



*start small*

# RETIRE BIG

JANUARY 10, 2024

# Start Small, Retire Big

Life without work awaits you; make sure you're ready.



Welcome.....	9:00am – 9:10am
Marquette Retiree Benefits Overview....	9:10 am – 9:40am
Retirement Pre-Launch Checklist.....	9:40am – 10:30am
All About Retiree Health Insurance.....	10:40am – 11:30am
Lunch	
How to Turn on Retirement Income ...	12:10pm – 12:50pm
Understanding Social Security.....	1:00pm – 2:00pm



## About Us

Francis LLC is a nationally recognized expert advisor to the employer retirement plan marketplace. Our Firm's roots in retirement plan consulting opened our eyes to a tremendous need. We saw people lacking objective financial advice from professionals they could trust. Our philosophy, the Francis Way, is driven by our sincere desire to develop personal relationships with employees of all income levels, providing them financial advice within a sales-free environment, and helping them achieve Work-Life-Money Balance. Combined with years of experience, original content, and flexible delivery, our financial wellness services help organizations take care of what matters most: their people.

## About Your Presenter

**Kelli Send, CFP®, M.Ed.**

Co-Founder

Senior Vice President – Financial Wellness Services

Financial Planner

Kelli leads the Firm's Financial Planning Team, which focuses on employee education and personal financial wellness services. She brings over 30 years of financial services experience to the team including over 26 years with the Francis team. She holds a Bachelor of Arts Degree in Business Administration – Marketing from Michigan State University and a Master of Education from Carroll University specializing in Adult Education. She is responsible for all aspects of employee education, including curriculum development, design of education programs, and delivery of face-to-face financial wellness services. She has extensive experience in training and public speaking engagements and has authored research on the impact of workplace financial education programs on 401(k) participant rates of return. She holds the Certified Financial Planner (CFP®) designation.



# Marquette Retiree Benefits Overview

## What is the Definition of a MU Retiree?

In order to be officially categorized as an MU retiree upon separation from employment, each eligible employee (faculty and staff) as of that person's last day of employment will:

- 1) leave the university voluntarily or through a workforce reduction and be in good standing;
- 2) have attained age 55 or older (counted in full year increments);
- 3) have a combined age and years of qualifying service (counted as completed years and months) totaling 70 or more; and
- 4) have a minimum of 5 years of consecutive benefit eligible service, with a minimum of one year of benefit-eligible service immediately preceding the retirement date.

# MU Retiree Benefits

Access to retiree health plan options.

- 1. COBRA:** If you are enrolled in a medical, dental or vision plan upon your retirement, you will receive a notice from WEX via US mail with instructions on how to continue coverage through COBRA. See COBRA rates.
- 2. HEALTH INSURANCE MARKETPLACE:** As an alternative to coverage through COBRA, you can learn more about (and enroll in) affordable private insurance available in the Health Insurance Marketplace (for those pre-65) available to you by contacting Transition Benefits, a new partner of Marquette University. Transition Benefits is an independent brokerage agency that specializes in helping individuals and families find not only the most cost-effective health care options, but also the most suitable for your situation. They work with nearly every major insurer in Wisconsin and can provide you with a quick one stop source for all your questions. Transition Benefits' services are free; they will give you unbiased advice based on your personal situation. Call Transition Benefits at 262-784-7344 or contact Todd Catlin directly at 262-439-4560 or [todd@thbwi.com](mailto:todd@thbwi.com). **For those over 65**, information about Medigap and Medicare Advantage plans is available on the retiree website along with additional information at MyWellness - Financial Resources.
- 3. MU RETIREE HEALTH PLAN:** If you are under age 65, you and any currently covered family members can continue in your current MU plan at the full Retiree cost; see the retiree health care rates. However, once you or a spouse reaches age 65, coverage ceases. Dependent children who are currently enrolled can remain on the plan(s) until they are no longer eligible due to age limitations. \* includes medical, dental, and/or vision

It is important for you to know that if you enroll in COBRA, private insurance via the Health Insurance Marketplace or Medicare/Medigap benefits, you will no longer be eligible for the health plan through Marquette University.

## What are my MU Retiree Benefits? *(continued)*

- Employee Assistance Program (EAP): Available 6 months following your last day of employment to all residing in your household
- Insurance Conversion Options: Accident, Critical Illness, Hospital Indemnity, Life Insurance, Long-Term Disability, MetLaw
- Tuition Remission: Faculty and staff who meet the definition of “MU retiree” are granted the same tuition benefits which they would have been eligible for as active employees provided, they had been with the University for at least five continuous years immediately prior to their retirement.
- Discounts: Dental Faculty Practice, Rec Center/Rec Plex, Spirit Shop, Athletic Tickets
- GROW classes
- Borrowing privileges at Raynor Memorial Libraries
- MU Retiree Card
- Membership in the Marquette University Retiree Associate (MURA) which provides opportunities for intellectual stimulation and social interactions.

## May I Keep My 403(b) with MU?

You have the option of either leaving your funds in your 403(b) account upon your retirement until you wish to draw from your balance, rollover your funds into another account, or choose from one of several distribution options. Call TIAA at 1-800-842-2776 for more information.

### IMPORTANT TIPS:

Employee currently employed (currently receiving a paycheck) even if previously terminated/retired or were most recently full-time and switched to part-time:

- Employees on active payroll are not required to take a minimum distribution in a year they are working and get a W2. Once they are no longer working, they are required to take their first distribution the April 1 of the year after they reach age 72. Each year, thereafter, they are required to take a required minimum distribution by December 31.
- Employee over age 59 ½ can set up in-service withdrawals which include only their own contributions.
- Employees over age 59 ½ can setup lifetime income getting employee contributions only.
- Employees can contribute their own contributions to TIAA plan and will receive MU match if match-eligible.

Employee rehired (after at least one payroll with no pay) meaning terminated for at least a month before being rehired:

- If employee setup lifetime income while terminated, they have access to both the employer and employee contributions. Annuity payments do not stop if the individual has been rehired.
- If employee has a post-termination distribution set-up, those will stop if re-hired. They can change to request an in-service withdrawal of their own contributions if over age 59 ½.
- Employee can contribute their own contributions to TIAA plan and will receive MU match if match-eligible.

# Notes



# Retirement Pre-Launch Checklist

# Planning for Life After Work

The big day may be several years away or just around the corner. You've been waiting and working towards this moment for a long time, but have you thought about how your life will change? Here are some things to think about.

**Where will you live?** Give some thought to where you'd like to spend your retirement years. Think about how close you'd like to be to your friends and family. Do you have grandchildren in other states that you'd like to live near or travel to see? Are you tired of the cold and snow in the north, or do you enjoy the change in seasons? Have you thought about living in another country? What impact will that have on your taxes and Social Security?

