SAVANT

# Retirement Countdown


**SEVEN** QUESTIONS

TO ANSWER WHEN YOU'RE WITHIN

**FIVE** YEARS OF RETIREMENT

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# Introduction

Congratulations on embarking on this next chapter of your life! This transition is likely to present you with a host of unique challenges, exciting experiences, and complex decisions. Most people only retire once, which is why retirement can seem so daunting. You've never done this before.

Every retirement journey is unique, but there are always common threads. This is a collection of our foundational beliefs, perspectives, and strategies on retirement. It is our sincere hope that this book will help you to live a more fruitful life in your retirement.

It's a new phase of your life, and even though many of the changes will be good, it's still different. No matter how much you plan and how ready you think you are for retirement, it's a change and can be a scary thing. But the time that you invest preparing and asking yourself the necessary questions will make the transition easier and more enjoyable.

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# Question One

## Am I Really Ready to Retire?

When people think of retirement, obvious things come to mind: Did I save enough to achieve my goals in retirement? How much am I able to spend? What happens if we experience another recession?

### Am I Emotionally Ready?

While those are important considerations, few individuals take time to examine their emotional well-being and how it will affect their daily life/routine when they retire. It turns out that roughly two-thirds of freshly retired baby boomers feel some type of uneasiness when entering their new stage of life. If that sounds familiar, keep reading.

One thing that could cause this uneasiness is the loss of career identity or the support network you had through work. Another is worry about not having a regular paycheck. Whatever your concern may be, keep in mind what you are retiring "to," not what you are retiring "from." Below are recommendations to consider before you say, "I'm retiring."

### Decide If You Want to Keep Working

According to a Careerbuilder.com survey, 60% of workers ages 60 and older said they would look for a new job after retiring. Those who continued to work reduced their risk of dementia by 3.2% each additional year they worked. Staying active and keeping a support network are crucial in retirement.

## Consider Volunteering

A study from Carnegie Mellon University showed that volunteering for as little as four hours per week decreased the risk of hypertension by 40% and increased quality of life. People who volunteer report higher levels of life satisfaction and fewer depressive symptoms than those who don't. Volunteer opportunities can expand social ties and increase physical activity.

## Be a Mentor

Find a young person to mentor. Many young people would love the chance to learn from someone experienced and successful such as yourself. Take time out of your week to change the life of someone else.

## Establish Friendships Well Before You Retire

Many of your friends are people you worked with. Although it's great to keep in touch with former colleagues, try to develop new friendships. Form support groups that help other retirees get connected.

## Include Family in Your Retirement Plans

Explain your retirement goals to the ones you hold close. Plan those family vacations that you've been waiting to enjoy.

## Have Fun

Last but not least, have fun. Plan things that you didn't have time for when you were working. You worked hard for this new life and it's time to enjoy now that every day is a Saturday.

## Am I Financially Ready?

Before you make solid plans to retire, you need to ensure that your finances can support this choice now and throughout the next few decades. Evaluating the sustainability of your desired lifestyle in retirement is not a simple process. It is not a task that can be left to general assumptions or "back of the envelope" calculations. Being financially ready to retire is a unique determination for each individual or family. It requires comprehensive review of accumulated assets, future streams of income, and desired lifestyle in the future. Simply put, it requires a plan.

## Review Your Accumulated Assets

Constructing your plan begins with a review of accumulated assets. For many, this will include funds in retirement plans such as 401(k)s, Traditional and Roth IRAs, brokerage investment accounts, and cash savings. In addition to investment assets, things like your personal residence, rental property, and other physical assets should also be considered. Normally, we conduct this review though the creation of a Net Worth Statement. There is no magic dollar figure that makes someone financially ready to retire. Having substantial assets is a great thing, but that alone will not guarantee long-term success. Knowing how you'll convert these assets into income is a critical next step.

## Determine Your Retirement Income Sources

Navigating a successful retirement is much more about income than assets. Income is what a retiree will be looking to replace when the normal paychecks stop. Retirement income will come mainly in two forms: guaranteed sources and non-guaranteed sources. Guaranteed sources include Social Security and pension incomes. These sources will remain largely consistent during retirement as they are not impacted by normal fluctuations in financial markets. The non-guaranteed portion of retirement income is the greater challenge. Determining how much income your invested assets can sustainably provide is crucial to your plan. No one can claim they are financially ready to retire without first examining the expected costs during retirement, and these costs come in various forms. Basic needs, the types of expenses to run your household on a monthly basis, are not difficult to calculate. Knowing how much you'll spend on things you want to do in retirement is more challenging.

Will you travel? Will you relocate or perhaps spend several months in a different location each year? These types of choices add expenses beyond basic needs and are important considerations. Do you have remaining obligations? Mortgage payments, student loans, and credit card balances can greatly increase the amount of monthly income needed in retirement. Future obligations for new car purchases, weddings, and education assistance need to be considered when crafting your plan. Healthcare is perhaps the largest unknown cost to plan for. If you're retiring before becoming eligible for Medicare, how will you obtain ongoing coverage?

Addressing each of these key factors is essential in making the choice to retire. As you can see, it is not a simple process. Determining financial readiness is one of the most significant decisions of your life and not something you want to leave to chance. Of course, nothing is guaranteed, but creating a detailed plan can go a long way in achieving a successful retirement outcome.

