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left to right: Joe Bowie, Andrew Flinton, Brenda C. Bolander, Carol Ringrose Alexander, Randy Thurman, and Chad Rudy

Financial Briefs

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Investing Before and During Retirement

There are two phases in the life cycle of a retirement portfolio: the time when you're contributing to it and the time when you're using it to cover your living expenses. During each phase, the basic challenge is deciding how to invest your nest egg, and there are three common approaches for that:

- **Going with your comfort level.** Most people have some idea as to what investments appeal to them, either because of the rate of return they associate with them or how much safety they seem to offer. Some people would never put their money anywhere but in an insured savings account, CD, or U.S. Treasury security. Others feel there's no better place than the stock market, commodities, real estate, or tax-free municipal bonds. Whichever it is, people tend to pile their retirement funds in one place — which can cause problems if there is a significant decrease in that investment.
- **Using a one-size-fits-all formula.** There are at least several of these formulas floating around. On the theory that the closer you get to retiring the more conservative you should become, one says you should subtract your age from 100, treat the result as a percentage, and put that portion of your portfolio in stocks and the rest in bonds. Another follows the same method, but suggests you subtract your age from 120. The appeal of this approach is that it's simple and unambiguous. The downside is that the results don't take into account the details of your circumstances (your income, savings, how much your future lifestyle will cost), the state of the economy and inflation, or the cyclical nature of market returns.
- **Using a financial plan.** A plan includes all details the other two methods leave out. It's by far your best bet for achieving your retirement goals since it takes your circumstances and the state of the economy into account. The plan should be split

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Reassess Your Retirement Plan

Approximately five years before you plan to retire, thoroughly reassess your retirement plans and ensure that all significant financial pieces are in place. Once you retire, you probably won't have the option of going back to your former job. So before you retire, consider these points:

- **Take a serious look at your retirement plans.** You're close enough to retirement that you should have a good feel for your retirement expenses and expected income. While you may be anxious to retire, remain flexible about your retirement date. Working an additional year or two can add substantially to your retirement savings and may boost your retirement benefits.
- **Get a fix on your Social Security and other benefits.** Make sure you know exactly how much you can expect from Social Security and defined-benefit plans. How much will your benefits increase if you delay retirement by one year, five years, etc.? If you retire before full retirement age for Social Security purposes, do you plan on still working? Be aware that those under full retirement age for Social Security purposes will lose $1 of benefits for every $2 of earnings over $17,040 in 2018. Make sure you understand your distribution options for any defined-benefit plans. In most cases, those decisions are irrevocable, so you'll want to take some

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Investing

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into before-retirement and during-retirement strategies.

Before You Retire

The key factor is to determine what rate of growth you need to achieve in your portfolio to retire with a nest egg capable of supporting you for the rest of your life once you no longer earn a paycheck. It's a balancing act between how much you can afford to put aside every year, how much growth will maximize your nest egg, and how much risk you feel comfortable taking.

By analyzing these factors, a good financial plan produces a recommended asset allocation strategy that specifies how much of your portfolio should be invested in stocks, bonds, cash, commodities, and real estate. The mix of your investments aims at a target rate of return and risk level that both meets your goals and makes you comfortable with the year-to-year results.

In general, the younger you are the more risk you can afford to take, since you will have many market and economic cycles to smooth out your returns. It's not unheard of for someone in his/her 30s or 40s to invest up to 70% or 80% of his/her assets in stocks. Conversely, younger people who are risk-averse may be able to take less risk and put more of their assets in CDs and bonds, as long as they have more modest retirement goals.

It's generally true that the closer you are to retiring, the more conservative your portfolio should be. But this doesn't suggest the precise proportions to place into each asset class, nor does it take into account the opportunities or challenges presented by current market conditions. Those answers will come only when you get into the details of your current situation and future goals.

After You Retire

Before you retire, your asset allocation strategy is driven largely by the goal of creating the largest possible retirement portfolio within the limits of your tolerance for risk. After you retire, the goal shifts to keeping your retirement portfolio large enough to continue generating the supplemental income you'll need for the rest of your life.

While this shift means your strategy aims for less growth and risk than in the accumulation stage, it's usually a mistake to revert to the most conservative strategy possible. That's because your portfolio gets eroded over time by:

- Inflation, which means the real value of your portfolio (as well as the buying power of the income it generates) gets smaller every year.
- Taxes on income, withdrawals from traditional IRAs, and capital gains in taxable accounts.
- Withdrawals you make to support your lifestyle.