**Will you own or rent?** Will the house be paid by retirement? If not, should you focus on making additional payments, so the mortgage is retired when you are? Some may wish to continue with a mortgage into retirement. For others, nothing beats the feeling of being completely debt-free. Contact your lender to determine how much extra you would need to pay each month in order to eliminate mortgage debt. Do you enjoy yard work, or are you ready to have someone else mow the lawn? Smaller house? Condo? Apartment? Motor home? The options are endless!

**How will you spend time?** We all have a wish list of how we'd spend our time if we had more of it. Soon you'll have more time, so consider what your day will look like. Retirement is a time to get to know yourself and your family a little better, especially the grandchildren! Do things with your spouse, but remember to have some alone time, too. Work on your intellectual and physical growth. Take some classes. Do some crossword puzzles or Sudoku.

Perhaps you've decided you don't want to stop working completely. If you want part-time work to be part of your transition into retirement, where will you work? How many hours? Do you want to do volunteer work? Serve on committees and boards? How can you make these connections while you're still working? Now is a great time to try out your potential retirement job to make sure you'll love it.

Lastly, it's time to get organized. No one wants to talk about it, but you can't be the only one who knows where all of your important papers are located. If you and your partner are going to take on the world together, you need to share, minimally, the location of your important financial documents, and log in passwords.

# Life After Work Questionnaire

Use this questionnaire to get the conversation started with your partner on retirement issues. Complete it separately then share the results.

<p><b>1. At what age will we retire?</b></p> <p>Me:</p> <p>My Other:</p>	<p><b>2. Will we work part-time?</b></p> <p>Me:</p> <p>My Other:</p>	<p><b>3. What's my/our life expectancy?</b></p> <p>Me:</p> <p>My Other:</p>
<p><b>4. Where will I live?</b></p> <ul style="list-style-type: none"> <li>• Right where I am</li> <li>• Wherever the kids are</li> <li>• Where I am, plus a second home</li> <li>• I want to stay in town but downsize</li> <li>• I'm moving south (or up north)</li> <li>• I want to sell and rent</li> </ul>	<p><b>5. What do I look forward to?</b></p> <ul style="list-style-type: none"> <li>• Spending time with the grandkids</li> <li>• Traveling</li> <li>• Sports/Recreation</li> <li>• Being with friends</li> <li>• Working on my hobbies</li> <li>• Volunteering</li> <li>• Other: _____</li> </ul>	<p><b>6. How will my family responsibilities change? (more, less, or the same)</b></p> <ul style="list-style-type: none"> <li>• Chores</li> <li>• Money management</li> <li>• Social plans</li> <li>• Meal prep</li> <li>• Shopping</li> <li>• Caretaking</li> </ul>
<p><b>7. How much time will we spend together?</b></p> <ul style="list-style-type: none"> <li>• We'll do our own thing</li> <li>• We'll see each other a few hours each day</li> <li>• We'll be together all the time</li> </ul>	<p><b>8. How will I respond to our children who ask for money help?</b></p> <ul style="list-style-type: none"> <li>• Help out as long as we can</li> <li>• Help out no matter what</li> <li>• Probably say "no"</li> </ul>	<p><b>9. The thing that worries me the most:</b></p>

# Hey, It's Your Birthday!

Many people wonder, “*What’s the magic age for retirement?*” Although there is no uniform retirement age today, there are a few age milestones to celebrate as you near retirement:

- Age 55:** Surprise! You’re able to take penalty-free distributions from your workplace retirement plan if you leave work, but you’ll still owe taxes on any pre-tax dollars. This little-known early-out clause does not apply to IRAs or your former employer plans.
- Age 59 ½:** Okay, so it’s a *half* birthday, but that’s enough reason to celebrate. At this age, you’re able to access IRAs and other retirement accounts without early withdrawal penalties. Keep in mind that taxes will still be due on the pre-tax portion of your account.
- Age 62:** Yeah! You’re now eligible for early Social Security retirement benefits – but if you decide to begin payments now, your checks will be reduced by as much as 30% for life.
- Age 65:** Finally! You’re eligible to enroll in Medicare.
- Age 65-67:** Somewhere between these two ages is your full retirement age, which depends on your birth year. At this age, Social Security earnings limits disappear, meaning that your payments won’t be reduced if you continue to work. See the chart to the right for your full retirement age. Even after this age your benefit will continue to increase for each month you delay.
- Age 70:** It no longer pays to wait to collect Social Security since there is no additional increase in benefits for delaying beyond this age.

**Social Security Full Retirement Age**

Year of Birth	Full Retirement Age
1937 or earlier	65 years
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1954	66 years
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67 years

Source: ssa.gov

# Take Your Retirement for a Test Drive

Take a moment to consider the car buying process: you've got to shop around to find the perfect make, model, and color to fulfill the dream of your "perfect car." Imagine if that process was applied to your retirement. Test driving your retirement can help you determine whether your "dream" lifestyle will work, given your projected financial situation. Here's how to test run your retirement dream.

## 1 Live on your Retirement Budget

Evaluate your current spending and rank "must haves from wants." Cut back spending by about 10-20% for a couple months and then pay down any debts with the extra cash. It's a good idea to start your life after work with a clean balance sheet. This allows for extra room for those unexpected expenses.

## 2 Vacation in your New Home

If you plan to move to your dream community or downsize your living arrangement, use your vacation to try it out first. If moving is not for you, ensure your house will age well; make all necessary improvements and renovations while you're still working.

## 3 Apply for your Post-Retirement Job

Establish yourself in whatever line of part-time work you hope to pursue. Try it out ahead of time by meeting with potential clients, volunteer, or get a part time job to truly determine your passions.



# Are You On Track?

If you're like most retirement plan participants, you wonder if your current balance and savings habits will get you to the finish line. It's a difficult question to answer, with numerous variables to consider. But, for a quick status check, look at the table below.

The table suggests that a 35-year-old who earns \$40,000 should have 1.7 times pay, or \$68,000 saved for retirement. A 50-year-old with an income of \$80,000 should be sitting on 5.5 times pay, or \$440,000 for retirement. It kind of takes your breath away, doesn't it?

These estimates are based on several assumptions. They assume that you are saving 10% of pay, that you'll retire at age 65, and that you'll spend 30 years in retirement, living on 80% of your working wage. They also assume that you'll receive income from Social Security, and that you are able to generate a 7% return on your retirement assets while working, and 5% while retired. Of course, these figures are just averages; actual calculations vary depending on your unique situation.

If you're like many, your current savings fall a bit short. Get on track by taking full advantage of any company contributions, then increase your savings 1% annually. Doing so is painless to most but can make a big difference in what's waiting for you at retirement. Also get serious about your investment results. Just one or two extra percentage points of return on a large pool of assets can make a difference.

