Simplified *Strategies* for Retirees

Defend and Distribute your Income and Wealth with Proper Planning

Heidi Ardis

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Here's What's Inside…

Introduction

Complex topics shouldn't be made hard to understand. I believe the only difference between a teacher and a student is that the teacher learned the information before the student did. This gives the teacher the advantage of time and familiarity with the subject. I also believe a good teacher (or advisor) only truly understands their subject matter if they can explain it in a manner that is relatable and not overwhelming for the students or, in our case, for our clients.

That's why I wrote this book. I want you to have an easier way to look at complex topics. It is important for you to be able to use this book as a reference when you have a question or want to share information with others.

My Hope for You

I hope this book inspires you to look for a financial advisor who not only cares about the money they manage but you as a person. As your advisor, I must learn about your hopes and dreams and what you want to accomplish in and through retirement. Knowing your hopes, dreams, and goals will allow me to point out potential pitfalls and share with you how you may avoid them both for yourself and your heirs.

If you are working with someone and you feel like just another number, or you feel like they overly complicate the picture of your financial future, or you feel there isn't consistent communication between you and your advisor, change directions. It's your money. Never be scared to say no or question the person managing your assets. No good advisor should ever get mad because you question what is taking place. It is so important for you to feel like you can have input into your plan as well. If it does not feel right to you, get a second opinion.

If you are anything like my other clients, you may feel a bit uneasy when you think about your money lasting for the next 20 or 30 years without contributing a paycheck to the accounts. That’s not uncommon. That’s why I wrote this book. I desire to help you have clarity when it comes to where, how, and when you distribute, defend (like armor), and enjoy your wealth.

I look forward to working with you,

Heidi

Chapter One

How Long Will My Money Last in Retirement?

In my experience, most people don't have a plan at all, which can be a problem if they're doing it themselves. Even when they work with large box firms, it's not unusual to find that everything is in the stock market. That large box firm might operate based on theories like, "Well, if we average 6%, then you're going to be fine," but if you look in depth at that methodology, that's not a real plan.

For example, when you look at the actual yields of an S&P 500 index or all the money you have concentrated in your 401(k), you see how that negatively affects your income distribution over time when there are bad markets. Most people cannot plan a retirement based on an account that fluctuates all the time. The problem with doing it yourself or just having all your money in the stock market is that it might not be the proper plan for you.

A very common mistake when people are looking at DIY options is that they tend to look at their accounts that are traditional IRAs in the stock market and think all that money is theirs. They believe that they get to keep it all.

You Don’t Get to Keep It All

First, you owe taxes to the IRS if all of your money is in pre-taxed IRA accounts. You have to keep in mind that, at a minimum, 10% to 15% of that account is probably going to the government, depending on your individual tax bracket. Even if you’re taking it out in a tax-efficient manner, you’re still going to pay a portion of that to the government. You have to make up for that in some way as well with stability. Another potential problem that happens for the do-it-yourselfer is they don’t necessarily factor in market downturns and tax increases. The problem is determining how the income distribution schedule will affect their plans.

It’s easy enough to get all the money into the accounts, but it’s a lot harder to get it out in a tax-efficient way. That tax efficiency could help you to keep as much as you can.

Distribution Is as Important as Accumulation

The thing that a lot of people may not understand is how to distribute their wealth. They understand how to grow wealth because from childhood, most of the time, we're taught to save a little bit and put it away, so we don't see it. However, once we get to that point where we're no longer contributing, we have to defend it as we distribute it back to ourselves. We don't always know how to do it, and often, we just take withdrawals based on things that we read.

For example, if you only take 5%, you should be fine. If you have a million dollars and you take $50,000 a year, you should never run out of money, theoretically. However, if taxes go up, that $50,000 now needs to be higher because taxes are more. Therefore, to get the same amount in the bank, you have to take more. If the markets go down, and you take $50,000 in a year when you lost 10% on your account, that can dramatically affect the longevity of your money in retirement. Continuing with the example of one million dollars, if you lose 10%, that's $150,000 on the year that you just pulled out.

What Retirement Planners Plan For

Number one, a knowledgeable and experienced retirement planner wouldn't have everything solely dependent upon market ups and downs. There would be different buckets of money to account for down markets.

The retirement planner might have you put some money into a fixed bucket or a bucket that could make money even if the markets were down. During those down years, that account isn't going to grow as much in market upswings, but it is also not going to pull on an account that's losing. It's similar to a piston in your car's engine. If you pull down on the piston that's already down, your engine's going to blow up, but if you allow that one that's down to recover and go up before you pull on it, then you allow your money to last longer throughout your retirement plan.