# Question Two

## What Is My Net Worth?

Most families are surprised when they see their personal Net Worth Statement documented for the first time. Often, total net worth is larger than they had thought! As we go through life, we tend to collect possessions that fill our houses, garages, and closets. Similarly, with our financial lives we collect accounts, assets, and debts and never put in the effort to see how the puzzle fits together and how to best build a financial plan.

Here are 10 reasons why creating a Net Worth Statement needs to be a priority in your financial life.

### 1) It provides a foundation for reviewing financial health with a spouse.

In most relationships, one spouse is in control of the financial picture, while the other defers the responsibility because they lack interest or think they lack the understanding. Having one map to read from helps couples navigate financial decisions together.

### 2) It can help you see opportunities for simplifying and consolidating areas in your financial plan.

Previous employer 401(k)s, bank CD IRAs, old savings accounts, and other financial accounts can overly complicate your financial picture, increase the difficulty of financial decision-making, and increase financial planning costs. Seeing everything in one comprehensive statement can provide much-needed clarity.

### 3) It gives you a clear picture of your assets and liabilities to ensure that ownership and beneficiary details are up to date with a well-designed estate plan.

Working with your attorney to complete your estate plan is only half the battle. Your plan needs to be hardwired to your Net Worth Statement in order to work effectively. You worked hard to document what should happen if the unexpected occurs, and failing to align your assets might mean a larger struggle for those you leave behind.

### 4) It gives you an on-demand financial statement to satisfy banks when making a big purchase or starting a business.

Loan documents and formal business plans are not complete without a full picture of all your assets and liabilities. When you maintain a Net Worth Statement, you are demonstrating to a lender that you are fully prepared which can decrease the length of time it will take to gain any loan approval.

### 5) It provides a point of reference on your financial map that indicates, "You Are Here."

When combined with your values and priorities, a Net Worth Statement helps put your best foot forward when making comprehensive financial plans. It is hard to know where you're going unless you know where you are now. For example, if you value saving for your child's college education yet fail to earmark the right assets and savings targets for that goal, you can put yourself further behind.

### 6) It allows you to focus on asset growth, not income growth.

Too many people keep score with their W-2. What you do with your take-home pay matters more. The more progress you make eliminating debts and building assets will help grow your net worth exponentially. A large house, fancy car, and other large purchases are okay as long as they do not hinder your progress on your overall net worth.

## 7) It helps you stop mentally segregating certain accounts and see everything in one clear, holistic view.

Inheritance from mom and dad, a Roth IRA you started early in your working career, and a larger balance in your savings account all contribute toward one goal. Failure to see these working in unison can make your plan fragmented. An advisor who helps you realize this can help propel you forward while still ensuring you remember what got you here.

## 8) It helps your financial professionals advise you to see the impact of small decisions on a bigger plan.

Water dropped in a pond creates a ripple effect. Imagine going to the doctor and asking them to only check your lungs and your liver. If you have an issue with your heart, this evaluation would be worthless. Maintaining a Net Worth Statement helps all your professionals see the larger plan. An attorney needs to know your net worth for estate taxes and titling, financial advisors need to know how you're saving and what you're saving toward, an accountant needs to know what taxes might be owed within your plan, and an insurance agent needs to know what should be protected. All of this can be gleaned from a well-documented Net Worth Statement.

## 9) Consistent maintenance allows you to capture a history of progress with your plan.

Reviewing the impact of decisions made and seeing progress in your plan will help give you the confidence in designing your future. A careful evaluation of your net worth as your values and priorities change ensures alignment with what is important to you.

## 10) It allows you to pat yourself on the back.

It's OK to be proud of your progress. Working hard and making comprehensive decisions should lead to good feelings. A personal Net Worth Statement can be challenging to establish and time-consuming to maintain. The good news is that apps and software like Mint.com can help with this process and provide a framework for budgeting. You can also lean on your financial advisor to help you document, maintain, and update this on a regular basis. A financial advisor can help serve as an accountability partner to make sure your personal Net Worth Statement is current and accessible, establishing your financial life today and preparing you for the future.

***Interested in Creating Your Own Personal Net Worth Statement? Download Savant's Easy-to-Use Template.***

DOWNLOAD NOW

# Question Three

## How Do I Replace My Income in Retirement?

Endurance runners are some of the most physically fit athletes on the planet. Endurance races can last up to a few days and with runners propelling their bodies up to 240 miles in a single race.

### How is this possible?

The answer lies at the molecular level. The key to endurance runners maintaining their energy levels for hours at a time is locking into a sustainable heart rate below their aerobic threshold, rarely wavering, and allowing the aerobic engine to carry them the distance.

### What does this have to do with retirement?

The principle of sustainability driving an endurance athlete's success is remarkably similar to the principle that allows for a sustainable withdrawal strategy throughout retirement. Your retirement life expectancy may be 20 to 40 years. While the endurance athlete seeks an answer to the question, "How can my energy last for 26.2+ miles?" the recent retiree is likely wondering, "How can my money last for 30+ years?"