Because of this constant shrinkage, some portion of your portfolio needs to be invested in stocks, which is a riskier asset class but the one that typically stays ahead of inflation, taxes, and reasonable withdrawals.

Please call if you'd like to discuss your situation.

Part-Time Retirement

People are starting to redefine retirement from a time of total leisure to a time for more leisure with work still occupying part of their time. Some continue working out of financial necessity. Others work to keep busy or because they enjoy working. If you're retired and considering going back to work, answer these questions:

- **Will you earn enough to make working financially worthwhile?** Calculate how much you'll earn after paying taxes and work-related expenses. Consider whether the additional income will increase your marginal tax bracket or disqualify you from certain tax deductions or credits. Don't forget to consider work-related expenses like lunch, clothing, and transportation costs.
- **Will your earnings affect your Social Security benefits?** If you are full retirement age (which depends on your year of birth) or older, you can earn any amount of income without reducing your Social Security benefits. However, individuals between the ages of 62 and full retirement age lose $1 of benefits for every $2 of earnings over $17,040 in 2018. Additional income could make a portion of your Social Security benefits taxable. Up to 50% of benefits are subject to federal income taxes if adjusted gross income plus nontaxable interest plus one-half of Social Security benefits exceeds $25,000 for single taxpayers and $32,000 for married taxpayers filing jointly. 85% of Social Security benefits are subject to federal income taxes if income exceeds $34,000 for single taxpayers and $44,000 for married taxpayers filing jointly.
- **Are you approaching age 70½?** If so, going back to work may prevent you from having to take minimum distributions from your 401(k) or other employer plan. That way, the balance can continue to grow on a tax-deferred basis. You will, however, have to start taking distributions from traditional IRAs.
- **Are you thinking about starting a business?** Many retirees choose to turn a hobby or work experience into a business venture. If you do, be careful not to deplete your retirement savings to fund the business. Find other sources for funding.
- **Do you know why you are going back to work?** Be realistic about what you can expect from your new job. If it's just a part-time job to keep you busy, you probably won't have as much responsibility as you were used to at prior jobs.

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Reassessing

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time to assess those options.

- **Determine how much income your retirement investments will generate.** As a general rule of thumb, you can multiply your retirement investments by 4% to get an idea of how much you can withdraw annually. You can go through a more detailed analysis, reviewing a wide range of variables, for a more precise answer. However, the younger you retire, the more conservative your withdrawals should be, since your funds will have to last for a longer time period.
- **Investigate work options.** If you plan to work at least part-time during retirement, have you decided what you'll do and how much it'll pay? Make sure you investigate your options, including asking your current employer about part-time opportunities after retirement.
- **Finalize living arrangements.** Determine whether you want to stay in your current home or move to another one, either in the same city or a different location. At this point, you should be able to determine whether you'll have a mortgage and how much equity you have in your home. While most retirees continue to live in their current home, explore whether it makes sense to downsize, freeing up home equity for investments or retirement income.
- **Deal with healthcare insurance and long-term-care costs.** Two of the most significant costs in retirement are medical care and long-term care. Make sure you have plans to deal with both. If you are retiring at age 65 or later, you'll be eligible for Medicare, although a spouse under age 65 will not. You will probably need supplemental coverage with Medicare. If you are retiring before age 65, make sure you know exactly how much coverage will cost you, especially if coverage is not provided by your employer. Now is also a good time to take a look at long-term-care insurance, since premiums get significantly more expensive as you age.
- **Live with your retirement budget for a couple of years.** Want to really make sure your retirement budget is reasonable? Try living with your retirement budget for a couple of years before retirement. If you can do so without increasing your debt, you can be reasonably confident your budget will work during retirement.

Please call if you would like help assessing your retirement plans before you actually retire.

Should You Stay or Should You Go?

Does your retirement plan involve long days of golf in sunny Arizona? Perhaps you're dreaming of a beachside condo in Florida. Or maybe you want to explore life in a foreign country. The options are endless and overwhelming.

Nonetheless, choosing a place to live is one of the most important decisions you can make when planning for retirement. You'll have to weigh financial, emotional, and lifestyle issues. Below are some tips that may help you make your choice.

You can start your retirement housing search by asking yourself these questions:

- Where do I really want to live?
- Where can I afford to live?
- If I'd like to relocate, how much will that cost?
- Will relocating allow me to save money on housing and other expenses?
- Can I save on taxes by moving to another area?
- If I'd like to move, what price can I get for my house?
- Where do my friends and family live?