**Multiple of Current Pay You Should Have Saved for Retirement**

Age	Annual Income					
	Up to \$30,000	\$30,000 - \$50,000	\$50,000 - \$70,000	\$70,000 - \$90,000	\$90,000 - \$110,000	\$110,000- \$130,000
35	1.5	1.7	1.9	2.1	2.3	2.4
40	2.2	2.4	2.7	3.0	3.2	3.4
45	3.0	3.4	3.7	4.1	4.4	4.6
50	4.1	4.6	5.0	5.5	5.9	6.2
55	5.4	6.0	6.7	7.3	7.8	8.2
60	6.9	7.8	8.6	9.5	10.2	10.6
65	8.0	9.2	10.3	11.5	12.4	13.1

# HSA's Can Be A Powerful Retirement Savings Tool

If you own a high deductible health plan, it's likely you've been offered a Health Savings Account (HSA), too. These accounts allow you to save pre-tax dollars for future health expenses. Most use them to pay for current health care expenses until the deductible is satisfied. But rethink this: HSAs also make great retirement savings vehicles as they offer a triple tax break, unlike IRAs and workplace retirement plans.

With a traditional workplace retirement plan, you save pre-tax, but savings are taxed upon withdrawal. With a Roth account, you forgo the up-front tax break to gain tax-free withdrawals. HSAs offer the best of both worlds: pre-tax savings, tax-free compounding, AND tax-free withdrawals if the savings are used for health care expenses and qualified insurance premiums.

Here's the crazy part, there is no "use it or lose it" clause. HSA dollars can be retained from year to year in the account and even invested in mutual funds for growth. Then, dollars can be withdrawn tax-free for any current or past health care expenses, if the expenses occurred during a year that you held the HSA.

To qualify, you must be covered by a high deductible health plan. In 2024, this includes a minimum deductible of \$1,600 for single coverage and \$3,200 for a family plan.

At any time, withdrawals for qualified medical expenses can be made income tax-free. After age 65 you can spend the money on anything you want, but withdrawals will be considered taxable income just like your pre-tax workplace retirement plan. If you take a withdrawal for non-medical expenses prior to age 65, you'll owe income taxes on the amount withdrawn and get hit with a 20% penalty.

The HSA could be a worthy way to supplement your retirement savings, especially if you've maxed out your contributions elsewhere. Given that the cost of your health care in retirement could be \$200,000 or more, according to industry estimates, using the HSA as a tax-advantaged account just for retiree medical bills is a smart way to boost your wealth for retirement.

HSA Contribution Limits	2023	2024
Single Health Plan	\$3,850	\$4,150
Family Health Plan	\$7,750	\$8,300
55+ Catch-Up Contribution	\$1,000	\$1,000

# Retirement Checklist

## 10-15 Years to Go

Did It:

- Run projection – define target date
- Begin downshift in portfolio risk
- Consider Roth vs pre-tax savings
- Verify you will be debt free by retirement
- Build HSA balance
- Convert kids costs to your financial priorities
- Consider catchup contributions

## 5-10 Years to Go

- Define retirement lifestyle
- Estimate income need
- Project Social Security and pension
- Start building retirement cash position
- Consider long term care insurance

## 3-5 Years to Go

- Consider financial management plan
- Develop risk reduction plan for investments
- Update Social Security and pension

# Retirement Checklist, *continued*

Did It:

## 1 Year to Go

- Asset allocation at retirement level
- Interview and select an advisor
- Consolidate retirement accounts
- Determine Social Security file date
- Familiarize yourself with Medicare
- Finalize income strategy

## At Retirement

- Manage Withdrawals

## Between Ages 62 and 70

- Apply for Social Security

## At Age 73

- Begin required minimum distributions (RMD)
- Consider qualified charitable distribution (QCD)

# Notes



# All About Retiree Health Insurance

# The Basics of Medicare

Reaching the age of 65 comes with a big present: eligibility for Medicare. Here are some important facts about the parts of Medicare to get you thinking about the big day.

## Part A

Part A covers in-patient care in the hospital. You pay no premium for this coverage.

## Part B

Part B covers doctor visits and outpatient care. You pay a monthly premium of \$174.70 in 2024 (higher income folks may pay more) for Part B.

## Part D

Part D which covers prescription drug coverage.

**Here's the most important fact to consider:** Part A and B only cover 80% of expenses. You are responsible for the rest, so it is critical to purchase a supplemental insurance policy from a private insurance company to pay for what Medicare does not. This is known as a Medigap policy.

You can sign up as early as three months before or up to three months after your 65<sup>th</sup> birthday. But, if you are collecting Social Security when you turn 65, you are automatically enrolled in Part A and Part B. If you have employer coverage, you can certainly decline Medicare Part B coverage, but you must notify Social Security to do so. Once you lose employer coverage, you have eight months to sign up for Part B. If you don't enroll, you will have to wait until the next open enrollment period and your monthly premium permanently goes up by 10% for each 12-month period you delay.

# Medicare or Medicare Advantage?

Before you dive too deep into the parts of Medicare, consider a more basic decision that is at the heart the Medicare decision:

*“Should I take original Medicare or Medicare advantage and how are they different?”*

Original Medicare was created as a government medical insurance provider back in 1965. It has evolved over time to become what it is today, Part A, B, and D, covering expenses for hospitals, medical and prescription drugs. Think of this as your classic medical insurance, only provided through the Federal Government.

In the late 90’s, Medicare Advantage plans were added. These are an “all in one” alternative to original Medicare. Think of these as a bundled plan that include all the coverage of Parts A, B, and D of original Medicare, but also include additional benefits not covered under the original, like vision, hearing, and dental. Because it is the business of the Government to make things confusing, they named it “Part C” which, for many, stands for “Confusing.”

## Part C

Part C is a bundled plan that includes Parts A, B, and D, as well as vision, hearing, and dental.

# Pros and Cons of Medicare Advantage Plans

## Cost

The cost of any health insurance will be composed of the monthly premium (what you pay each month regardless of utilization) and out of pocket expenses (the portion you pay for services).

Original Medicare generally has a higher premium because it tends to cover more services. You pay more up front to avoid paying more later. A person who becomes ill or needs frequent service will generally have fewer out of pocket costs in original Medicare than in Medicare Advantage. But be careful, original Medicare doesn't have an out-of-pocket maximum (or limit on what you pay), and only covers 80% of the expenses. So, you will want to add a supplemental policy (called a Medigap Policy) and a Part D plan to help cover you in the event your expenses run away.

## Choice

Original Medicare, like traditional insurance, allows you to go to any doctor or hospital that takes Medicare, anywhere in the U.S. And typically, you don't need a referral to see a specialist.

Advantage programs can be HMOs where you must see a network of physicians or PPOs where you can see any provider, but out-of-network provider services cost more. So, if you value flexibility, use a wide range of providers from different organizations, or plan to travel, original Medicare may be for you. If you plan to stay home and stay in network, you can benefit from the lower cost of Medicare Advantage.

## Coverage

Original Medicare covers most necessary services from hospitals and providers. Exclusions include eye exams, dental care and routine exams. Medicare Advantage plans include all the coverage of the Original Medicare, plus extra benefits that may include routine exams, vision, hearing, and dental.