### How heavily will you depend on your investment assets?

Every soon-to-be or recent retiree's financial goals and sources of funding for those goals are unique and require detailed, tailored planning. Some might expect their basic living and other expenses to be completely supported by Social Security and other sources of income (e.g., pensions, part-time employment), relying only minimally on their investment assets. More often, retirees can anticipate only modest supplementary income in retirement and must depend on their judiciously saved investment assets to provide a paycheck through retirement. Setting aside, for now, tax minimization and other planning strategies that ought to be considered in the early years of retirement, a person's withdrawal strategy from their investment assets is one of the most important pieces of the overall plan to be considered.

## How do you measure the sustainability of your retirement plan?

Savant uses a tool called Monte Carlo analysis to measure the initial success of an investor's retirement, projected from the year they retire until the end of their life. Using hundreds of data points – from life expectancy and itemized financial goals to anticipated retirement income, current investment assets and the tax, risk, and return characteristics – the analysis generates 1,000 unique trials in order to test the strength and sustainability of the plan. In the end, the analysis delivers a single percentage number, known as the Probability of Success.

## How can you introduce flexibility into your retirement plan?

As is the case with endurance runners, a successful withdrawal strategy must be sustainable and flexible. Endurance runners are constantly adapting to the environmental conditions around them. As they approach uphill stretches, they drop their pace to remain within a sustainable heart rate range below their aerobic threshold. Likewise, as they approach downhill stretches, they might accelerate their pace to capitalize on the conditions. In the same way, retirees must be flexible in their withdrawal strategies as they monitor the investment environment year over year.

## The Four Percent Rule

A traditional rule of thumb for setting a withdrawal rate through retirement is the four percent rule, whereby the retiree withdraws four percent of their portfolio value in the first year of retirement and adjusts that value each subsequent year for inflation. While this rule is generally sustainable in static models, in reality it may fail due to its indifference toward volatile investment returns. It ignores one of the most crucial risks facing early retirees: sequence of returns risk. This risk describes the unpredictability of market returns and is the reason that flexibility is so important when developing a withdrawal strategy.

It is generally more advisable to adopt a withdrawal strategy that allows for some elasticity when deciding each subsequent year's withdrawal amount. This means that in a year when a portfolio's value increases significantly, the withdrawal amount for that year increases as well, but only up to a maximum five percent more than the previous year.

Similarly, in a year when a portfolio's value decreases significantly, the withdrawal amount for that year may only decline by 1.5 percent from the previous year. Many retirees adopted a version of this strategy in 2020. As markets declined significantly due to uncertainty around the coronavirus, many decided – or were forced – to delay travel plans, dine out less, and put off major purchases.

While the specifics of every individual's strategy must be tailored to their unique goals and situation, the primary factor contributing to the sustainability of a dynamic withdrawal strategy is the retiree's ability to make choices and adapt to the volatile market environment. At the same time, a retiree must live primarily on the regenerating interest, dividends, and market returns from their portfolio year over year.

Financial fitness includes the ability to strike a balance of achieving your financial goals year over year without depleting your resources. With the proper knowledge, preparation, and resources, this is a possibility for anyone with a plan and the discipline to follow it.

## *Sources*

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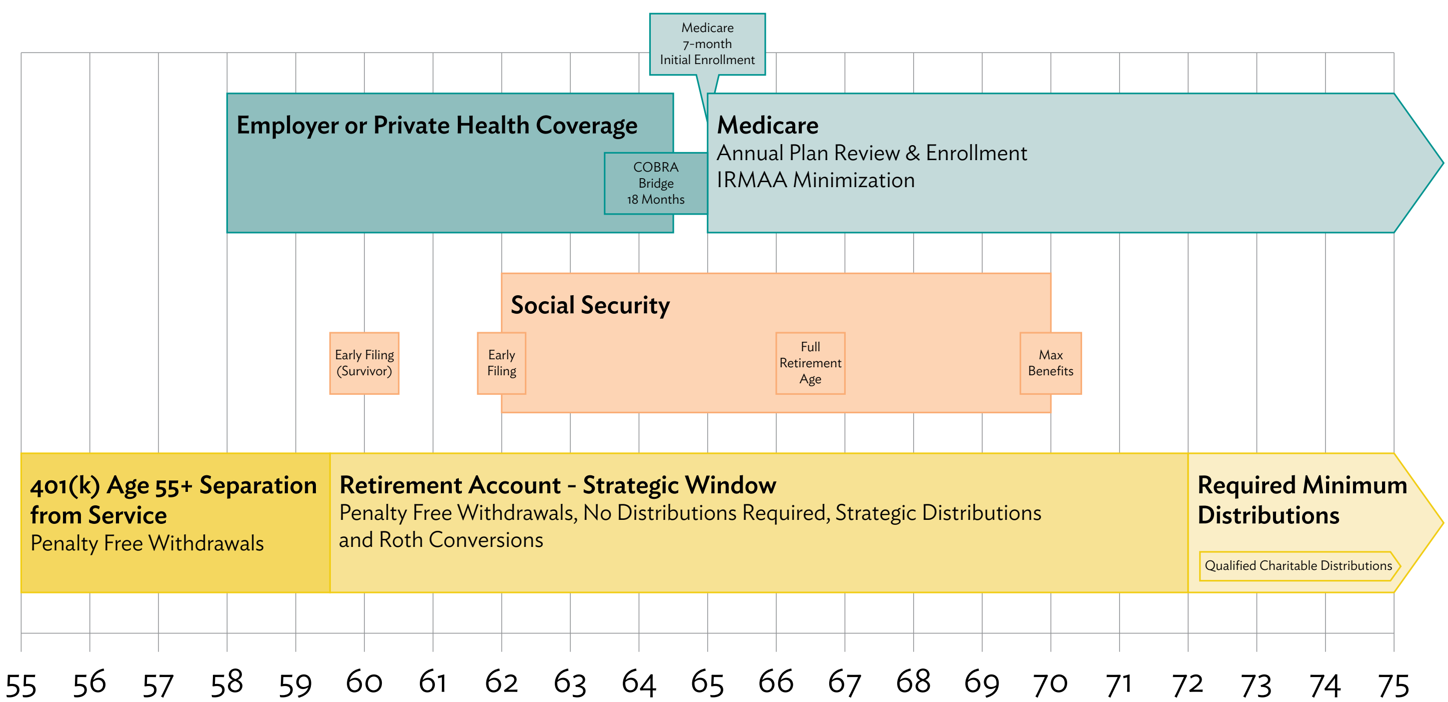
# Question Four

