RAYMOND JAMES

Thriving in retirement

THINGS TO CONSIDER

These days life after work has been completely redefined as Americans are leading longer, healthier and more active lives. It's far removed from your parents' retirement. You're less likely to spend your days in a rocking chair and more likely to find yourself on a paddleboard, working or learning a new hobby. The future is yours for the taking. The only question is whether you're ready – financially and emotionally.

Here's how to tell.

Is your head (and heart) in a good place?

Preparing mentally and emotionally is just as important as preparing financially. You'll likely go through several emotional stages as you adjust to your new lifestyle.

- **The planning phase** – Your entire career has been spent saving and planning for what you will do next. The anticipation builds.
- **The big day** – Taking that step you have planned for is here. Celebration ensues and the future is bright.
- **Honeymoon phase** – After the handshakes and hugs, you and your spouse will throw yourself into your new life, enjoying all the things you didn't have time for before. You'll travel, indulge in hobbies, spend time with the grandkids. Then, maybe, you'll realize you still have spare time.
- **Disenchantment** – The emotional high wears off, and you may start feeling bored or disillusioned if your expectations haven't been met. You may feel isolated and removed from many of the things that were once so important in your life, as well as the people that you used to spend most of your time with.
- **Readjusting** – It is time to create a new identity and find a purpose that is separate from who you were. Familiarize yourself with your new circumstances and learn to navigate the social and emotional aspects. Establish a routine that allows you to relax and enjoy this time of your life.
- **Moving on** – Settle into a new daily routine, on your terms.

YOU'LL SPEND IT?

Balancing your financial reality with the lifestyle you want to create takes some finesse. But it's worth the effort so you can create an income stream designed to cover your basic needs and wants, when you're no longer working full time.

Identify needs and wants. Re-evaluate your expenses and determine which income sources will be used to cover those that fall in the needs category (e.g., mortgage/rent, food, healthcare) and those that are optional wants (e.g., country club memberships, a boat). Remember, these things will change over time, so revisit this often.

LET'S START WITH THREE QUESTIONS

1. **WHAT DO YOU NEED?**
2. **WHAT DO YOU WANT?**
3. **HOW WILL YOU PAY FOR IT?**

Get disciplined. Develop and stick to a long-term spending plan that balances your needs and your wants and is designed to make your money last as long as you do.

Assess your obligations. Be realistic about how much financial help you'll be able to give to aging parents or adult children, while still covering your retirement needs.

Plan for required distributions. When you turn 70½, you'll be required to take a certain percentage of your 401(k) or IRA assets as a withdrawal. Your annual RMD is determined by an IRS formula based on the total value of your retirement account and your life expectancy. In almost all cases, RMDs are going to be taxed as ordinary income. RMDs are required for a reason, so make sure you take them. Whatever you didn't take out can be taxed at 50%.

Maximize government benefits. We'll work with you and your spouse to develop strategies designed to maximize your overall household Social Security and Medicare benefits.

Simplify. Consolidate your various income sources into a "big picture" account and create a strategy to replicate the consistency of a paycheck. Having all your income together can help you keep better track of your cash flow and expenses.

Let's talk about it

YOUR ASSETS AND A SUSTAINABLE WITHDRAWAL STRATEGY

You've spent decades saving for your future, and now it's time to use that money wisely. First we'll take inventory, so you know what you have, and then we'll discuss when and how to withdraw assets to create a sustainable and tax-efficient income stream.

Expected, reliable income sources pay for basic needs.

- Social Security
- Annuity and pension payments
- Employment income

Other assets can be used to cover additional needs, and then pay for wants.

- Employer-sponsored retirement accounts
- Roth and traditional IRAs
- Checking/savings accounts
- Brokerage accounts
- Insurance
- Rental income

TIP

Work with your advisor to prioritize which of your retirement assets you'll tap into first and at what rate. Certain accounts will require minimum distributions, so you'll want to save other assets for later, including your brokerage account. You'll also want to create a tax efficient income stream that allows your investments to continue to grow.

WHAT KEEPS YOU UP AT NIGHT?

Are you worried that your money won't last or that your health will take an unexpected turn for the worse? While we can't predict what's around the corner, we can save for a rainy day. That way an unexpected event won't derail your retirement plans. So what can you do?

Expect the unexpected. Unknowns such as a decline in health or a market correction can derail even the best-laid plans. Have a cash fund (or line of credit) in place to cover contingencies that may crop up.

Manage risks. Work with a knowledgeable team of professionals to manage the investment and lifestyle risks that could compromise your vision of retirement. Regularly review your risk tolerance; it may be very different now that you're no longer working. Be sure to adjust your asset allocation and mix of investments accordingly (perhaps make your portfolio a little more conservative or include insurance products). While diversification doesn't guarantee against losses, it may help you weather market volatility.

Review your portfolio. Together, we can regularly review your investments and make necessary adjustments as your life and needs change over time. If you get off track, discuss steps to take to improve your financial situation. For example, you could wait longer to take Social Security or retire later. You could downsize your home and save more. There are several areas where you can make adjustments to help you get back on track for a secure and comfortable retirement.

Invest for the long term. Maintain exposure to equities as well as income products. You'll need the growth component to replace money you withdraw and to attempt to keep up with inflation.

ARE YOUR DUCKS IN A ROW?

While this stage of your life offers you more flexibility to do as you please, there are some logistics you should be aware of – and on top of – as you continue your life's journey.

Protect your future. Work with your advisor to make sure you've got adequate life, health, long-term care and other coverage to protect your wealth and preserve your assets. You'll also want to compare Medicare policies to determine which works best for your needs.

Protect your legacy. Update beneficiaries on all accounts to reflect your current wishes and family circumstances. While you're at it, review and update all estate planning documents, including trusts, wills, living wills and powers of attorney. We can help you coordinate with the appropriate professionals.

Get generous. Outline your philanthropic wishes and put a plan in writing to help accomplish those goals with a tax-efficient giving strategy. Consider tangible gifts (e.g., art, real estate, antiques) as well as gifts of cash or stock.

What may lie ahead

There are several challenges retirees generally face. Identify those most likely to affect you and to what extent. Then work to create a safety net to address these risks.

1. Outliving your money
2. Spending beyond your means
3. Rising costs/inflation
4. Volatile markets
5. Unknowns/what ifs

Have you thought about

CONVERTING TO A ROTH IRA?

You may be eligible to convert a traditional IRA to a Roth IRA for potential tax-free growth without required minimum distributions. Plus, you can withdraw earnings tax-free (as long as certain conditions are met). There are other rules, so let's discuss whether this makes sense for you.

Rolling from a traditional IRA into a Roth IRA may involve additional taxation. Unless certain criteria are met, Roth IRA owners must be 59½ or older and have held the IRA for five years before tax-free withdrawals are permitted. Additionally, each converted amount is subject to its own five-year holding period.

We’re here to help

Congratulations! You’re embarking on a whole new journey as you say farewell to the 9 to 5 in favor of a more relaxed – or more exciting – lifestyle. As you look to the future, we’ll be here to help you monitor and adjust your financial plan so you have a better chance of achieving the retirement you’ve always imagined.

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