions necessary for a successful retirement. Whether you are already retired or on the precipice, this guide is for you. By its conclusion, we hope you will be able to evaluate your retirement readiness, comprehend potential risks, and gain the confidence to achieve both financial security and personal fulfillment in retirement.

Recognizing that retirement is a significant milestone in your life, our team at Human Investing celebrates your remarkable accomplishment. It is a testament to your foresight, hard work, and discipline to have reached this point.

However, transitioning into retirement is far from an automatic process. The decision to retire is the first in a series of substantial financial and nonfinancial decisions that demand careful consideration. Financially, you will need to determine how to transform your nest egg of retirement savings into a dependable source of income. Additional decisions may include downsizing your home, potentially moving closer to adult children, considering tax implications when handling property and assets, and grasping the risks tied to these transactions, whether in execution or avoidance.

Navigating the complexities of retirement extends beyond logistical considerations. Making meaningful financial choices amid this life transition can be challenging, especially considering the emotional aspects involved. According to psychologists, "retirement from work" ranks as the 10th most traumatic life event.[1] Anticipation and excitement for retirement's possibilities—such as increasing quality time with loved ones, pursuing lifelong dreams, and reigniting neglected hobbies—might intermingle with apprehension about departing from the familiar 9-to-5 routine.

This guide focuses on retirement income planning amid other significant financial considerations, both pre- and post-retirement. Retirement income planning involves crafting a personalized strategy to secure a consistent paycheck while in retirement.

Managing the emotional and financial challenges of retirement requires skillful navigation. A well-crafted retirement plan not only offers much-needed assurance and clarity but also empowers you to focus on what truly matters. This guide, structured around seven pivotal questions, aims to provide practical insights and solutions in shaping your personalized retirement strategy. Additionally, it includes a case study highlighting the value of financial planning and a retirement checklist for your benefit.

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1 Holmes, T. H., & Rahe, R. H. (1967). The Social Readjustment Rating Scale. Journal of Psychosomatic Research, 11(2), 213-218.

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PART 1

# "AM I READY FOR RETIREMENT?"

**DID YOU KNOW?**

According to the commonly cited 4% withdrawal rule, you will need a $30,000 investment portfolio to cover a $100 monthly expense throughout a 30-year retirement.

You have saved well and put in the years, but are you ready for retirement? Here is a personal assessment (with an accompanying worksheet) to better understand if you are ready to retire:

## 1. ASSESS YOUR GOALS

Setting clear and prioritized retirement goals is the first step to achieving financial security. This involves allocating resources to meet specific goals, while identifying potential risks.

Given the intricacy of retirement cash flow needs, your goals must be comprehensive. Consider breaking down your retirement objectives into the following categories:

**Essential living expenses:** Covering necessities such as food, housing, clothing, and healthcare costs.

**Safety net:** Maintaining a liquid reserve for unexpected events and significant mandatory expenses.

**Discretionary spending:** Accounting for recreational spending for vacations, dining out, leisure activities, and other large expenses.

**Legacy transfer:** Planning for inheritance or charitable giving.

For most retirees, prioritizing basic living expenses should come first, followed by addressing other goals. A personalized approach considers the nature of each goal, the required certainty, and your tolerance for risk as an investor. Confidence in achieving these goals is the key to ensuring financial security in retirement.

## 2. COMPLETE AN INCOME ASSESSMENT

Once you are no longer receiving a paycheck, where will your income come from? Your retirement is predicated on your ability to generate income to cover all your expenses.

Ensure you have a dependable and long-lasting income stream. Create a list outlining the expected source of income and familiarize yourself with the regulations and tax implications

| RETIREMENT INCOME SOURCES | | |
|---|---|---|
| | Pretax 401(k), 403(b), 457 | Cash savings |
| | Roth 401(k), 403(b), IRA | Annuities |
| | Traditional IRA | Dividends: income, capital gains |
| | Social Security | Interest |
| | Stocks, bonds, mutual Funds, ETFs | Real estate |
| | Pensions | |

associated with each source.

## 3. ASSESS YOUR EXPENSES

Can your cash flow cover your retirement lifestyle? You will need to sum up both your nondiscretionary and discretionary expenses. To do this more accurately, you must account for the natural increase in your expenses due to inflation. Understanding expenses is an important, and often-neglected, step to assessing retirement readiness; when overlooked, it can be quite costly.

According to the commonly cited 4% withdrawal rule, you will need a $30,000 investment portfolio to cover a $100 monthly expense.

Scrutinize whether how you spend your money aligns with your retirement goals and values. Consider whether it makes sense to pay down any debts and liabilities before retirement.

## 4. EVALUATE THE POTENTIAL RISKS YOU MAY FACE

Carefully assess the probability and potential impact of each risk. Doing so will aid you in establishing an effective plan to mitigate these risks, ensuring you stay on course.

**Market risk:** The potential loss in a portfolio's purchasing power due to market fluctuations such as investment returns, inflation, and interest rates. Mitigating this risk requires proper investment management, disciplined decision-making, and a long-term outlook.

**Longevity risk:** The chance of outliving planned financial resources, particularly with global increases in life expectancies. Prudent planning involves considering a lifespan beyond the median expectancy. Factors such as wealth, lifestyle, and gender (with women often living longer) should be considered.

**Health risk:** The potential need for care due to deteriorating health and the risk of being unable to afford it. This category is influenced by genetic and lifestyle factors, government support, and insurance coverage.

**Family risk:** Encompasses events such as divorce, the death of a spouse, and the illness or unemployment of adult children. Its impact can be prolonged over an extended period, making management challenging.

**Tax and Policy risk:** Tax and policy changes impact retirement systems, including health coverage, benefits, and taxation of retiree benefits and estates. Focus on controlling controllable factors, diversifying portfolios, strategically planning for taxes, and seeking financial advice to navigate complexities and maximize after-tax returns.

## 5. DO YOU KNOW HOW YOU ARE GOING TO SPEND YOUR TIME?

Retirement is about more than just your finances. When you leave your job, it is not just your paycheck that you will be leaving behind. You might also miss out on other important aspects of your life, such as a sense of purpose, daily social interactions, a structured routine, your status, and even your identity. While many people focus on planning for financial security before and during retirement, they often do not give much consideration to how they will fill their time. Just as it is crucial to create an income plan, it is equally important to have a plan in place for how you will spend your time during retirement.

Preparing for retirement requires a thorough financial assessment and a plan for your lifestyle. Understand your income, expenses, and goals, while also considering potential risks. Beyond finances, think about how you will spend your time and find purpose in retirement. Balancing financial readiness and a fulfilling lifestyle plan sets the stage for a successful retirement journey.

**"AM I READY FOR RETIREMENT?" TAKEAWAYS**

1. Assess your goals
2. Complete an income assessment
3. Assess your expenses
4. Understand and evaluate the potential risks you may face in retirement
5. Do you know how you are going to spend your time?

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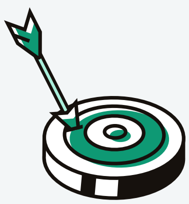
PART 2

# "ARE MY INVESTMENTS SUITABLE?"



**DID YOU KNOW?**

Average annual return on a mutual fund or ETF +7.71%

Your return when you try to time the market +6.04% 1.68% GAP

Many decisions related to retirement planning involve managing a portfolio of liquid assets. These dollars can originate from savings through an employer-provided retirement plan, an inheritance, or the sale of a business. Regardless of the source of these assets, the success of your retirement hinges on making the right choices when it comes to constructing and managing your portfolio.