Plans can make changes in costs and coverage each year. So, each year you will have the responsibility to shop and compare. You always have the option to change plans annually and can switch from Original Medicare to Medicare Advantage. But know that if you start with Medicare Advantage and then wish to switch to traditional Medicare, you will have to undergo underwriting.

To find out more about plans and compare your options, go to [medicare.gov/find-a-plan](https://www.medicare.gov/find-a-plan). While there, download the free "Medicare and You" booklet for a detailed resource on all things Medicare.

# Additional Considerations

## Retiring Before Age 65?

The most important factor for achieving an early retirement is often the availability of health insurance. Here are your options:

1. **Continued insurance through your employer.** If covered at the time of retirement, Marquette offers those meeting the definition of a Marquette University Retiree the ability to stay on the Marquette University plans until age 65. Check with the Human Resources Department for current retiree rates.
2. **Family coverage.** Some families will stagger their retirement dates so that the retiree can stay on their partner's workplace plan.
3. **COBRA.** Employers must allow you to stay on your workplace plan for 18 months after departure. This won't be a low-cost option, as you will be responsible for the entire cost of insurance.
4. **National Healthcare Exchange.** Health insurance is available for all through the National Healthcare Exchange (Obamacare). Tax credits are available for lower income individuals. Visit [healthcare.gov](https://www.healthcare.gov) for more details.

## Going Abroad? Check Your Health Coverage

Many bucket lists contain overseas travel. Before you pack your bags, review your medical insurance coverage. Retirees on Medicare can be in for a big surprise if a sudden health issue arises while traveling.

Original Medicare typically does not cover health care outside of the U.S. You'll have to rely on your Medigap policy for that. Check to see exactly what coverage you have before you hop on that plane.

Medicare Advantage members may run into trouble with health insurance coverage while traveling abroad because these plans may limit you to certain care networks.

If you travel abroad, consider purchasing travel insurance. You can buy a policy just for medical coverage, but a comprehensive travel insurance policy that includes medical coverage may be better. This will offer you reimbursement for losses due to interrupted travel, in addition to losses related to medical expenses. According to [InsureMyTrip.com](https://www.insuremytrip.com), comprehensive policies cost 6% to 8% of travel costs. Experts suggest you look for medical evacuation coverage so you can fly home for care.



# Notes



# How To Turn On Retirement Income

# How To Turn On Retirement Income

You've spent your working career saving money and investing wisely for growth. Well, your planning has paid off, and soon you'll be able to enjoy the fruit of all that hard work and sacrifice. You are likely wondering, "how do I convert my savings into income for the rest of my life?" This section will help you do just that. We'll help you contemplate new priorities, consider retirement investment options, and control annual withdrawals so your savings last as long as you do.

## New Priorities

Up to this point in your investing career, you have been looking up toward a goal – a retirement balance sufficient to fund your retirement. Your strategy has been to consistently contribute to a well-diversified portfolio so that over time you'll obtain a reasonable long-term rate of return. For much of that time you have trusted in a long investment time horizon to help you overcome any market downturns. In fact, dollar cost averaging has helped you take advantage of those big dips, providing lower cost mutual fund shares when volatility spikes.

All that changes when you retire. At that point, you're at the top of a retirement balance that you plan to draw down as income. This requires a change in your strategy. Your new goal is to draw a certain income over your lifetime and to avoid outliving your money. You are no longer building a balance; you are now carefully drawing down a balance, and there are new risks to that goal.

### Longevity Risk (You might live longer than you think)

While working, your investment horizon was relatively defined. Maybe you had a pretty good idea when you would retire. Maybe you thought you would wait until 65 to draw Medicare, or you would keep working until 70 years old, if needed. This target of plus or minus a few years allowed you to be specific when setting goals and planning strategies. With a few assumptions about returns, you could plan how much money you needed. Unfortunately, in retirement the investment horizon is unknown. You may live five or thirty-five more years. While your health, family background, and lifestyle habits may give a clue to your life expectancy, ultimately, the length of your retirement is unknown. This is known as longevity risk.

### Cash Flow Risk (Your income needs in retirement may change)

This is certainly stating the obvious, but in retirement you will likely not need the same amount of money each year. What if you have an emergency? What if you want to go on a European tour for your 50<sup>th</sup> wedding anniversary? Some years you may have more expenses than others. While you could contribute a set amount each year while saving for retirement, you may not be able to anticipate the differences in the withdrawals required each year during retirement. This is cash flow risk.

## Market Risk (Returns might not meet your expectations)

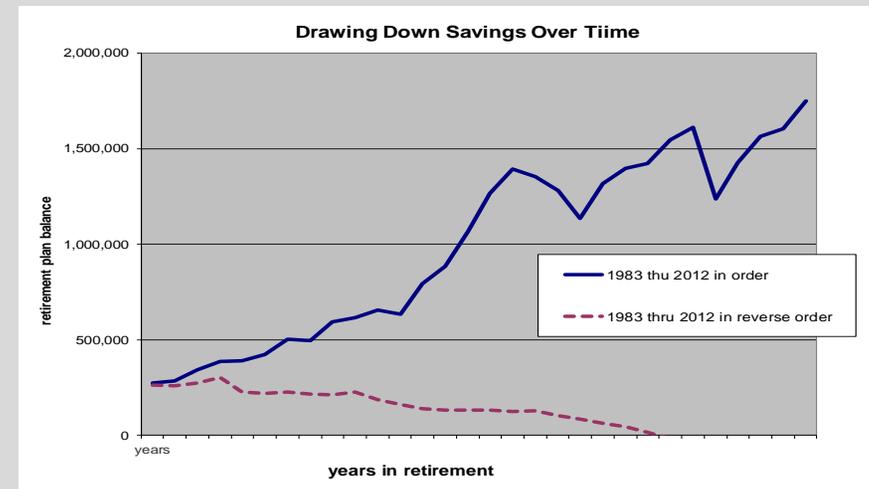
In the early years of your career, you could afford to be cavalier about a market downturn because you had plenty of time for a rebound in value before retirement. If you achieved your long-term rate of return goal, you could endure the short-term downswings, letting your good years outweigh the bad.

During retirement, you must consider a new market risk called timing risk. This risk considers not just the potential for market losses, but also the timing of the losses. Losses early on in retirement can have a much more dramatic impact on an account than losses later in retirement. Consider the story below.

Devon retired in 1983 with \$250,000 in retirement assets. In addition to his Social Security Benefits, he needs to draw out \$12,500 of income in the first year and increase that by 3% each year for inflation. His account is invested 40% in stocks, and 60% in bonds; moderate for a retiree. The blue line in the chart illustrates his experience over the next 30 years, illustrating actual returns and account balances from 1983 through 2013. He would find himself with more than \$1.5 million dollars 30 years later. Not bad!