What if your answers to the above questions suggest relocation is a good idea? It's hardly an unusual situation. Getting a fresh start in retirement is a dream for many. But depending on your current financial situation, it may not be realistic. Many baby boomers saw their home values plummet during the most recent financial crisis, and some are still underwater on their homes. Others still have hefty mortgage payments heading into retirement. Some people who want to relocate simply may not have the financial ability to do so.

If you are interested in moving, it pays to do your homework. Looking into housing in your ideal location is just the start. You'll also want to think about how much you can get from the sale of your current home (be realistic). Taxes are another issue. Some retirees can save money by moving from a high-tax state to one that offers tax breaks to retirees. Another thing to consider? The cost of travel back to your original home if you still have family and friends living there.

If you're sure relocating in retirement is the right choice for you, don't rush into a decision. Perform a trial run of a month or two in your ideal destination to see how you really like living there. A place that's great to visit for a week might lose its luster after a month. In addition to obvious considerations like weather, make sure you think about amenities both fun and not so fun. Are there hospitals nearby? What about public transit in case you're eventually unable to drive? Will you be part of a ready-made retirement community or will you be on your own when it comes to making new social connections? Are the amenities you'd like to use affordable? Knowing the answers to these questions in advance can help you avoid making costly financial mistakes.

Thinking about relocating in retirement? Please call if you'd like to discuss this in more detail.

News and Announcements

From the Alexander Household

One of the many things I learned from my father, Dr. Robert Ringrose, is a strong work ethic. He, like his father, was a physician in Guthrie and both were in active practice past their 75th birthdays.

My grandfather started buying land east of Guthrie in the 1930s, so I grew up going to the farm with Dad and Grandad to help with the cattle, repair fences, or pick fruit in the orchard. When we were at home, Dad responded to calls from patients at any time of day or night. Since mobile phones didn't exist, the only way to interrupt our time at the farm was by calling the farmhouse where they would ring a large school bell.

Recently, Dad and I cut down cedar trees at the farm for a few days. It brought back memories of projects we had worked on together, even building a television from a kit when I was in middle school. Soldering the circuit boards was fun.

I've enjoyed working with Dad cutting cedar trees and am amazed at how hard he works. I'm always grateful for our time together and for what he taught me by words and example.

Carol Ringrose Alexander,
CFP®, AIF®, CDFA™

From the Flinton Household

"The life of a man consists not in seeing visions and in dreaming dreams, but in active charity and in willing service." ~ Henry Wadsworth Longfellow

My family volunteers regularly for a nonprofit organization called Tenaciously Teal that supports cancer fighters in a variety of ways. My wife and I visit the Mercy chemotherapy and inpatient sections of the hospital every month and deliver "Care Packs" that are filled with items such as Gatorade, ChapStik, fuzzy socks, a journal, granola bars, an encouraging note, and other items that are helpful to those enduring treatments.

Having cancer myself more than 20 years ago, I have a special place in my heart for those who are struggling with the emotional, physical, and mental challenges of a cancer diagnosis. Each time I visit the chemo room, I pray for those who will get a Care Pack to fully receive the love and hope that we are trying to deliver.

Whether it is a Care Pack, or gas and meal cards, or some other blessing that we can bestow on cancer fighters, I know it is all worth it if even one person comes to have a positive outlook on their life and situation. If even one person feels loved, seen, and valued, then our time will have been fruitful.

For the last few years, Tenaciously Teal has blessed countless cancer fighters in a multitude of ways, and I can't wait to see what the future holds for such an incredible organization. To order a free Care Pack for your loved one, visit www.tteal.org.

Make it a great month,

Andrew Flinton, CFP®

From the Bolander Household

Have you met "Flat Stanley (a.k.a. World Traveler)"? My granddaughter, Stella, introduced me to him a few weeks ago. Each child in her first grade class is sending Flat Stanley to friends and family, so it's a good thing he is flat and folds to fit into an envelope!

The purpose is for Flat Stanley to gather brochures, postcards, pictures, etc. about the places he visits and return to the elementary school with them by the end of April. Then the students will learn about the places he has been and mark them on a world map.

My first trip with Flat Stanley was to our state capitol building. To my surprise, the tour guides knew all about him and had their own stories about high adventures with Flat Stanley. Next, we traveled to Springfield, Missouri, via Arkansas to see family and spend a little time in Branson. We took in the Samson theater production (which was excellent) and some amusement rides — yes, even the log ride that completely soaked every one of us except Flat Stanley who is laminated in plastic, thankfully! Flat Stanley is now visiting relatives in another state.

I can't wait to see what he has discovered — maybe I should volunteer at the school that day…

Happy Spring!

Brenda C. Bolander,
CFP®, CPA/PFS