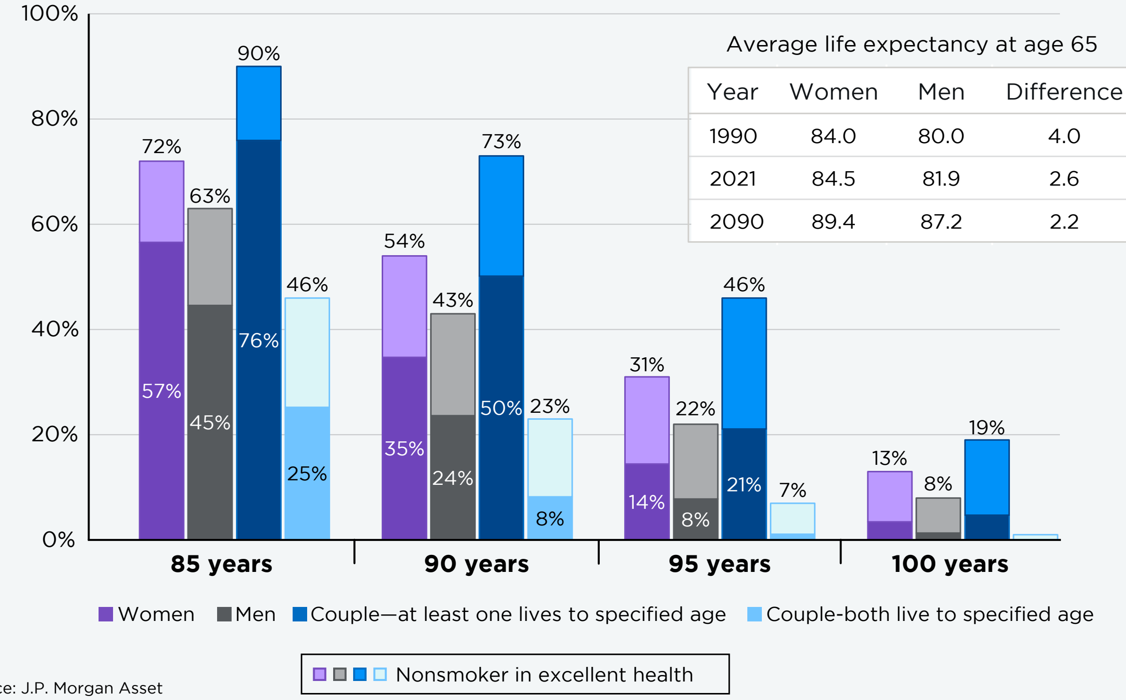
When transitioning out of the workforce, it is essential to craft an investment portfolio tailored specifically to this phase of life. Your custom-designed portfolio should aim to **minimize risk, enhance returns,** and **establish a reliable income stream.** A one-size-fits-all investment approach will not suffice.

To secure your financial future in retirement, start by setting and prioritizing your unique retirement goals. This will lay the groundwork for your financial plan, helping you allocate resources and manage potential risks. Said simply, your investment strategy should start with you.

Next, develop a strong investment plan that fits your goals, no matter what the market does. This involves utilizing Nobel Prize–winning research to select investments that offer optimal returns, while keeping risk in check. Typically, this means purchasing stocks representing ownership of the world's best companies, along with some bonds and cash. Striking the right balance among these investments is critical, as demonstrated by a 1986 study showing that more than 90% of investment fluctuations stem from how money is distributed across diverse types of investments.[2]

2 Brinson, G. P., Hood, L. R., & Beebower, G. L. (1986). Determinants of Portfolio Performance. Financial Analysts Journal.

## IF YOU'RE AGE 65 TODAY, THE PROBABILITY OF LIVING TO A SPECIFIC AGE OR BEYOND




Average life expectancy at age 65

| Year | Women | Men | Difference |
|---|---|---|---|
| 1990 | 84.0 | 80.0 | 4.0 |
| 2021 | 84.5 | 81.9 | 2.6 |
| 2090 | 89.4 | 87.2 | 2.2 |

Source: J.P. Morgan Asset Management, 2022

Once you understand the fundamentals of your investment portfolio, it is crucial to stress test it and factor in potential risks that may not have been considered.

**Stress test:** During retirement, stress testing your investment portfolio against numerous market scenarios, both positive and negative, is essential. This test measures the resiliency of your investment strategy and your overall financial plan. This exercise could offer peace of mind and contribute to long-term success.

**Avoid the unaccounted risks:** Crafting a prudent retirement investment strategy involves analyzing risk and creating a mitigation plan. It is important to distinguish between risk tolerance (your comfort level with risk) and risk capacity (the required risk to achieve your goal). A cautious investment approach can provide a sense of security during retirement but could mean sacrificing long-term gains. On the other hand, insufficient savings might demand a more aggressive investment strategy. Ultimately, the crux of your investment approach lies in grasping the required risk factors for your retirement.

However, retirees often misinterpret risk. While many perceive daily stock market changes as the biggest risk, the actual concern lies in potentially outliving your savings.[3] This emphasizes the importance of considering your investment timeline when devising your strategy, which, for many, can be challenging to determine.[4]

In retirement, you, as the investor, will likely be the most significant risk to your financial well-being. All too often, investors end up with lower returns than what the market offers during the same period. According to Morningstar's behavior gap study, poor timing decisions cost investors around one-fifth of their potential investment returns.[5]

The tendency of investors to violate the fundamental rule of investing—buying high and selling low—largely stems from behavioral factors. Therefore, it is crucial to establish safeguards to prevent poor investment decisions.

3 Hou, Wenliang. 2022. "How Well Do Retirees Assess the Risks They Face in Retirement?" Issue in Brief 22-10. Chestnut Hill, MA: Center for Retirement Research at Boston College.
4 Yakoboski, P. J., Lusardi, A., & Sticha, A. (2023). An unrecognized barrier to retirement income security: Poor longevity literacy.

5 Ptak, J., CFA, & Arnott, A. C., CFA. (2023). Morningstar Mind the Gap 2023 Study. Morningstar. Retrieved from https://www.morningstar.com/lp/mind-the-gap

### IN SUMMARY, IF YOU WANT TO BUILD A SUCCESSFUL RETIREMENT INVESTMENT STRATEGY:

1. **Begin by defining your goals and investment timeline**, and tailor your investment strategy accordingly. Complete an income assessment here.
2. **Construct an investment plan based on Nobel Prize–winning academic research**, supported by years of real-world evidence. This will help you understand and evaluate the potential risks you may face in retirement.
3. **Hold ownership of the best companies in the world via stocks.** If you do not get your money to grow, you may not get your money to last.
4. **Maintain a reserve of bonds and cash** to smoothly weather intense market fluctuations without disrupting your steady retirement income.
5. **Focus on what you can control.** Recognize that you cannot control the market or the economy, but you can establish safeguards to protect yourself from making rash decisions.

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PART 3

# "HOW CAN I REDUCE MY TAXES IN RETIREMENT?"


**DID YOU KNOW?**

Surprisingly, your biggest expense during retirement might not be housing or medical costs but rather income taxes.

Your money can go to four places: you, your family, charities, or the government.

If you do not incorporate tax planning into your retirement income strategy, you may end up paying more taxes during retirement than you did while you were working.