Now imagine that James retired with the same retirement assets, but the returns were experienced in reverse order with 2012 being the first year and running backward until 30 years later ending in 1983. His account suffers losses early on, then enjoys larger gains later. The gray line shows these “reverse-time” conditions. Note that with simply changing the order of returns, the account is depleted 23 years into retirement. Even though the long-term rate of return is the same, the outcome is dramatically different.

This story shows how critical it is to create a solid investment plan in the years leading up to the big day.



For illustration purposes only. Assumes 5% Withdrawal rate for 30 years and a 3% inflation increase per year.



# Consider Available Retirement Investment Vehicles

There are two primary methods of managing your money into retirement. You can either buy a lifetime income promise using an annuity or continue to invest your money through either staying in your company plan or rolling your savings into an IRA.

## Immediate Annuities

When buying an annuity, you enter into a contract with a financial institution where you give the annuity provider a lump sum of money and, in return, they promise to provide you with a certain amount of monthly income for the rest of your life. The amount you receive depends on the options you select in the contract agreement. In exchange for guaranteed income for life, you typically give up all rights to residual money left after your death...the insurance company keeps the rest.

### Pros of Immediate Annuities

If you miss the good old days of the pension plan, where you didn't have to worry about the performance of the markets and knew that you would never run out of income, then immediate annuities look appealing. When you invest in an immediate annuity, you transfer the **market risk** to the annuity provider. Whether the markets go up or down, the annuity provider has promised and is obligated to provide you with the monthly income agreed to by contract. You also transfer the **longevity risk** to the annuity provider because whether you live to be 85 or 105 years old, they are obligated to provide you with the income promised by the contract.

### Cons of Immediate Annuities

The purchase of an immediate annuity involves a dramatic loss of liquidity. Liquidity is simply the ability to get at the money. Upon purchase, you surrender the entire cost to the annuity provider in exchange for the set income. If you live long enough, you will receive all of your lost assets back, and if you don't, you may receive far less than you gave.

Immediate annuities also don't help you with **cash flow risk**. You may have different income needs from year to year, yet the monthly income you receive from the policy stays the same.

Finally, know that when you purchase an immediate annuity, you are betting that you will outlive your life expectancy, while the annuity provider is betting you will not outlive your life expectancy. If you buy an immediate annuity in March, then die in April, your beneficiaries or estate may experience a dramatic loss. This disadvantage can be mitigated somewhat depending on which distribution option you choose.

## Continued Investment

When you continue to invest your money, either through your company plan or an IRA, you choose to hold the assets that you have selected in your account, selling them over time to generate the income you need in retirement. How long your money lasts depends on the performance of your assets in the markets and the amount you withdraw each year.

### Pros of Continued Investment

The advantages of continued investment mirror the disadvantages of the immediate annuity. Continued investment allows you to retain control of your money. As a result, you can access any portion of your account due to an emergency or other large expense.

Continued investment also provides for growth as your assets remain in the markets. Then after death, all assets are paid to your heirs.

Finally, continued investment allows for flexible distribution options. You get to decide how much you want to take out each year. Some years you may need more, some you may need less.

### Cons of Continued Investment

The disadvantages of continued investment mirror the advantages of an immediate annuity. While the purchase of an immediate annuity transfers the **market risk** to the insurance company, continued investment means that you retain the market risk. You may take advantage of the growth of the markets, but you also suffer market declines. This requires you to be careful how you invest and when you take distributions.

Additionally, with continued investment, you do not have the promise of lifetime income, and if you live a long time, you may run out of money before you run out of life. Poor market returns, excessive withdrawals, longevity, or a combination of the three may mean that you outlive your money.

# Be Careful With the Transition

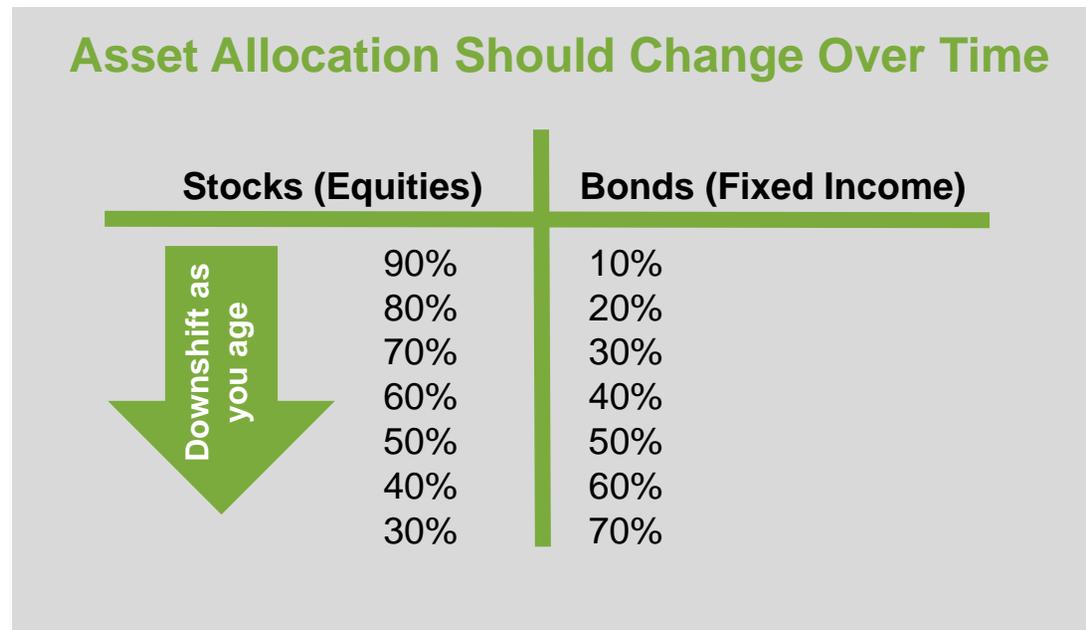
How you manage your assets leading up to retirement will depend on which option you choose: annuity or continued investment.

## Immediate Annuities

In the case of an annuity, your investment horizon is your retirement date. As a result, all investment experience ends on the day you buy that annuity. The amount of income you can receive from your annuity is locked in the day you buy that annuity. There is no continued chance for recovery. As a result, when approaching retirement, you should start to become conservative sooner, and should plan to retire with no more than 10% in stocks. This will protect you from a dramatic decrease in retirement income due to a big stock market downturn in the year prior to retirement.

## Continued Investment

In the case of continued investment, your investment horizon extends beyond your retirement date. You can continue to hold stocks well into retirement, even if you have a large market downturn in the year you retire. Your stocks investments can still recover when markets rebound. As a result, you may remain a little more aggressive approaching retirement, 30% stocks if you are conservative, 45% if you are moderate, and maybe 60% if you are aggressive.