## How Do I Account for Social Security, Medicare, and Taxation in Retirement?

Like it or not, you and Uncle Sam will work closely together during retirement. Taxes, Social Security, Medicare, your retirement accounts – he has a say in all of it. Learning the rules to the game is key if you want to maximize the value of every opportunity and avoid costly missteps.

There are numerous rules, elections, and key dates in your partnership. It can be very difficult to keep all of them straight. The following graphic can serve as a handy reference to clearly plot them out for you. We'll examine each in detail.

### Key Milestones & Action Items



## Retirement Accounts

Most Americans have IRA and 401(k) accounts they use to save for retirement while also reducing their tax burden along the way. Starting at age 59½, you're allowed to take penalty-free withdrawals from your retirement accounts. But remember, penalty free does not mean tax free; distributions will be included in your taxable income. Once you can take penalty-free distributions, it might make sense to make flexible withdrawals to satisfy your cash flow needs.

In special circumstances, you can take money out of a 401(k) penalty free as early as age 55. To do this, you must separate from service with your employer after age 55 and leave your 401(k) in place with that employer. You will still need to wait until age 59½ to take penalty-free distributions from your other retirement accounts.

It may be worthwhile to consider funding or converting to a Roth IRA, which offers tax-free growth potential and tax-free withdrawals for you and your heirs (if certain requirements are met). Instead of the traditional retirement account model where you deduct the income now and pay tax on it later, the Roth is funded with after-tax dollars and is then tax free going forward. We'll talk more about the Roth vs. Traditional decision in the Taxes section.

When you reach age 72, you're required to withdraw a certain amount of money from your retirement accounts each year. That amount is called a Required Minimum Distribution, or RMD. It is calculated as a percentage of assets based on your age. The first distribution at age 72 will be about four percent of the prior year-end account balance, and the required distribution percentage will increase each year. If you're charitably inclined, a qualified charitable distribution, a direct transfer of funds from your IRA custodian to a qualified charity, may be an attractive alternative to taking an RMD. These distributions can count toward satisfying your RMD for the year if you satisfy certain rules. Instead of receiving an itemized deduction like you would with an ordinary charitable contribution, the QCD is completely excluded from your income. This means you don't have to itemize to benefit from the donation and the exclusion from income might also reduce other taxes like the Medicare Net Investment Income tax and Medicare Income-Related Monthly Adjustment Amount (IRMMA) adjustments.

## Social Security

Several factors play into the decision of when to claim Social Security, including life expectancy, other sources of income, retirement age, spousal benefits, and survivor benefits. Social Security planning is critical in virtually all retirement plans because total lifetime benefits can amount to a six- or seven-figure sum. Given that importance, people need to avoid making an emotional decision or one based on simple rules of thumb. Many times, people focus on a break-even date, but it's more complicated than that. One of the things Social Security provides is a hedge against the probability that you and/or your spouse live a long time; it's not just a math equation.

On top of that, if you've been married, are currently married, or considering marriage, it's not just a single life decision. There are really two life expectancies and you'll need to sort out that dynamic. You may have a situation where the older spouse is in poor health and there's a desire to claim early. It may make more sense to defer claiming Social Security and max out spousal benefits and survivor benefits for the younger spouse. When we look at the statistics, there are three ages that the majority of Social Security benefit claims happen – age 62, at age 65, and at retirement. There's nothing strategic about those points in time. To make the most of your benefits, you'll need to think more strategically. Think about Social Security in conjunction with your spouse and the rest of your financial life.

Full retirement age, or FRA, is the age when you are entitled to 100% of your Social Security benefits, which are determined by your lifetime earnings. You can file as early as 62, but FRA is usually between 66 and 67. Social Security benefits generally max out at age 70.

If you defer your claim beyond FRA, benefits will increase by about 8% per year. This can provide a big boost to your long-term retirement cash flow. Claiming benefits before FRA will reduce them by 6-7% per year. Both the reduction and increases will impact your benefit for the remainder of your lifetime.