Efficient tax planning can increase your cash flow by reducing your retirement tax bill. Below is a four-step method you can use to reduce your retirement tax bill:

## 1. IDENTIFY YOUR RETIREMENT TAX BILL

Surprisingly, your biggest expense during retirement might not be housing or medical costs but rather income taxes. Understanding how much you are expected to pay in taxes over your retirement period is crucial. Just as you budget for other expenses in retirement, do not overlook potentially your most significant cost.

## 2. COMPLETE AN ANNUAL TAX ASSESSMENT

Conducting an annual tax evaluation is a proactive way to uncover opportunities to reduce your tax liabilities. Techniques like managing capital gains or losses, optimizing tax brackets, and maximizing tax deductions and credits can substantially influence your tax bill.

**CLICK TO DOWNLOAD AN EXAMPLE OF OUR ANNUAL TAX ASSESSMENT**

## 3. LEVERAGE YOUR GAP YEARS

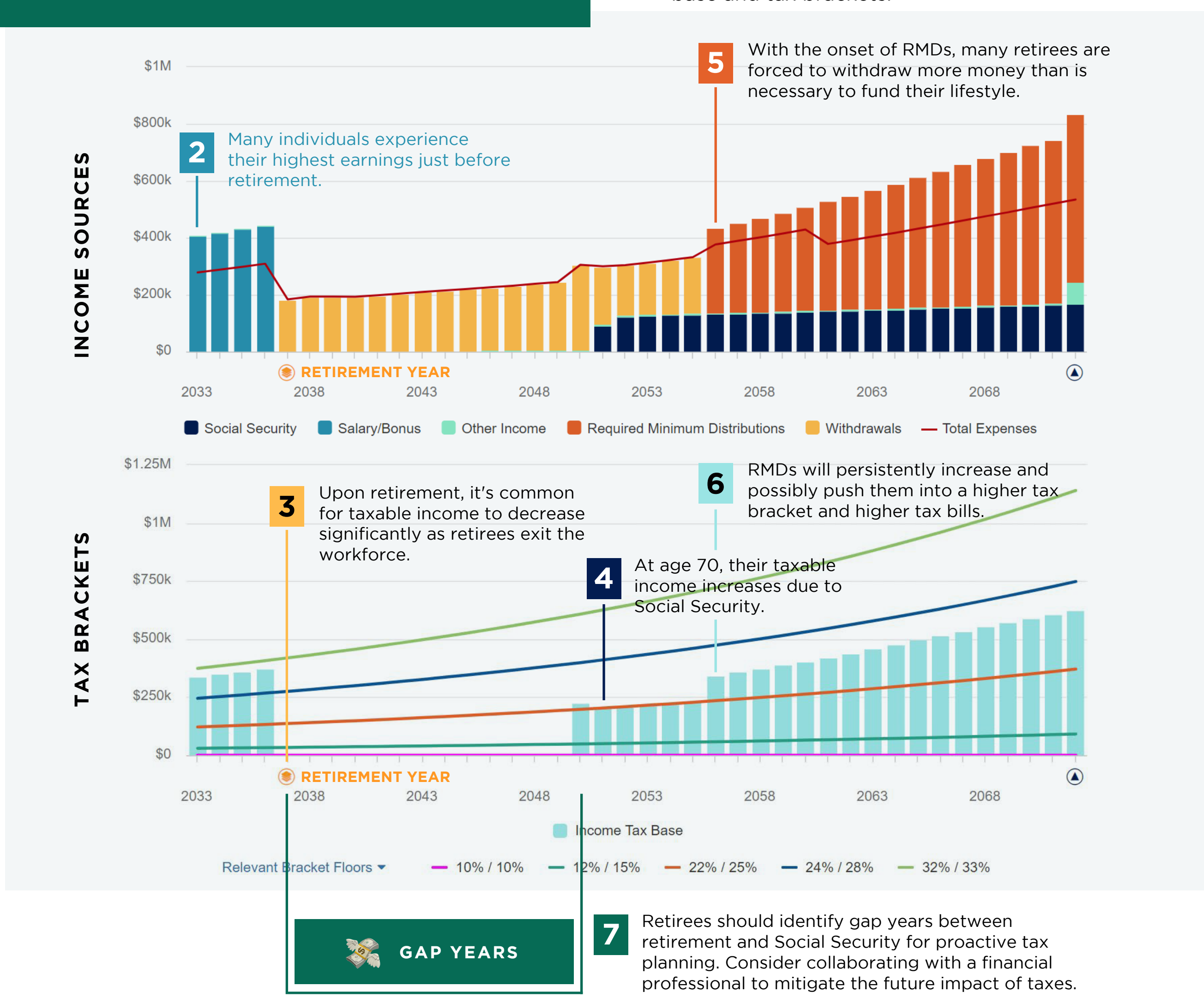
The retirement gap years refer to the span between retirement and the start of Social Security benefits. As retirees stop working, their taxable income often decreases, only to spike once they reach 70, thus creating the "retirement income gap." These years present a unique opportunity for strategic tax planning, such as converting a Traditional IRA (Individual Retirement Account) to a Roth IRA, harvesting capital gains, and employing tax-efficient withdrawal strategies.

Boosting your income during a low tax year can save you from paying a hefty amount of taxes when you start taking required minimum distributions (RMDs). RMDs mandate a taxpayer to withdraw a specific amount from their pretax retirement savings, with the withdrawal amount increasing each year.

Left unchecked, RMDs can snowball, leading to an increasingly burdensome annual tax bill. Additionally, you might end up facing

## HOW YOUR TAX BILL COULD SPIKE IN RETIREMENT

1 **Take a look at these two charts stacked on each other.** The top chart identifies various income sources that make up a retiree's cash flow. The bottom chart shows the Retiree's respective tax base and tax brackets.



## FORCED WITHDRAWALS DUE TO RMDS BY AGE AND ACCOUNT BALANCE

| AGE | STARTING ACCOUNT BALANCE $500,000 | $1,000,000 | $1,500,000 | $2,000,000 | % OF PORTFOLIO |
|---|---|---|---|---|---|
| 73 | $18,868 | $37,736 | $56,604 | $75,472 | 3.8% |
| 80 | $31,339 | $62,677 | $94,016 | $125,354 | 5.0% |
| 85 | $43,990 | $87,980 | $131,969 | $175,959 | 6.3% |
| 90 | $59,079 | $118,157 | $177,236 | $236,314 | 8.2% |
| 95 | $72,960 | $145,920 | $218,880 | $291,840 | 11.2% |
| 100 | $74,809 | $149,618 | $224,428 | $299,237 | 15.6% |

Assumes only RMDs are taken from account; portfolio returns 8% annually.

a monthly cost increase on your Medicare premiums, known as an income-related monthly adjustment amount (IRMAA).

### 4. CONSIDER THE TAX SITUATIONS OF OTHERS:

**Spousal impact:** In the case of marriage, it is essential to consider changes in tax brackets, especially if one spouse passes away. Transitioning from filing taxes jointly to single status can significantly increase the surviving spouse's tax bill.

**Gifting to others:** Do you hope to give to the next generation or to charities that are important to you? It is worthwhile to consider the tax implications for both the giver and the receiver. There are tax-efficient ways to support causes or beneficiaries, enhancing the impact of your generosity. (See Section "How can I make the greatest impact in retirement?")

A thoughtful and well-executed tax planning strategy during your retirement years can elevate your overall retirement income, reduce your lifetime tax bill, and preserve your financial well-being in the long run.

