5 THINGS

I Wish I Knew Before Retiring

"Why didn't my advisor tell me?" is a phrase that is spoken far too often. Everybody wants to build a big retirement plan and, all too often, the focus is only on accumulating. Yet, the transition from accumulating to spending is a significant one and it's only reasonable for you to spend more time thinking about this stage as you approach your retirement date.

Retirees often reflect on the strategies they followed and look back wishing they'd received other advice before taking the big leap. With that in mind, let's dive in on the 5 things most retirees wished they'd known before retiring.

1

The Importance of Income Streams Over Growth – Retirees often wish their advisors had stressed the significance of reliable (even guaranteed) income streams during retirement. While growth-oriented investments can offer potentially high returns, they may also come with increased volatility. Diversification across asset classes is important as you build your nest egg. But diversification of how you'll take income from those assets is equally important. Reliable income can be found in dividend-paying stocks, although the dividend rates are fairly low. It can also be found in bonds where safety is the hallmark, although in recent years more and more risky. Finally, annuities are an excellent way to transform assets into guaranteed income.

The earlier you review your income stream alternatives, the stronger your complete retirement plan will be.

2

The Impact of Inflation on Fixed Income – Inflation is a guaranteed negative rate of return. As it erodes your retirement assets (faster and faster these days!) you must contend with the impact on your fixed-income strategies. Higher inflation means less spending power from resources like Social Security and other fixed income streams. Advisors who guide their clients to a balanced approach that includes fixed income opportunities along with assets that can grow to fight inflation (even during retirement) are a valuable resource to the retiree.

The cautious retiree should know better than to put all their resources into one particular strategy and those that have wish they'd been instructed otherwise.

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3

The Importance of Flexibility in Withdrawal Strategies – Reliance on a rigid withdrawal strategy can lead to financial strain that can become unrecoverable in severely volatile markets. Upper-echelon advisors educate their clients on building multiple channels where income can be drawn depending on the circumstances. Some refer to this as a “bucket approach”, but no matter what it’s called, such a strategy creates opportunities for retirees to draw from accounts for short-, mid-, and long-term income needs.

Flexibility like this provides a systematic way to manage withdrawals, adapt to market fluctuations and thus reduce the risk of depleting retirement savings prematurely.

4

The Importance of Tax Efficiency – Too often tax advice is severely limited to the categories of “deductions & deferrals”. Those retirees that relied solely on this advice end up paying more taxes and having fewer choices than they would prefer. While tax-efficient accumulation strategies are important, tax-efficient withdrawal strategies are equally, if not more, important. Given the distinct possibility of higher income taxes coming in the near future, planning for the best way to decouple those funds from the tax environment is more critical than ever. Roth conversion strategies, along with charitable and estate planning strategies should be considered as early as possible.

It is reasonable to be careful when it comes to tax planning, but the tax code was written to help taxpayers navigate the system, and good advice in this area is invaluable.

5

The Importance of Medical/Healthcare/Long-Term Care Planning – “It’s not going to happen to me…” is not a plan. As the population gets older, even if modern medicine is providing opportunities for a healthier life, as people age even healthy people lose functionality that must be accounted for in a financial plan. The key word here is “PLAN”. Simply buying financial products that cover specific events does not qualify as a plan. Preparing for aging in retirement demands a careful analysis of how to integrate and coordinate all assets. It also demands that the retiree have an idea of how best to use those assets should a severe medical, healthcare or long-term care need arise.

We don’t ever expect to have the bad things happen to us, but we all know it does happen. Ignoring those possibilities is a sure-fire way to weaken a retirement plan.

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Conclusion:

What now? You're already doing it. Putting your mind to work on these ideas has already set you on the path of improving your retirement. If your advisor isn't speaking to you about these things, and that concerns you, then perhaps now would be a good time to set up a time for us to talk and review your unique needs. Reach out to the advisor who shared this resource with you and find out just how good your retirement can be.

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