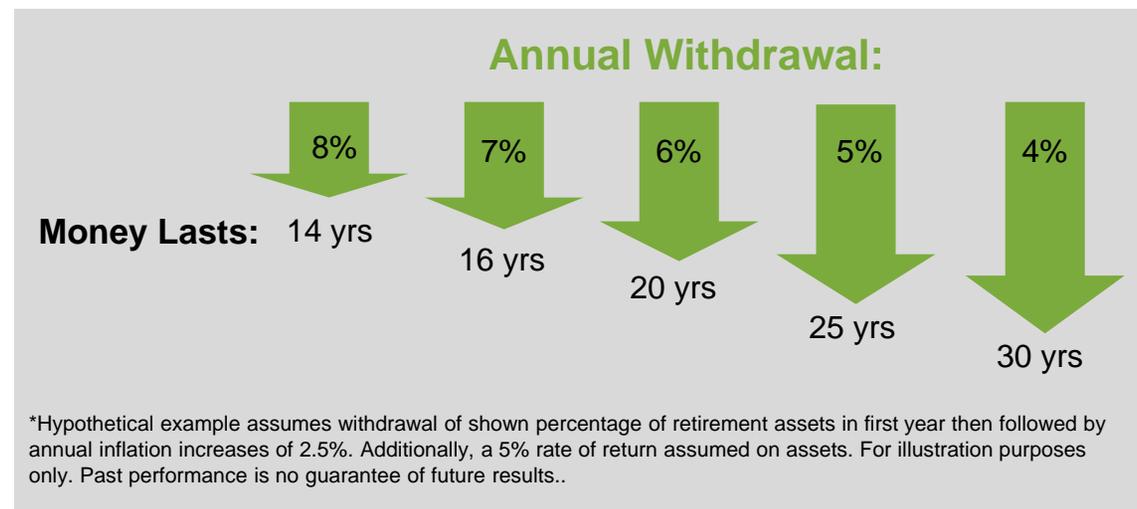
# Control Your Withdrawals

The length of time that your money lasts in retirement is determined by the amount of money you withdraw each year and investment returns. So how do you determine how much to withdraw each year?

Let's start by estimating how long you need your money to last.



Now, let's assume that you will achieve an overall 5% rate of return on your investments in retirement. Under this scenario, you could withdraw the following amounts in the first year, then increase that dollar amount with inflation annually.



Obviously the less you withdraw each year, the longer your money will last in retirement. We generally suggest retirees consider a 4% withdrawal rate, especially if they are healthy, have longevity in their family history, or are retiring early.

# Investing in Retirement

So, you've decided to continue to invest into retirement. But if you are like many, you might not want the responsibility of maintaining a well-diversified portfolio in retirement without hiring an advisor. We'll learn more about how to hire your own advisor in a later section. But for now, let's focus on how to "do it yourself."

Start by selecting a low-cost IRA from a quality IRA provider. Then divide your money across two "buckets."

## Bucket #1

These dollars should be invested in a very low risk, conservative investment like a money market fund or cash. You should invest three to five years of your income needs in Bucket #1. For example, if you need to draw \$20,000 annually, you should have \$60,000 to \$100,000 in Bucket #1. The purpose of this bucket is to provide a cash account from which you will pull monthly income. After a year or so, you can replenish Bucket #1 if the market performs well. If not, you can delay. This way you control when you sell your stock funds. How much money you put in this bucket depends on your risk tolerance. The more conservative you are, the more years of income you should have in Bucket #1.

## Bucket #2

This bucket should contain the rest and be invested in a mix of stock and bond mutual funds, appropriate for your risk tolerance. A mix of 60% stocks and 40% bonds is appropriate for a moderate investor. If you consider yourself an aggressive investor, a good target might be 70% stocks and 30% bonds. If you are generally concerned about market volatility when it occurs, consider a 50% stock and 50% bond allocation.



# Cracking Open Your Retirement Nest Egg

There's much to consider as you transition to life after work, including what to do with your retirement plan savings. The information below will get you thinking about your options.

## Stay in the plan

Just because you are transitioning away from your employer does not mean you are required to remove your savings from the plan. You retain control of how your savings are invested; but you're not able to add new dollars. If you stay in the plan, your savings remain invested in the menu of lower-cost institutional funds, carefully screened and monitored by your employer, with the advice their investment consultant. The plan allows you to establish installment payments, whether monthly, quarterly, or annually. You decide how much and how often you receive income.

1

If you decide to delay distributions, remember that you will need to begin required minimum distributions (RMD) after age 73 unless you are still employed by the employer who sponsors the plan.

Staying in the plan may be the best option if you do not want the responsibility of managing your own IRA or do not have access to a new employer plan. An IRA rollover would mean you must choose a provider, and either select and monitor an investment strategy or pay someone else to do so. In addition, those retiring early (from age 55 to 59 ½) will avoid penalties on distributions by staying in their company plan.

If your balance is less than \$1,000 at departure, your balance will be automatically distributed to you as a cash distribution after 90 days unless you request a distribution directing those savings into another account.

## Rollover to new plan

Your savings and any vested portion of company contributions may be rolled over into a new employer's plan, if you continue to work. Most employer plans gladly accept rollovers but be sure to check their specific eligibility requirements with the human resources department. No taxes or penalties apply; your entire balance continues to grow, tax-deferred for your pre-tax accounts and tax-free for Roth.

2

If you have both pre-tax and Roth accounts, confirm that your new employer's plan offers Roth and accepts rollovers from Roth accounts. If they don't offer Roth, you can roll the Roth 403(b) savings into a Roth IRA.

Before rolling money into another employer plan, make sure you understand the in-service distribution options in the new plan. Some employers restrict access to rollover accounts while you are still employed.

Consider rolling savings into your new employer's plan if you like the idea of a streamlined investment menu. Most employer plans feature a short list of high-quality funds. Also consider your new employer's plan if you'd like to consolidate retirement accounts. Combining savings into one account simplifies investment decisions and may reduce costs.

# Cracking Open Your Retirement Nest Egg, *continued*

## Rollover to an IRA

You may also roll your savings into an Individual Retirement Account (IRA). Your pre-tax savings will roll into a traditional IRA; your Roth savings will roll into a Roth IRA.

If you plan to roll savings into an IRA, research costs first. Some retail advisors charge commissions and/or management fees that may be greater than your workplace plan. So, ask your IRA provider to outline all the ways they receive compensation and any other fees being charged against your plan balance.

3

Consider rolling your savings into an IRA if you would like access to virtually unlimited investment options.

IRAs also feature more distribution flexibility. Distributions before age 59 ½ for higher education expenses or for a first home purchase (\$10,000 lifetime limit) are exempt from the 10% tax penalty. You may begin taking payments earlier than age 59 ½ without penalty, but the rules are complicated. Your IRA provider can help make this clear. Plus, if you remain in an employer plan, distributions will generally be made from each fund, pro rata. In an IRA, you select which investments to sell in order to create income.