PART 4

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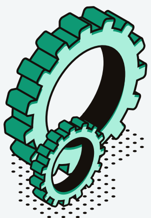
# "HOW DO I SAFELY CREATE TAX-EFFICIENT INCOME?"



**DID YOU KNOW?**

Carefully timing when you tap into each income source can increase overall retirement funds.

Saving money for retirement is much simpler in practice than turning your nest egg into an income stream. This process comes with many risks and challenges.

With touted rules of thumb for safe withdrawals, such as the 4% rule, real-world experience does not always align with these general guidelines. Research underscores the potential mismatches between these rules of thumb and actual needs, leading to either excessive surplus or insufficient funds for necessary expenses.[6]

Crafting a retirement income strategy that accommodates years of variable spending and market fluctuations is essential for financial security.
If you want to build a safe cash flow that will last decades, it is foundational to start with a complete

6 Sharpe, W. F., Scott, J. S., & Watson, J. G. (2007). Efficient Retirement Financial Strategies. The Journal of Retirement, 4(2), 5-31.

## HOW YOUR INCOME IS TAXED

| SOURCE | TAXED AS |
|---|---|
| Roth 401(k), 403(b) | No tax* |
| Roth IRA | No tax* |
| Pretax 401(k), 403(b), or 457 | Income |
| Pension | Income |
| CD, savings, and money market | Income |
| Traditional IRA | Income |
| Dividends: income or capital gains | Income |
| Interest | Income |
| Rental income | Income |
| Social Security | Up to 85% as income |
| Annuities | All or a portion as income |
| Municipal bond interest | Exempt from federal tax (potentially state too) |
| Stocks, bonds, mutual funds | Capital gains** |

*Earnings may be subject to taxes if you haven't met the five-year holding requirement.
**Gains on assets held longer than one year are referred to as long-term capital gains (taxed at 0%, 15%, or 20%). Gains on assets held less than one-year are referred to as short-term capital gains and are taxed as ordinary income. May be subject to an additional 3.8% Net Investment Income Tax.

retirement income evaluation. Here are four steps to better understand your retirement income assessment.

## 1. IDENTIFY THE RETIREMENT INCOME SOURCES THAT ARE AVAILABLE TO YOU

No two retirement plans are identical. Begin by evaluating the sources available to you and their respective amounts. Additionally, understanding the tax implications of each income source is vital. Not all income is taxed equally, and overlooking these nuances may lead to unnecessary tax burdens.

## 2. UNDERSTAND THE BEST TIME TO START TAKING EACH INCOME SOURCE

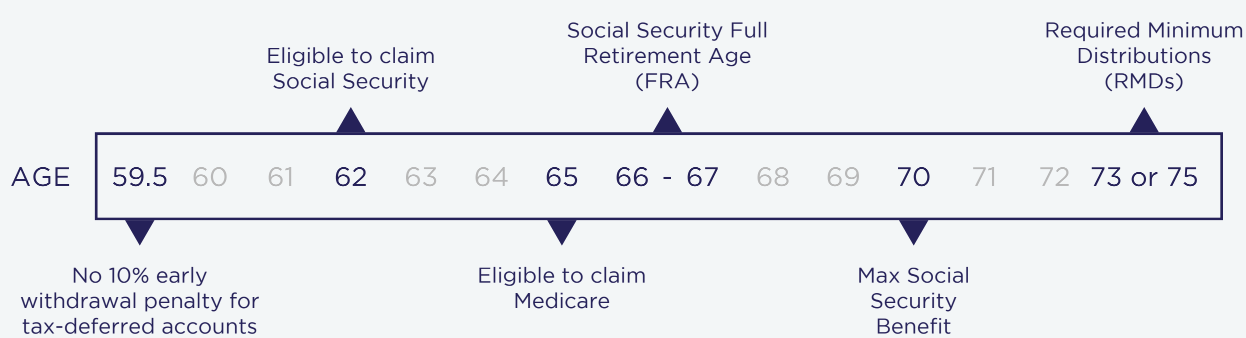
Key ages associated with various income sources, such as tax-deferred accounts and Social Security, offer planning opportunities. Understanding Internal Revenue Service (IRS) and Social Security Administration rules regarding accessing these sources will help you optimize income, lower tax burdens, and increase overall retirement funds.

**Tax-deferred accounts (401(k) / 403(b) / IRAs):**
**Age 59.5:** Access to tax-deferred dollars without a 10% early withdrawal penalty, with exceptions noted by the IRS.

**Age 73 (or age 75 if you were born after 1960)**: Mandatory annual withdrawals known as required minimum distributions (RMDs); failure to take full RMDs will result in a steep excise tax.

**Social Security:** Individuals in the United States have the flexibility to initiate their Social Security retirement benefits anytime between the ages of 62 and 70. Upon retirement, the initial instinct might be to immediately claim Social Security to supplement your income. However, for numerous retirees, it is strategic to delay Social Security as long as possible to result in a higher guaranteed monthly benefit that is adjusted for inflation.

### RETIREMENT MILESTONES BY AGE



Developing a Social Security strategy requires careful consideration of factors such as life expectancy, additional retirement income streams, risk tolerance, inflation, and potential spousal benefits.

## 3. CREATE AN OPTIMAL WITHDRAWAL STRATEGY

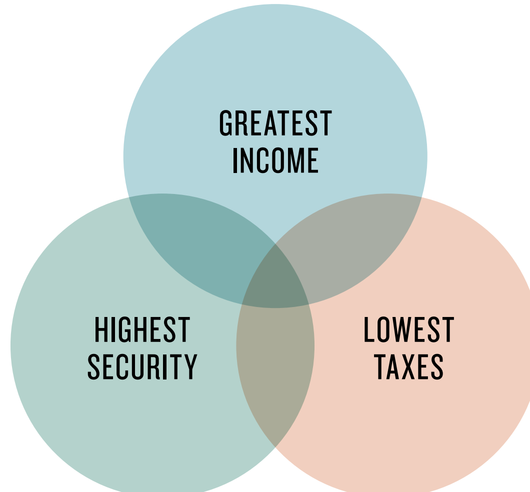
Recognizing that rules of thumb come up short, it is now time to build a withdrawal strategy that aligns with your specific retirement needs. To optimize the highest utility of your life savings, it is essential to factor in three primary goals when devising this strategy: 1. Achieve the greatest income from your nest egg, 2. Reduce overall tax liabilities, and 3. Mitigate risks to ensure the highest level of security.

Carefully timing when you tap into each income source can significantly impact an optimal withdrawal strategy. For instance, coordinating the most advantageous moment to start receiving Social Security benefits can lower your overall retirement tax burden while optimizing your income flow.

## 4. MAKE THE ESSENTIAL SPENDING ADJUSTMENTS ALONG THE WAY

Navigating your finances in retirement requires a flexible approach. Just as spending patterns fluctuate during your working years, the same holds true for retirement.

RETIREMENT TRIFECTA




One significant challenge retirees face is the impact of inflation on their purchasing power. As prices rise over time, it becomes vital to ensure that your income sources can keep up with these changes. Anticipating inflation and making necessary adjustments are key to covering the rising cost of living.