Married couples will be entitled to spousal benefits. You are not able to claim both a spousal benefit and your own retirement benefit; your benefit will essentially be the higher of the two. A spousal benefit is based on 50% of your spouse's FRA benefit and can be reduced further if you claim prior to your own FRA. Deferring spousal benefits beyond FRA will not provide any further benefit increases.

Divorcees can claim ex-spousal benefits if the marriage lasted at least 10 years, they are at least age 62, and remain unmarried. Your ex-spouse is not impacted in any way by that claim. If your spouse (or ex-spouse of 10+ years) has passed away, you will be entitled to survivor benefits.

## Medicare

Enrollment begins three months before the month of your 65th birthday and ends three months after. It is critical to evaluate your initial enrollment decision, as there may be penalties and lifetime consequences if you do not enroll properly. Consult with a reputable and recommended insurance agent. Their commissions are typically built into premiums whether or not you use an agent, so it is no added cost to you. If you are still working at age 65, it is critical to coordinate your initial Medicare enrollment with your employer-provided health care. If you retire before age 65, consider your options for building a bridge to Medicare using private insurance, an Affordable Care Act plan, or COBRA.

Medicare contains multiple components, or parts.

- **Part A:** Hospitalization coverage ($0 premiums)
- **Part B:** Medical coverage ($148.50 monthly premium in 2021 + IRMAA)
- **Part D:** Prescription coverage (premium varies, $42 national average); participants in Parts A and B can round out their coverage with one of the below options:
- **Medicare Advantage Plan:** Sometimes referred to as Part C. Typically $0 premium with a regional HMO or PPO network. Part D may be included with no additional premium.

- **Medicare Supplement Plan:** Additional monthly premiums required. Accepted anywhere in the country that accepts Medicare. Part D is not included. Your Medicare Parts B and D premiums are subject to increases called Income-Related Monthly Adjustment Amounts (IRMAA). As you cross certain income thresholds, you will see your Medicare premiums increase. Because these increases are not phased in, going just $1 over a threshold could increase your premium by thousands of dollars per year. Pay careful attention each year to your Modified Adjusted Gross Income (MAGI), from which the IRMAA calculation is based. Your income from your tax return two years prior will generally be the figure referenced for your IRMAA calculation.

## Income-Related

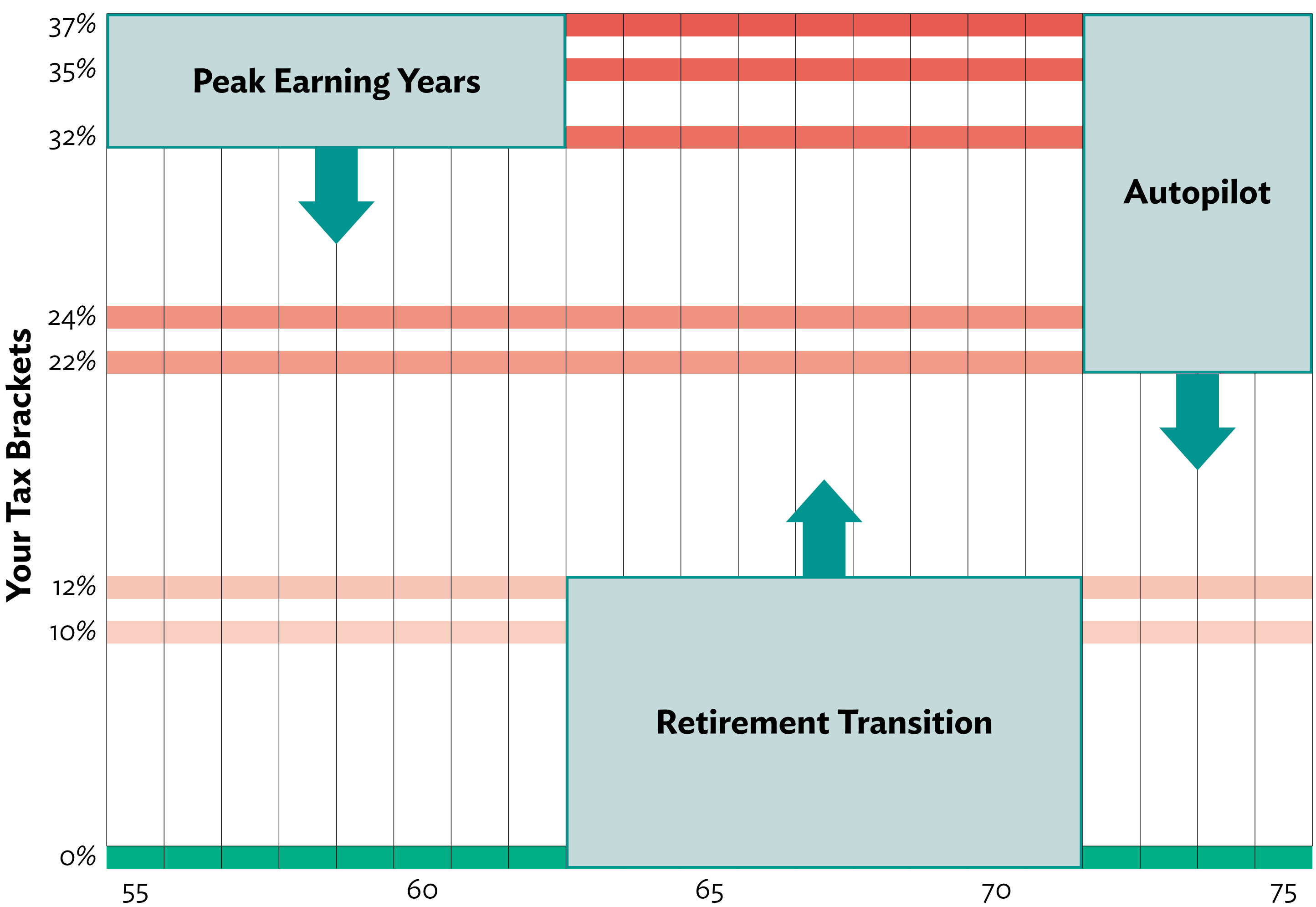
| **Income-Related Monthly Adjustment Amount (IRMAA)** Your 2019 Modified-Adjusted Gross Income (MAGI) your 2021 IRMAA | | | **Your Monthly Part B Premium (in 2021)** | **Your Monthly Part D Premium (in 2021)** |
|---|---|---|---|---|
| **File individual tax return** | **File joint tax return** | **File married & separate tax return** | | |
| $91,000 or less | $182,000 or less | $91,000 or less | $170.10 | your plan premium |
| above $91,000 up to $114,000 | above $182,000 up to $228,000 | Not applicable | $238.10 | $12.40 + your plan premium |
| above $114,000 up to $142,000 | above $228,000 up to $284,000 | Not applicable | $340.20 | $32.10 + your plan premium |
| above $142,000 up to $170,000 | above $284,000 up to $340,000 | Not applicable | $442.30 | $51.70 + your plan premium |
| above $170,000 and less than $500,000 | above $340,000 and less than $750,000 | above $91,000 and less than $409,000 | $544.30 | $71.30 + your plan premium |
| $500,000 or above | $750,000 and above | $409,000 or above | $578.30 | $77.90 + your plan premium |