Roth IRAs offer an even better deal: your after-tax deposits can be withdrawn at any time with no taxation. Roth earnings are still subject to ordinary income taxes and potential penalties if withdrawn before age 59 ½ and five years after the first Roth contribution.

## Cash out

If you decide to cash out your savings rather than roll over your funds, you'll face significant tax consequences. Your entire pre-tax account and any gains within the Roth account will be taxed as income and may be subject to a 10% early-withdrawal penalty if you're under age 59 ½. Penalties are waived if you separate from service between the ages of 55 and 59 ½. The IRS requires that 20% of your distribution be withheld from your check. This mandatory withholding tax will be used to pay a portion of the taxes you owe on the entire distribution. You will be responsible to make up the difference at tax time.

4

Even though paying income taxes and penalties on a premature retirement plan withdrawal can be painful, the largest cost of cashing out remains the impact on your account balance at retirement. You must consider how much less you'll have at retirement if you cash out now.

# Hiring Your Own Advisor

There are two standards of care and practice available in the financial services industry: Fiduciary and Suitability.

**Fiduciary** – The fiduciary standard was created by the Investment Advisors Act of 1940 and states that an advisor must place his or her interests below that of the client. The advisor must always act in the best interest of his or her client. For example, the advisor cannot buy securities for his or her account prior to buying them for a client and is prohibited from making trades that may result in higher commissions for the advisor or his or her investment firm.

**Suitability** – The suitability standard requires brokers to make suitable recommendations to their clients. Instead of having to place his or her interests below that of the client, the suitability standard only details that the broker-dealer must reasonably believe that any recommendations made are merely “suitable” for clients, in terms of the client's financial needs, objectives and unique circumstances.

Some providers offer both services. So, make sure you know upfront in which capacity your investment representative serves. For more information on these standards, see [www.investopedia.com/articles/professionaleducation/11/suitability-fiduciary-standards.asp](http://www.investopedia.com/articles/professionaleducation/11/suitability-fiduciary-standards.asp).

	Advisor	Broker
Testing	Series 65 or Series 63	Series 7
Privilege	Providing Advice for Compensation	Selling Securities
Standard	Fiduciary	Suitability
Fees	Typically earn a percentage of assets	Typically earn commissions on all sales

# Understanding Fee Structures

There are many ways that financial service providers might get paid for their services. Make sure you ask all the ways your advisor is paid for the services they provide.

## Fee Only

Fee only advisors are compensated only for the advice they provide. This allows them to remain conflict free, with no sales motive. There are three primary types.

**Hourly Fee** – An hourly fee is charged per hour of work creating and delivering your financial plan. This structure assures you are paying only for the time required.

**Flat Fee** – A flat fee is a one-time charge for creating and delivering a financial plan. With this structure you know in advance the cost of your plan, regardless of the time involved. Flat fees vary dramatically, but you might expect to pay \$1000 or more for a financial plan.

**% of Assets** – A percent of assets fee is a charge that equals a percentage of the total of the value of the assets under advisement. This fee ensures that the advisor is paid only for advice and has the added benefit of motivating the advisor to help grow your investments. On the downside, your fee becomes larger as your asset value grows and is charged every year, regardless of the work performed on your behalf. Your fee will vary based on the amount of assets under management but expect to pay 1.00 to 1.50% annually.

## Commission and Other

Brokers tend to be compensated based on what you buy from them. They may receive the following payments from you or others.

**Commission** – Advisors who receive commissions earn a small percent of each sale they make. While most may be ethical advisors, this does introduce a sales motivation and potential conflict of interest.

**Third Party Fees** – Third party fees include revenue sharing and 12(b)1s. These are primarily fees paid by the mutual fund companies to the broker. While they do not come directly from your pocket, they do drive up the expense ratio of your funds and serve as a potential conflict of interest for your advisor.

# Industry Designation Alphabet Soup

Most financial professionals have some letters following their names. These Industry designations may indicate a level of education, experience, demonstrated competency, and a commitment to continuing education and a code of ethics. For a list and descriptions of designations, see [www.finra.org](http://www.finra.org). Some of the more common designations are listed below.

**Certified Financial Planner (CFP):** CFP® Certificants have amassed three years of experience, earned a bachelor's degree, completed a college level program of study in personal financial planning and passed a demanding and broad-based exam. Further, they must complete 30 hours of continuing education every two years and agree to a Code of Ethics including a requirement to act as a fiduciary any time they are engaging in the financial planning process.

**Chartered Financial Consultant (ChFC):** ChFC holders have completed 75 hours of coursework overlapping much of the CFP® requirement with a few additional courses, and without the final broad-based exam.

**Certified Public Accountant (CPA):** Certified Public Accountants have passed a demanding exam focusing on tax and accounting proficiency. Financial planning is not specifically included in the CPA skill and knowledge requirement.

**Chartered Financial Analyst (CFA):** A CFA is an expert in investment research and portfolio management. A holder has passed three six-hour exams over several years, amassed 48 months of experience, and agreed to a strict code of ethics. While personal financial planning is not included in the testing, the CFA is proficient in researching investments and building portfolios.

**Registered Investment Advisor (RIA):** A Registered Investment Advisor is a firm that provides investment advice to individuals for compensation and is under the oversight of either the SEC or their individual state, depending on the size of their business. An individual who works for an RIA is a Registered Investment Advisor Representative and has passed the Series 65 Exam, a combination of the Series 7 and 66 Exams, or has a qualifying professional designation such as a CFP or a CPA.

## Check Out Disciplinary History:

Before hiring an advisor, ask them about any disciplinary history or customer complaints they've had. Then, go to the web to verify.

For Advisors: [www.sec.gov/investor/brokers.htm](http://www.sec.gov/investor/brokers.htm)

For Brokers: <https://brokercheck.finra.org/>

For CFP® Certificants: [www.letsmakeaplan.org/choose-a-cfp-professional/verify-a-cfp-professional](http://www.letsmakeaplan.org/choose-a-cfp-professional/verify-a-cfp-professional)

# The Scoop on Beneficiary Elections

Now is a great time to get your personal records up-to-date, including beneficiary elections. Just like life insurance, retirement plans pass directly to the person or entity you've named on your beneficiary election, so it's very important to keep them current. Here's what you need to know:

## **Your Spouse is Your Primary Beneficiary**

If you are married, Federal law states that your spouse is your primary beneficiary. You are free to name someone else, for example, children from your first marriage, but your spouse must sign off on this election in front of a notary public.

If you are unmarried, you may name anyone you wish, but upon marriage, your spouse becomes your primary beneficiary, even if your beneficiary election indicates otherwise. You are free to name contingent beneficiaries, in case the person you named as your primary beneficiary passes before you or with you.

## **Naming Children as Beneficiaries**

If you name minor children as beneficiaries, their guardian would be responsible for management and safekeeping of the account until the child turns the age of majority. If you're not sure you want your child's guardian to have access to the account, you may wish to name another loved one or consider setting up a trust. Be sure to consult with a legal and tax advisor before naming a trust as a beneficiary.