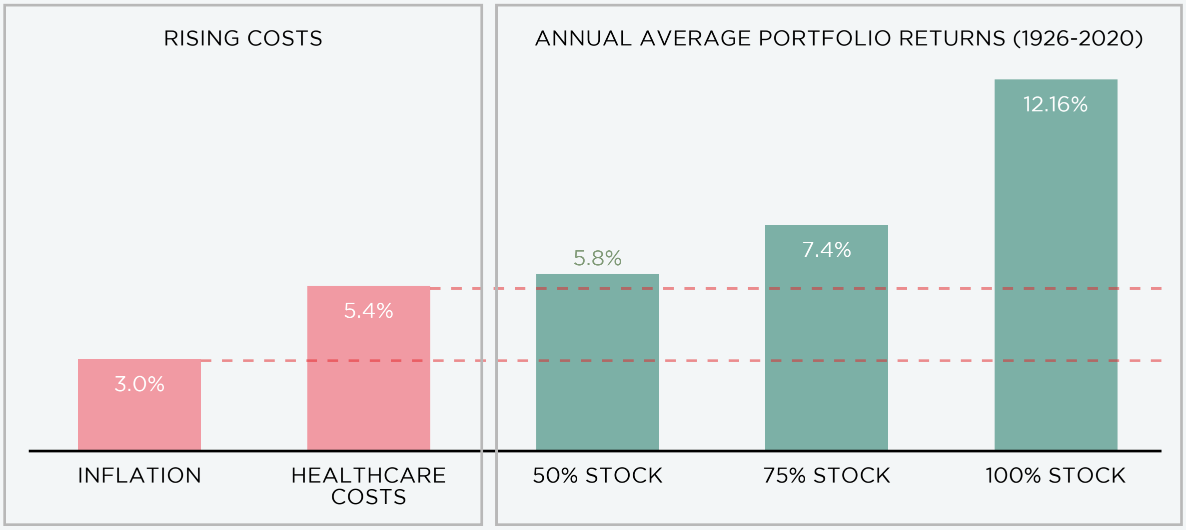
Furthermore, it is necessary to plan for evolving phases of spending in retirement.

**a. Go-go years:** The early retirement years, marked by flexibility of time and finances, plus a long-neglected bucket list. Go. See. Do.

**b. Go-slow years:** While still active, these years usually involve staying closer to home with a decrease in expenses.

**c. No-go years:** Health-related limitations often lead to reduced

## COMPARISON OF AVERAGE ANNUAL RISING COSTS VS. AVERAGE INVESTMENT RETURNS, 1926-2020




Data sources: Healthcare costs, CMS.gov; Portfolio returns, CFA Institute (SBBI®)

discretionary spending, while medical expenses tend to rise.

Effectively managing retirement income requires thorough planning encompassing income sources, tax considerations, and adapting spending habits over time. By incorporating foresight into your approach, you can adeptly handle financial uncertainties, paving the way for a more secure and fulfilling retirement experience.

### "HOW DO I SAFELY CREATE TAX-EFFICIENT INCOME?" TAKEAWAYS

1. Identify the retirement income sources that are available to you
2. Understand the best time for you to start taking each income source
3. Create an optimal withdrawal strategy
4. Make the essential spending adjustments along the way

# "HOW CAN I PROTECT WHAT I HAVE WORKED SO HARD TO BUILD?"


**DID YOU KNOW?**

More than half of the US population over age 80 suffers from some level of cognitive impairment. If impaired, this could impact what happens to your assets if an estate plan is not in place.

Regrettably, retirement brings additional challenges involving safeguarding yourself and your loved ones—a reality of life's uncertainties Four primary areas deserve attention when it comes to securing yourself in retirement.

## 1. VERIFY YOU HAVE ADEQUATE MEDICAL COVERAGE

Securing sufficient medical coverage during your retirement is pivotal. Medicare eligibility begins at age 65 and offers distinct parts with varying costs and coverages. Understanding the nuances of Medicare Parts A, B, C, and D is essential:

- **Part A:** Provides hospital coverage at no cost during retirement.
- **Part B:** Offers medical coverage with premiums deducted from Social Security checks.
- **Part C:** Combines hospital and physician costs.
- **Part D:** Covers most medications.
- **Medigap:** Fills gaps in insurance coverage; often added to Parts A and B.

Estimates from 2022 suggest that a married couple aged 65 would need $212,000 to $383,000 to cover medical expenses in retirement, not including long-term care expenses.[7]

Retiring before age 65 requires bridging the health insurance gap. Conventional methods include a spouse's health plan, purchasing health insurance through the federal marketplace (HealthCare.gov), or taking advantage of COBRA (Consolidated Omnibus Budget Reconciliation Act) benefits. If you are opting for healthcare under the Affordable Care Act (ACA), evaluate how your household income may affect eligibility for the premium tax credit.

7 Spiegel, J., & Fronstin, P. (2023). Projected savings Medicare beneficiaries need for health expenses remained high in 2022. EBRI

It is also advisable to have a plan in place to address long-term care expenses. Nearly 70% of individuals who reach age 65 will need to cover some form of long-term care expenses during their lifetime.[8] In 2021, national monthly expenses for long-term care varied widely, from $1,690 for adult day health care to $9,034 for a private room at a nursing home facility.[9] Investigate the current costs of various long-term care services in your area and project future expenses. Gain a clear understanding of how these expenses might impact your savings, investments, and overall financial well-being.

Conduct a cost analysis of options such as long-term care insurance or evaluate your financial capability to self-insure for adequate coverage. Long-term care plans should be revisited periodically, especially when major life events occur or as you approach retirement. Adjustments might be necessary based on changes in health, financial status, or policies affecting long-term care.

## 2. PROTECT YOUR LOVED ONES WHEN YOU CANNOT

Ensure your spouse, family, and heirs are well taken care of when something happens to you. While your financial plan might seem clear to you, consider whether your family could navigate it, too.

Evidence points to the unpleasant fact that our ability to manage our finances declines with age. More than half of the US population over age 80 suffers from some level of cognitive impairment.[10] This situation leaves older people vulnerable to financial fraud and abuse. This vulnerability is worsened by trends such as self-managed retirement income, growing debt among older households, and increasing financial scams. Without reliable experts, older individuals risk making significant financial errors with detrimental consequences.

## 3. ARE YOUR WISHES WRITTEN OUT?

The only things promised in life are death and taxes, and we already talked about taxes.

Have you put together the essential estate documents to safeguard your wishes? Documents such as a last will and testament, power of attorney, medical directive, guardianship provisions, and trusts empower you to retain control even when you're not actively managing affairs. A thoughtfully constructed estate plan not only upholds your desires but also eases financial burdens for your loved ones.

8 LongTermCare.gov. (2020, February 18). How much care will you need. Retrieved from https://acl.gov/ltc/basic-needs/how-much-care-will-you-need

9 Source: Genworth Financial. 2021. Genworth Cost of Care Survey. Retrieved from https://www.genworth.com/aging-and-you/finances/cost-of-care.html

10 Belbase, Anek and Geoffrey T. Sanzenbacher. 2017. "Cognitive Aging and the Capacity to Manage Money" Issue in Brief 17-1. Chestnut Hill, MA: Center for Retirement Research at Boston College.

## 4. IDENTIFY OTHER GAPS WHERE YOU MAY NOT BE ADEQUATELY INSURED

Beyond the essentials, it is crucial to identify potential gaps in disability, long-term care, health, and property and casualty policies. Strengthening these areas ensures robust protection against catastrophic risks, while efficiently aligning with your financial goals.

To fortify your retirement aspirations, it is crucial to shield them from substantial risks in a cost-effective manner.