https://www.medicare.gov/

## Taxes

When it comes to paying taxes and saving for retirement, you can either pay now or pay later. The important thing is to keep a long-term focus on your taxes. It's not just about the bottom line on this year's tax return, but the cumulative amount over several years.

Many people worry about healthcare expenses in retirement, but taxes could become your largest expense if you don't have a strategy for managing them. The most fundamental strategy is to minimize lifetime taxes by looking for high points, low points, and the equilibrium.



In the illustration on the previous page, you'll notice that there are four tax zones: high, medium, low, and zero. Along your retirement timeline there are three typical phases: peak, transition, and autopilot. Forecasting your income and assets into the future can help estimate what tax zones you'll encounter in the various stages of retirement. Determining your long-term autopilot tax zone will help you make informed decisions about tax strategy in the preceding years.

During years when tax brackets are relatively high, you'll want to focus on maxing out your deductions and deferrals to lower your income. Traditional retirement accounts and deferred compensation are the primary mechanism for deferring income. Large deductions, like charity, are also most valuable to you in these high-bracket years.

When tax brackets are relatively low, you can increase your recognition of income through Roth conversions, IRA distributions, and gain harvesting. You'll want to forecast your autopilot rates and fill up any brackets below that level. Deferring Social Security during the retirement transition can have the added benefit of freeing up even more space for strategic income recognition prior to age 70.

# Question Five

## How Do I Plan for Healthcare Costs?

According to a recent study by Fidelity Investments, the average total costs of healthcare for a retired couple ages 65 and living until ages 85/87 will be $285,000.[1] When people think about their retirement goals, they often overlook the expenses associated with maintaining their health. Being aware of your options and how you can fund this goal in retirement can help mitigate the possibility of having to give up your current lifestyle.

### 1) Know your Health Insurance Options

What are your options for health care in retirement? The obvious answer is Medicare. But what exactly do you get when you sign up for Medicare? There are four parts to Medicare – Parts A, B, C, and D.

- **Part A (Original Medicare)** covers hospital care, most skilled nursing facilities, and hospice/home health services. If you previously paid more than 40 quarters of Medicare payroll tax while working, Part A is premium free.
- **Part B (Original Medicare)** covers doctor visits, clinical lab services, outpatient and preventive care, screenings, surgical fees/supplies, and physical and occupational therapy. The premiums for Part B are based on your Modified Adjusted Gross Income (MAGI) reported on your tax return from two years ago.
- **Part C (Medicare Advantage)** combines parts A and B and can also include prescription drug coverage. The premiums are based on the type of plan you choose and what is covered by the plan.
- **Part D (Prescription Drug Plan)** covers your prescriptions. These premiums are also based on your MAGI as reported on your tax return from two years ago.

You may need other types of insurance during retirement besides Medicare to help cover the costs of unexpected events. A previous employer or union may offer retirees a health insurance plan that supplements Medicare coverage.

Another option to consider is a Medicare Supplement Insurance policy, also known as Medigap. This type of health insurance is purchased through a private company and can help pay for out-of-pocket costs not covered by the Medicare plans above (such as copayments, coinsurance, and deductibles).