## **Beneficiary Elections Name *Who* Not *How***

Beneficiary elections determine *who* gets the account, not *how*. If you wish to dictate how your loved ones receive the money, you'll need to consider setting up a trust. An estate planning attorney can advise you on how best to establish a trust.

## **What Beneficiaries Can Do With the Money**

Beneficiaries can cash out any or all of the account. They will still owe income taxes on any pre-tax portion, but no penalty applies. Spouses have special rights; they can simply retitle the account as their own. All the rules regarding tax deferral and distribution then proceed based on their age. Non-spousal beneficiaries aren't that lucky. Non-spousal beneficiaries must deplete the account and pay income taxes on the pre-tax portion within ten years.

## **What Happens When No Beneficiary is Named**

Your family still receives your account, but without specific instructions, so your savings will pass to heirs in the order determined by state law. The account will go through the probate process where a judge makes the official determination of who receives what. This costs time and money and may subject your account to dispute.

## **Keep Them Up-to-Date**

It is critical that you keep your beneficiary elections up-to-date after significant life events. Court cases have ruled that ex-spouses were entitled to retirement accounts from their deceased ex-spouses because elections were not updated.

# Protect Your Legacy

You've worked hard, dedicating time and energy, not only to your job, but for those you care about. Someday, however, it will be up to your descendants to responsibly manage your legacy. It's important to take some simple steps to protect that legacy. Consider the following four tips:

## 1 Prep Them for What is Coming

Your heirs will be responsible for protecting your legacy. Make sure they understand your wishes and what to expect. Although it might be a bit uncomfortable, sit down and discuss your wishes together.

## 2 Give Them Practice

While you're still alive and working, give your heirs the opportunity to manage money independently. Sure, they may make mistakes, but it is far better for them to make those mistakes with a smaller amount of money, rather than their entire inheritance. Furthermore, you will be there to assist and guide them.

## 3 Trusts Aren't Just for the Super Rich

Implementing a trust ensures that your money is used as you intended. Using trusts, you can determine how your money is handled after your passing, who it goes to, when and for what reasons.

## 4 Attach Some Strings

Ensuring certain requirements and stipulations are met before money is received helps an heir mature before receiving everything in full. Such stipulations could include a college degree, passing a drug test, or reaching a certain age. Building attainable, constructive milestones will motivate heirs to meet these goals.



# Notes



# Understanding Social Security

# Common Questions About Social Security

For most, Social Security will be a big part of retirement income, but understanding Social Security benefits is not an easy task. Here are some common questions to serve as a starting point to help you make the most of this important retirement income source.

## Will Social Security be there for me?

This question is on most workers' minds. Trustees project that reserves will be sufficient to pay full benefits until the mid 2030s. Then, payments by the current workforce will cover approximately 77% of promised benefits. There are many proposals out there for correcting this issue; however, Congress has not yet acted. No one knows what solution they will ultimately agree upon, but we think benefits will be there for a long time to come.

## When should I file for benefits?

First, determine your "Full Retirement Age." See the table for full retirement age by year of birth. Once you know your Full Retirement Age, you can decide to receive reduced benefits as early as age 62, full benefits at your full retirement age, delay benefits until age 70, or anywhere in between. Each year you delay taking your benefits, they increase about 8%, so it may pay to wait. At your full retirement age, you are no longer subject to the earnings cap, which means you can continue to work without losing any of your Social Security income.

## Can I work and still receive benefits?

Yes, however, know that there are earnings limits. If you exceed these limits, your benefits will be reduced. See the table below for more details.

Year of Birth	Full Retirement Age
1937 or earlier	65 years
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1954	66 years
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67 years

Source: ssa.gov

2023 Social Security Earnings Limits	
At full retirement age or older	No limit on earnings
Under full retirement age	\$22,320 (for every \$2 over the limit, \$1 is withheld from benefits)
In the year you reach full retirement age	\$59,520 (For every \$3 over the limit, \$1 is withheld from benefits until the month you reach full retirement age)

Source: ssa.gov

### How are my benefits calculated?

First, you need to earn enough credits to be eligible. This generally requires about ten years in the workforce. Remember, credits only determine eligibility. They do not affect the dollar amount of payments. Your payment amount is based on monthly earnings during your 35 highest income years.

### How do I utilize spousal benefits?

A married person who has little or no earnings history can receive spousal benefits equal to half of the working spouse's benefits. You must be age 62 or older to qualify, and you can't collect a spousal benefit until your spouse files for their own benefit. Your benefit will be reduced if taken before your full retirement age, but it won't increase if delayed beyond that. These rules also apply for divorced spouses if the marriage lasted for ten years or more, and the spouse receiving the spousal benefit remains unmarried.

### How do survivor benefits work?

A widow or widower is entitled to a survivor benefit that is equal to 100% of the deceased spouse's benefit, if the survivor waits until full retirement age to collect. If a survivor claims a survivor benefit earlier, that benefit will be reduced. You can collect a survivor benefit as early as age 60. A divorced spouse may claim a survivor benefit on their ex-spouse's record if the marriage lasted at least ten years. One option is to start collecting a survivor benefit at 60 or 62, then switch to your benefit when you reach your retirement age.

### How can I find out what my monthly benefit will be?

The Social Security Administration only mails paper statements to those age 60 or older. You can find your benefit online at <https://www.ssa.gov/benefits/retirement/estimator.html>.

## Your Social Security Benefits

	Me	My Other
Benefit at Age 62		
Benefit at Full Retirement Age		
Benefit at Age 70		

### Can I collect on my ex-spouse?

Normally, to be eligible to collect on your former spouse you must have been married for at least ten years and not currently married. You can collect benefits as early as age 62 (but earnings limits apply) if your ex-spouse is old enough to be eligible for benefits, even if he or she has not yet claimed them. It doesn't matter if your ex-spouse has remarried.

### What about taxes?

A portion of your Social Security benefit becomes taxable income as your other taxable income rises, but no one pays taxes on more than 85% of their Social Security benefits. You must pay taxes on your benefits if you file a federal tax return as an "individual" and your "provisional income" exceeds \$25,000. If you file a joint return, you must pay taxes if you and your spouse have "provisional income" of more than \$32,000. For purposes of determining the amount of your Social Security payment that will be considered taxable income, your "Provisional Income" is used. This is calculated as: Your Adjusted Gross Income + ½ of your Social Security Benefit + Nontaxable interest.

## Paying Tax on Your Social Security Benefits

Individual Tax Return	Joint Tax Return	Taxation of Benefits
Provisional Income less than \$25,000	Provisional Income less than \$32,000	No taxation of benefits
Provisional Income between \$25,000 and \$34,000	Provisional Income between \$32,000 and \$44,000	50% of benefits will be taxable as income
Provisional Income above \$34,000	Provisional Income above \$44,000	85% of benefits will be taxable as income

# Notes