**"HOW CAN I PROTECT WHAT I HAVE WORKED SO HARD TO BUILD?" TAKEAWAYS**

1. Verify you have adequate medical coverage
2. Protect your loved ones when you cannot
3. Are your wishes written out?
4. Identify other gaps where you may not be adequately insured

PART 6

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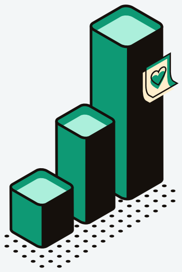
# "HOW CAN I MAKE THE GREATEST IMPACT IN RETIREMENT?"



**TOP WAYS TO LIVE GENEROUSLY**

- Charitable giving strategies
- Lifetime gifts to family
- Value-aligned investing
- Creating a lasting legacy for loved ones

In retirement, you have an opportunity to make an **impact** on your family, community, and world.

Too often, we witness individuals who become fixated on the idea of escaping their work-centric lives, eagerly anticipating the relief that retirement promises. Yet they are often so preoccupied with what they are retiring **from** that they often overlook what they are retiring **to**.

Consider the common experience of a highly successful leader transitioning to retirement. After a fulfilling career of contributing to the company's success and providing for their family, transitioning to retirement disrupted their sense of purpose and value. They struggled to redefine their role within their family and community.

Retirement signifies not only the conclusion of one chapter but also the beginning of another. Entering this phase, you bring with you a wealth of human capital—an accumulation of skills, wisdom, knowledge, and experience. With a lifetime of unique skills, a nest egg from prudent stewardship, and more free time than any other moment in life, you hold immense potential to contribute.

Now, the key question arises: How do YOU envision utilizing your time, talent, and treasure to make a meaningful impact on things that you value most?

Research consistently demonstrates that acts of altruism lead to increased happiness. Investing money in friends, family, and charitable causes provides a greater sense of well-being than spending it on ourselves.[11]

Aligning your spending, giving, and investments with your personal values can enhance your well-being and benefit others.

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11 Dunn, E. W., Aknin, L. B., & Norton, M. I. (2008). Spending money on others promotes happiness. Science, 319(5870), 1687-1688.

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# "HOW CAN A FIDUCIARY FINANCIAL PLANNER HELP?"

**DID YOU KNOW?**

Of the roughly 285,000 professionals in the U.S. who offer clients financial advice, fewer than 2% are fee-only advisors who follow a true fiduciary standard.

Smetters, Kent (2018). Is It Time to Adopt a Uniform Fee-Only Standard for Financial Advice? Wall Street Journal

Retirement—a phase meant for the pursuit of dreams and the enjoyment of life's finest moments. Yet navigating the labyrinth of financial intricacies during this time can often overshadow the joy of newfound freedom. That is where we step in.

## THE FIDUCIARY DIFFERENCE

Human Investing serves as an invaluable guide to transforming your retirement aspirations into a secure and achievable reality. We possess a deep understanding of the complexities within your retirement plan and strive to ensure its alignment with your priorities. Operating as a fiduciary, we hold the highest standard of care for our clients, a commitment that permeates every facet of our service.

## 1. EMOTIONAL FULCRUM

We put you first, connecting the financial to the nonfinancial to ensure that your finances connect with what is most important to you.

## 2. ADMINISTRATIVE SUPPORT

Retirement can be a labyrinth of complexities. We handle the administrative intricacies, ensuring that you can focus on cherishing life's moments rather than drowning in paperwork.

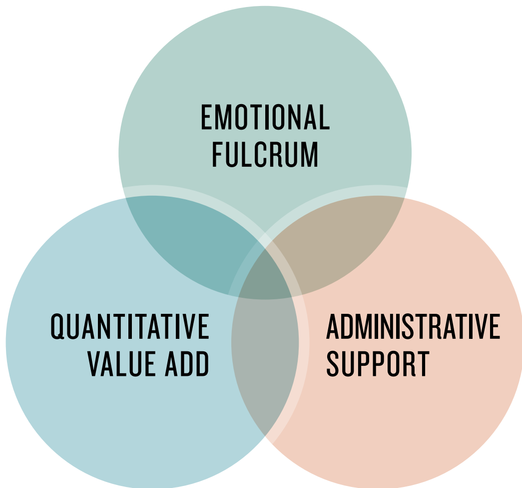
## 3. QUANTITATIVE EXCELLENCE

Our team, a cohort of credentialed experts, coordinates portfolio, tax, and financial planning tailored specifically to retirees seeking the optimal outcome for themselves and their families.

## THE VALUE OUR TEAM DELIVERS

Imagine a retirement where your savings seamlessly transition into a steady income source, your tax liabilities are minimized, your investment portfolio security is heightened, and your time is liberated for what truly matters. This is where a CFP® professional comes in. The CERTIFIED FINANCIAL PLANNER™

### THE VALUE OF AN ADVISOR




certification is the gold standard for financial planning. Here is how we can tangibly make a difference:

**Transforming retirement savings:** We specialize in turning your hard-earned retirement savings into a consistent income stream, providing the stability you need in this phase of life.

**Coordinating your plan:** Retirement planning involves navigating numerous complexities. Our advisors excel in optimizing these intricacies, ensuring your plan aligns seamlessly with your goals.

**Minimizing tax liabilities:** We work tirelessly to minimize your tax burdens, allowing you to retain more of your money for the things that matter most to you and your family.

**Enhancing investment security:** Your investment portfolio's security is paramount. We employ strategies to fortify its stability, safeguarding your financial future.

**Maximizing time for what matters:** By entrusting us with your financial planning, you gain more time to focus on what truly brings you joy and fulfillment.

**Offering adaptability and support:** The financial landscape constantly evolves. We provide sound advice and implementation strategies, even amid changing environments or health issues that impact decision-making.

**Providing a reliable support system:** Beyond your own needs, we aim to be a trusted resource for your family, spouse, or heirs, ensuring a reliable financial foundation in unforeseen circumstances.

## THE QUANTITATIVE VALUE OF PLANNING

Planning with a financial advisor can yield considerable benefits, as seen through our clients' experiences and backed by research. Individuals who engage financial advisors tend to experience an array of positive outcomes: they often increase their earnings, build higher net worth, handle money more effectively, and feel more confident about their retirement plan.[12] For instance, Vanguard's Advisor's Alpha study reveals that teaming up with a financial advisor can potentially add

12 Harlow, W. V., Brown, K. C., & Jenks, S. E. (2020). The use and value of financial advice for retirement planning. The Journal of Retirement, 7(3), 46-79.

close to 3% in net returns.[13] Additionally, those who incorporate financial advisors into their retirement planning report an approximate 15% boost in their retirement income.[14] Further reinforcing this, research conducted by Lusardi and Mitchell highlights a clear correlation between planning and wealth accumulation. Individuals who craft and adhere to a financial plan tend to possess nearly three times the net worth of those without one.[15]

There are plenty of cookie-cutter options that try to make retirement planning more approachable, but there is no one-size-fits-all financial plan. At Human Investing, we harness the power of technology and expertise to craft and execute the most intricate financial plans, tailored to optimize the benefit for retirees and their families.

Choosing a fiduciary financial planner is not just a wise financial decision; it is an investment in a fulfilling retirement—one that echoes your aspirations, safeguards your legacy, and cherishes life's most treasured moments.