**Be aware:** There is a six-month open enrollment period in which you can apply for a Medicare policy. If you miss this deadline, there is no guarantee your application for insurance will be accepted, and your premiums may also be higher.

## 2) Calculate the Costs of Health Care

As mentioned above, your Medicare premiums for Parts B and D are based on your MAGI as reported on your tax return from two years ago. The various brackets can be found here for Part B and here for Part D. Proactively planning for these brackets can help mitigate the costs of Medicare premiums paid in the future.

When determining the costs of other, supplemental insurance plans, be sure to review what the policies cover (and do not cover) to accurately figure your total health care expenses. The cost of a Medigap policy depends on your age and where you reside. Typically, the range is $1,800 to $2,500 in annual premiums. Other costs usually overlooked are the out-of-pocket expenses associated with copays, dentistry, and eye care. If these are not covered or reimbursed by your health insurance, they can add up quickly and dip into your spending budget.

## 3) Plan Ahead for the Long Term

Ensuring you have enough saved for your retirement, along with planning for long-term health costs, can seem burdensome at first. Fortunately, there are multiple savings and planning alternatives to help when it comes to your health care. One option is a health savings account (HSA), which can be funded with pre-tax dollars.

If used for qualified medical expenses, the funds can be withdrawn tax free as well. When estimating your retirement spending, remember to include health care costs, so as not to underestimate how much you will need to save for your ideal future. Other items to consider may be whether you have enough saved up for a potential nursing home stay, and if a long-term care insurance plan is needed.

With the right set of health care tools in the toolbox, you should not have to give up your other retirement goals. Every individual's situation is different, and meeting health care costs in retirement can be done in a variety of ways. Be sure to discuss all your goals with your financial advisor and how the different options available can help you reach them.

[1]Fidelity's 2019 Survey is based on an average life expectancy of 85 for males and 87 for females.

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# Question Six

## Should I Consider Hiring a Financial Advisor?

Finding a financial advisor who you can trust and is a good fit can be a daunting task. First of all, the term “financial advisor” is quite ambiguous and inconsistent because the job title can change depending upon the firm just as the roles and responsibilities can vary. The landscape can become so confusing that some people give up searching for a financial advisor before they even begin.

### What is a Financial Advisor?

To help ease you into this process, let’s start with the definition of a financial advisor. A financial advisor’s job is to listen to their clients, understand their financial objectives and goals, and work with them to identify strategies that will likely move them closer to their goals. Strategies include, but are not limited to, investment management, tax planning, wealth transfer, and financial planning.

While definitions are helpful, they can be dull and boring. Here’s a list of some of the less obvious roles financial advisors play:

- Behavioral Coach
- Sounding Board
- Cheerleader
- Asset Organizer
- Trail Guide/Navigator

There are other roles, but hopefully this demonstrates the point that financial advisors go beyond making investment recommendations.

## Do Your Research

If you are reading this and thinking, “I could benefit from having a financial advisor,” then we encourage you to do some research and try not to hire the first advisor who comes up in your Google or social media search.

A great place to start is with your own network of friends and family members by asking for recommendations. Scroll through your LinkedIn profile and you will quickly learn that you are connected with lots of folks in the personal finance space. Their titles may range from financial consultant to wealth manager and their approach to working with clients can vary just as much as their job titles.

Before committing to move forward with any personal finance professional, it’s important to do your research and find out more about the person you are talking to and the firm they represent. We recommend asking the following questions to better understand their values as an advisor and business model.

- How are you compensated?
- Are you a fiduciary?
- What are your certifications?
- What are my all-in costs?
- How will our relationship work? How often will we meet?
- What is your investment philosophy?
- How do you measure and evaluate investment performance?

This is by no means an all-inclusive list of questions to ask potential financial advisors. If you are interested in talking with or interviewing a financial advisor, take some time to add your own questions to this list.

## What Now?

If you've decided to hire a financial advisor and have narrowed down your search to a couple candidates, the next step is to start talking. Usually, this meeting is called a discovery meeting. If it's done well, the advisor will spend most of the meeting asking you thought-provoking questions about your life and goals.

During this conversation, the advisor will learn more about your values, financial goals, family, and current financial situation. The information gathered from the conversation will be used to create a comprehensive financial plan that the advisor will present at the next meeting. As the potential client, it's very important to be open and honest about all the financial aspects of your life.

Following these steps to hire a financial advisor will save you time and deliver more peace of mind. Finding a good match is a process and when done right, takes time and requires honest and open communication.

# Question Seven

## What should I do next?

Now that you have examined your retirement from multiple angles and asked yourself a variety of thought-provoking questions, what's next?

The first step we suggest is that you put the details of your retirement plan on paper using our Retirement Workbook on the next few pages. This will allow you to begin to see the big picture of how the various pieces fit together. If you decide to work with a professional advisor, this will also be a great way to show them all the critical elements of your financial life in one place.

Our second suggestion is that you get an assessment of your overall financial health. Much like an annual physical from your family doctor, Savant's Ideal Futures Financial Health Assessment℠ is an exercise that provides you an objective and wide-ranging audit of your current financial health. It helps prioritize the aspects of your financial situation that need attention so you can create a plan of action.