13 Vanguard. (2022). Putting a value on value: Quantifying Vanguard Advisor's Alpha®. Retrieved from [https://advisors.vanguard.com/content/dam/fas/pdfs/IARC-QAA.pdf]
14 Harlow, W. V., Brown, K. C., & Jenks, S. E. (2020). The use and value of financial advice for retirement planning.
15 Lusardi and Mitchell, 2011. "Financial literacy and planning: Implications for retirement wellbeing." NBER (National Bureau of Economic Research)

**"HOW CAN A FIDUCIARY FINANCIAL PLANNER HELP?" TAKEAWAYS**

The benefits of having a CFP® are tremendous:

1. The fiduciary difference
2. Emotional fulcrum
3. Administrative support
4. Quantitative excellence
5. Transforming retirement savings
6. Coordinating your plan
7. Minimizing tax liability
8. Enhancing investment security
9. Maximizing time for what matters
10. Reliable support system

human investing®

# CASE STUDY

How we guided one fictional couple on the brink of retirement.

# MEET FRED AND WILMA

Fred and Wilma Flintstone, ages 61 and 59, have enjoyed a long and rewarding career. They worked hard and took care of their money so that someday their money would take care of them. They are now planning to retire in the next 12 months. They came to Human Investing with the following goals and concerns:

## PRIMARY GOALS

### 1. MAINTAIN LIFESTYLE

They have grown accustomed to their comfortable lifestyle, requiring a minimum of $150,000 per year. Will they be able to maintain this income and account for the rising cost of living?

### 2. FINANCIAL SECURITY

Having been caretakers for Fred's mom for many years, they do not want to be a burden to their kids. Fred also wants to make sure that if anything happens to him, Wilma will be taken care of and has someone they trust to help her.

### 3. ALLEVIATE FINANCIAL STRESS IN RETIREMENT

They want a retirement free from financial worries.

## SECONDARY GOALS

### 4. SUPPORTING CHILDREN IN THE PURCHASE OF A HOME

They want to ensure their three kids can purchase homes in which to raise their families.

### 5. GIVE CHARITABLY

They would like to continue to support their church and other nonprofits in retirement.

## INITIAL STEPS

1. Conduct a comprehensive financial assessment to evaluate their current financial standing and pinpoint areas for improvement.
2. Identify opportunities to reduce their retirement tax bill.
3. Craft a tax-efficient withdrawal plan ensuring a reliable income stream throughout retirement.

# DETAILED FINANCIAL SNAPSHOT

With the help of CERTIFIED FINANCIAL PLANNERS™ (CFPs) at Human Investing, they complete an assessment of their current financial status.

## FRED & WILMA'S BALANCE SHEET

| ASSETS | RATE OF RETURN | MARKET VALUE |
|---|---|---|
| **Bank Account** | | |
| Checking | 0.00% | $15,000 |
| Saving | 0.00% | $40,000 |
| | | **$55,000** |
| **Retirement Accounts** | | |
| Fred's 401k (current employer) - Fidelity | 6.00% | $950,000 |
| Fred's 401k (previous employer) - Schwab | 6.00% | $350,000 |
| Wilma's 403b - Lincoln Financial | 6.00% | $500,000 |
| Wilma's inherited IRA - Fidelity | 6.00% | $135,000 |
| | | **$1,935,000** |
| **Taxable Accounts** | | |
| Joint investment account - E*TRADE | 6.00% | $450,000 |
| Joint CD matures 7/1/2025 - credit union | 1.00% | $100,000 |
| Wilma's "fun money" account - Fidelity | 6.00% | $70,000 |
| | | **$620,000** |
| **Real Estate** | | |
| Primary residence - 123 Bedrock Lane | - | **$850,000** |
| **Time Share** | - | **$50,000** |
| **Personal Property** | | |
| 2018 Toyota Tundra | - | $50,000 |
| 2021 Tesla Model 3 | - | $70,000 |
| | | **$120,000** |
| **Total Assets** | | **$3,630,000** |

| LIABILITIES | INTEREST RATE | CURRENT BALANCE |
|---|---|---|
| 30-year fixed mortgage: 10/1/2017 | 4.38% | ($275,000) |
| Auto loan for Tesla, 72 months; 08/01/2021 | 1.50% | ($30,000) |
| | | **($305,000)** |
| **Total Net Worth** | | **$3,325,000** |

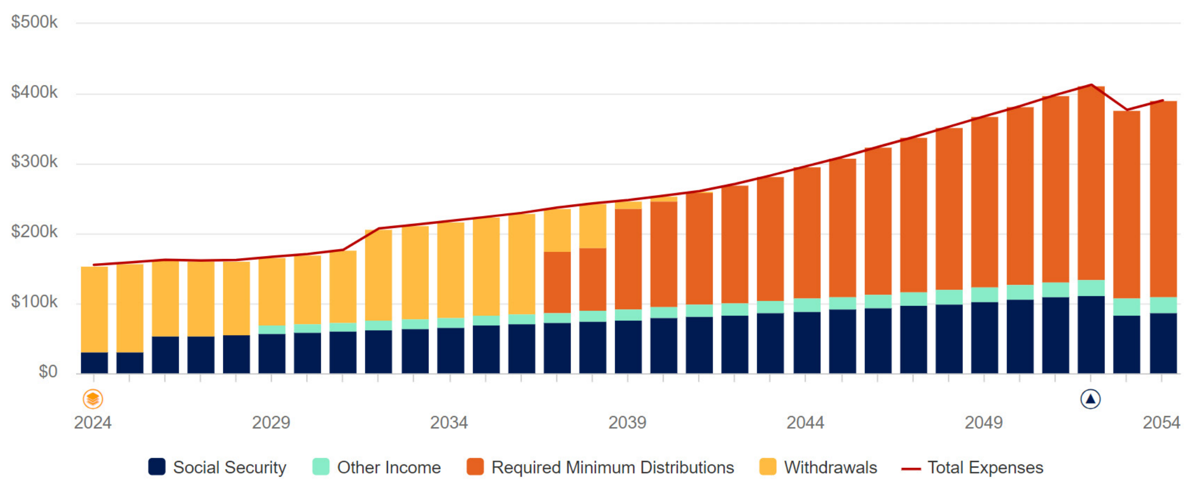
## INCOME

- Fred plans to claim his Social Security benefits when he turns 62. At this point, he will receive $5,539 per month.
- Wilma plans to claim her Social Security benefits when she turns 62. At this point, she will receive $1,568 per month.
- Wilma will start receiving a pension at age 65. At this point, she will receive $10,000 per year.

## CRAFTING A SECURE RETIREMENT PLAN

Human Investing devised a preliminary retirement plan in tandem with Fred and Wilma's financial and nonfinancial goals. This comprehensive financial assessment helped evaluate their current financial standing and identify areas for improvement.

Guided by Human Investing, the couple's initial financial assessment yielded promising results. They could comfortably sustain their $150,000 annual spend, with a surplus exceeding $3,000,000 at life's end.




## ADJUSTING FOR PEACE OF MIND

A financial surplus sparks further discussion to assess potential overexposure to market risk.

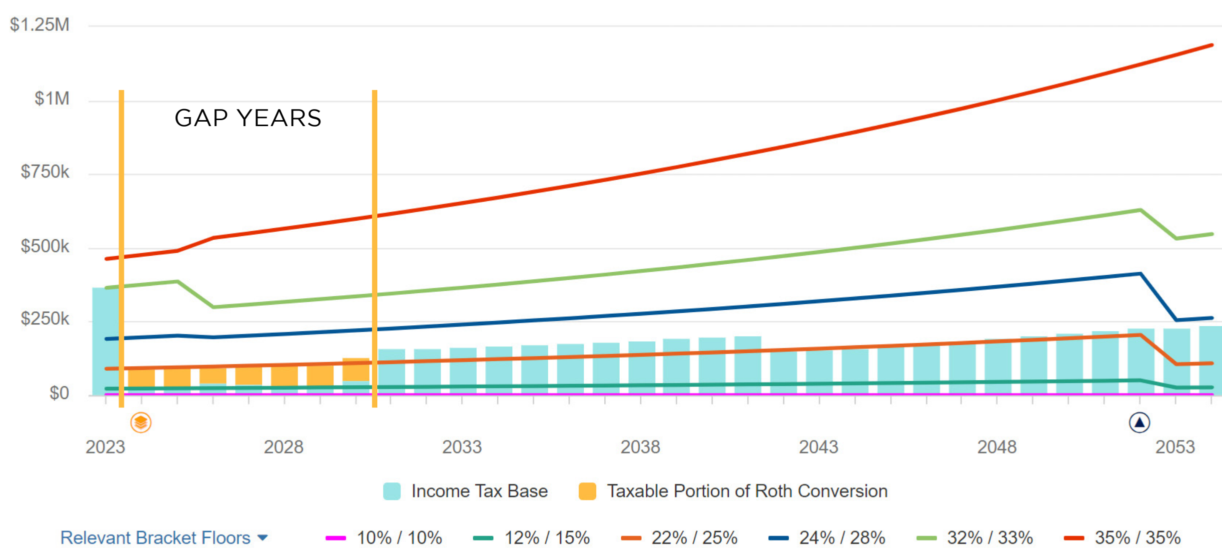
While Fred and Wilma have historically pursued an aggressive investment approach, their financial planning team now suggests a shift toward a more conservative strategy. This shift lowers their market risk while maintaining a high probability of meeting their primary and secondary goals.

To additionally ease Fred and Wilma's concerns, their Human Investing advisor conducts a thorough stress test of their financial plan. Leveraging cutting-edge technology, the advisor evaluates the plan across a myriad of scenarios—both favorable and challenging—to ensure its robustness and resilience.

## TAX-EFFICIENT STRATEGIES

Additionally, Human Investing helps Fred and Wilma identify tax-efficient opportunities to create their retirement income. This involves:

- ✓ Formulating tax-efficient withdrawal strategies that consider the composition of taxable, tax-deferred, and tax-exempt income sources.
- ✓ Pinpointing opportunities to reduce their tax bill and help understand their tax situation via their tax report (click to see sample assessment).
- ✓ Streamlining investment accounts and constructing strategies to provide secure multi-decade income.
- ✓ Identifying gap years for tax bracket optimization, including realizing capital gains and/or completing Roth conversions.




**These tax-efficient strategies project to reduce their tax bill by more than $154,000, while increasing their portfolio by more than $1,468,000:**

| PROBABILITY OF SUCCESS | CUMULATIVE TAXES | TOTAL PORTFOLIO ASSETS LEFT |
|---|---|---|
| 100% | $920,207 | $4,798,548 |
| --- VS BASE FACTS | ($154,141) VS BASE FACTS | $1,468,418 VS BASE FACTS |

Human Investing also recommends and facilitates the consolidation of Fred and Wilma's investment accounts, ensuring expert oversight and seamless execution of the investment and income strategies crucial to their retirement plan.

## SUMMARY OF KEY RECOMMENDATIONS

- Reallocation of investments for reduced volatility while maintaining necessary long-term returns.
- Ongoing tax planning to minimize retirement tax burdens.
- Investment account consolidation for simplified administration of investment and income strategies.
- Strategizing for surplus-driven gifting and charitable contributions.

## FINAL OUTCOMES

✓ Confidence in retirement security: A reinforced belief in maintaining their preferred retirement lifestyle.
✓ Diminished market risk: Reduced exposure to market fluctuations. As a secondary benefit, Fred and Wilma can sleep better at night, knowing their nest egg is more secure.
✓ Reduced retirement tax bill: Successfully trimmed their retirement tax bill by more than $154,000.
✓ Increased overall portfolio value: Their plan projects an increase to the portfolio of more than $1,400,000.

This case study demonstrates how the Flintstone family collaborated with their Human Investing advisor. They leveraged tailored strategies to not only secure their retirement but also thrive in their golden years, while fulfilling their aspirations and safeguarding their legacy.

Disclaimer: This case study is for illustrative purposes and actual client accounts and experiences will vary. There are no guarantees that projected performance can or will be achieved.

# RETIREMENT SPENDING GOALS ASSESSMENT WORKSHEET

This worksheet aims to help you establish and prioritize your unique goals for retirement.

## ESSENTIAL LIVING EXPENSES

Identify how much you hope to spend on essentials such as food, housing, clothing, and healthcare costs.

| **LIST ESSENTIAL EXPENSES**<br>(FOOD, HOUSING, CLOTHING, HEALTHCARE) | **ESTIMATED COSTS**<br>(MONTHLY, YEARLY) |
|---|---|
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| Total estimated basic living expenses: | |

# RETIREMENT SPENDING GOALS ASSESSMENT WORKSHEET

## SAFETY NET

Calculate an emergency fund amount for unexpected events.

**Step 1.** Determine the monthly amount of basic living expenses not covered by any guaranteed income:

| | | | | |
|---|---|---|---|---|
| | X | **Step 2.** Multiply this number by 6 (6 months) | = | |

**Step 3.** This is your total estimated safety net. Does this number align with a number that will give you peace of mind?

## DISCRETIONARY SPENDING

Support discretionary spending for vacations, dining out, leisure activities, and other large expenses. Think also about how much you want to spend on irregular discretionary items, such as vacations per year.

| **IDENTIFY DISCRETIONARY SPENDING** (LEISURE ACTIVITIES, VACATIONS, DINING OUT) | **ESTIMATED COSTS** (MONTHLY, YEARLY) |
|---|---|
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| | |
| Total estimated discretionary spending: | |

# RETIREMENT SPENDING GOALS ASSESSMENT WORKSHEET

## LEGACY TRANSFER

Plan for inheritance or charitable giving goals. Who do you want to leave a legacy for (individuals or organizations)? What do you want the timing of the gift to be, whether during or after life?

| INDIVIDUAL OR ORGANIZATION | AMOUNT | TIMING |
|---|---|---|
| | | |
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## RETIREMENT INCOME SOURCES

How much do expect to receive in income from the following sources?

| SOURCE | AMOUNT | FREQUENCY | NOTES |
|---|---|---|---|
| Pretax 401(k), 403(b), or 457 | | | |
| Roth 401(k) or 403(b) | | | |
| Social Security | | | |
| Stocks, bonds, mutual funds, ETFs | | | |
| Pension | | | |
| Traditional IRA | | | |
| Roth IRA | | | |
| Annuities | | | |
| Dividends | | | |
| Interest | | | |
| Real Estate | | | |
| Other | | | |

THANK YOU

# ABOUT THE AUTHOR

**WILL KELLAR, CFP® – PARTNER, LEAD ADVISOR**

Will is motivated by the opportunity to serve the financial pursuits of individuals and families, through advocacy, problem-solving, and great advice. He's a CERTIFIED FINANCIAL PLANNER™ professional who loves when his team makes a positive, tangible impact in someone's life. Additionally, Will shares his expertise as an adjunct professor, teaching Retirement Planning at George Fox University.

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