***What Should I Do Next?***

**TAKE THE ASSESSMENT**

| | Client | Co-Client |
|---|---|---|
| Name | | |
| Date of Birth | | |
| Annual Gross Wages | | |
| Employee Retirement Plan Contributions % | | |
| Employer Retirement Plan Contributions % | | |
| IRA / Roth IRA Contributions | | |
| Other Savings Contributions | | |

## Retirement Age and Living Expense

When would you like to retire? Enter your Target Retirement Age. Then, indicate your living expense amount.

| | Client *(e.g., age 65)* | Co-Client *(e.g., age 65, together)* |
|---|---|---|
| At what age would you like to retire? | | |

| | |
|---|---|
| Estimated Monthly Expenses (not including income taxes) | |

*Note: Please see budget worksheet at end of workbook.*

## Lifestyle Goals

Lifestyle Goals are above and beyond what you need to pay for basic expenses. Rate the importance of each Goal on a scale of 10 ↔ 1. This will identify your goals by Needs (10, 9, 8), Wants (7, 6, 5), and Wishes (3, 2, 1).

| **Most Common Goals** | | **Other Goals** | | |
|---|---|---|---|---|
| Car | College | Wedding | New Home | Celebration |
| Travel | Home Improvement | Major Purchase | Start Business | Provide Care |
| Health Care | Gift or Donation | Leave Bequest | Private School | |

| Importance High Low 10 ↔ 1 | Description | Start | | | | Target Amount | How Often | How Many Times |
|---|---|---|---|---|---|---|---|---|
| | | Year | C | Co | Both | | | |
| | | | ❑ | ❑ | ❑ | | | |
| | | | ❑ | ❑ | ❑ | | | |
| | | | ❑ | ❑ | ❑ | | | |
| | | | ❑ | ❑ | ❑ | | | |
| | | | ❑ | ❑ | ❑ | | | |
| | | | ❑ | ❑ | ❑ | | | |
| | | | ❑ | ❑ | ❑ | | | |
| | | | ❑ | ❑ | ❑ | | | |

## Social Security Benefits *(May also attach statement)*

| | Client | Co-Client |
|---|---|---|
| Will you receive benefits in the future? | ❑ Yes ❑ No ❑ Receiving Now | ❑ Yes ❑ No ❑ Receiving Now |
| Amount of benefit at Full Retirement Age (FRA) | | |

## Retirement Income *(May also attach statement)*

Pension, part-time work, rental property, annuities, royalties, alimony

| Description | Owner | | Monthly Amount | Starts | Ends | Inflates | % Survivor (Pension Only) |
|---|---|---|---|---|---|---|---|
| | C | Co | | | | | |
| | ❑ | ❑ | | | | ❑ | % |
| | ❑ | ❑ | | | | ❑ | % |
| | ❑ | ❑ | | | | ❑ | % |
| | ❑ | ❑ | | | | ❑ | % |
| | ❑ | ❑ | | | | ❑ | % |
| | ❑ | ❑ | | | | ❑ | % |

## Retirement Assets *(May also attach statement)*

401(k), IRA, Roth IRA, Brokerage, Trust

| Description | Owner | Value | Date |
|---|---|---|---|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | Total | $ 0.00 | |

## Notes

## Optional: Budget Worksheet

| Personal Expenses | Monthly Cost |
|---|---|
| Cell Phone | |
| Charitable Donations | |
| Clothing | |
| Club Dues | |
| Credit Card Payment | |
| Dining Out | |
| Entertainment | |
| Gifts | |
| Groceries | |
| Healthcare | |
| Hobbies | |
| Household Items | |
| Laundry/Dry Cleaning | |
| Miscellaneous | |
| Personal Care | |
| Pet Care | |
| Recreation | |
| Vacation/Travel | |
| Other | |
| Total Personal Expenses | $ 0.00 |

| Vehicle Expenses | Monthly Cost |
|---|---|
| Car Payment | |
| Insurance | |
| Fuel | |
| Repairs/Maintenance | |
| Parking/Tolls | |
| Total Vehicle Expenses | $ 0.00 |

| Home Expenses | Monthly Cost |
|---|---|
| Mortgage/Rent | |
| Association Fees | |
| Cable/Satellite TV | |
| Electricity | |
| Equity Line | |
| Furniture | |
| Gas/Oil | |
| Homeowner’s Insurance | |
| Internet | |
| Lawn Care | |
| Maintenance | |
| Real Estate Tax | |
| Telephone (Land Line) | |
| Trash Pickup | |
| Water/Sewer | |
| Other | |
| Total Home Expenses | $ 0.00 |

| Other Insurance Expenses | Monthly Cost |
|---|---|
| Disability | |
| Life Insurance | |
| Long-Term Care | |
| Medical | |
| Umbrella | |
| Other | |
| Total Other Insurance Expenses | $ 0.00 |

| Grand Total | Monthly Cost |
|---|---|
| Personal Expenses | $ 0.00 |
| Vehicle Expenses | $ 0.00 |
| Home Expenses | $ 0.00 |
| Insurance Expenses | $ 0.00 |
| **Grand Total** | $ 0.00 |

## Disclosure

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*The scope of the services to be provided depends upon the needs of the client and the terms of the engagement.*

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