The Difference Between Accumulating and Distributing

There's a big difference between accumulating and distributing wealth in accounts. For example, you have been working for a corporation for 30 years, and you've been contributing to your 401(k) all of this time, and the company is matching. When you put in a dollar, they put in a dollar. That's like getting a 100% return. You're accumulating wealth. If the market takes a little bit of a downturn, you have time to hopefully recover. However, if you are no longer contributing to the account but only withdrawing, and something goes down, now we've compounded a loss. The distinction between someone who is an investment professional who works in the wealth accumulation space is their main focus is only to grow assets. If we're only focused on growth, we typically have to take risks to get the growth we need.

Once we get to the point where we need a wealth planner who focuses on income distribution, it's not necessarily about all the growth. It's more about what we are keeping. What are we not losing? How are we protecting ourselves from interest rate hikes, taxes, inflation, or other variables that negatively impact our buying power? We have to make sure that, when we are distributing our wealth, we're getting returns. Yet we do not need to be shooting for 15% to 20% returns anymore because, with that, you have 15% to 20% downsides or more. Those are not downsides you can afford to take any longer. Now we need to focus on protecting our money and aiming for more conservative growth. If we can do that, we have a better chance of making our money last and stretch out for the next 20 to 30 years in retirement.

When We Were Young…

Here is a visual. When we are young, we don't mind going on the rollercoasters. When we were young, we got a thrill out of the ups and downs. The stock market is like a roller coaster. As we age, we'd much rather have a pontoon boat. No stress.

We just want to have fun with the grandkids on the lake. We don't want to go to Six Flags.

A Question to Ask Yourself

Is the risk you're taking worth the potential reward you're seeking? I say this all the time. You only have to get rich once, and rich is relative to what your needs are in retirement. Not all of us are going to be multimillionaires. However, what you've accumulated can often get you the lifestyle you want to live without having to worry that you're going to run out of money or worry that you can't go to the grocery store because eggs have gone up 20%. That is considered rich in my book. You are in a position where a lot of people would like to be. Others might lay awake at night, not knowing whether they're going to make it. If you can sleep at night knowing you have a plan in place, you know the why behind what you've done and how it's going to work for you; this is a plan that people should desire and feel good about. To get to this proper plan, you must ask yourself the most important questions: Am I confident in the plan that my advisor has put together for me? Do I know that this is going to work out? Do I have a good personalized relationship with my advisor, and do I know he or she has my goals at the heart of my plan?

Aren’t You Ready to Get Off the Roller Coaster?

Over the last couple years, with volatility in the markets, a lot of people have lost vital funds. This is especially true for those where I live. We have a lot of industrial companies, such as Chevron, Southern Company, Chemours, and multiple military bases. Some people could have lost between 15% and 20%, and it’s devastated them. The amount of money they lost could’ve sustained them with no gains for another two to three years. Additionally, they know that that money, over time, probably would have lasted them for much longer if they had not lost it. They’re frustrated with what has happened. We can help put a plan together and show them that you usually don’t need to take that kind of risk. There’s really no reason to have a large amount of your retirement money in accounts that are too risky, especially in rising interest rate environments.

We aim to put together a full plan and show you that, if we put these steps in place, this is the lifestyle they could live. If taxes go up, we’ll have tax-free buckets in place. It’s putting different buckets in place to help defend against the things that can happen.

A Key Point to Remember

If you are meeting with your advisor and you don’t feel confident in the income distribution, or you don’t feel confident that your money is going to last, get a second opinion. It’s your money. No advisor should ever get angry with you when you ask questions about your account. No one should ever make you feel like what you’re questioning is not okay. They should just be able to answer this. At the end of the day, the advisor works for you. It’s your money. Always keep that in mind. It’s always okay to say, “No, I’m not okay with that.”

Chapter Two
Defend and Distribute

When we talk about defending and distributing, especially for retirees, that can mean multiple things going on at once. Number one, it can mean your income. Number two, it can be, “How do I transfer my wealth over to the next generation efficiently so that they are not paying a bunch of taxes and losing a lot of what I’ve worked for as well?” Defending means multiple things. It means defending from Uncle Sam taking the money, tax-savvy. It means defending from probate with the court system. It means defending your beneficiaries from fighting over what is left and the lawyers potentially profiting from the dispute. It means defending from overpaying advisory and confusing fees. It means protecting what you have from big losses and putting a level of consistency into your plan. It is putting proper plans in place so that what happens with your assets is what you intended.

Defend and Distribute for Your Heirs

It's different depending on if you are just someone who's worked and you have IRA accounts, some bank accounts, and your primary residence. Your plan usually doesn't have to be quite as extensive. Having a will and a simple trust in place is a great place to start. However, if you have amassed a large amount of wealth or you have businesses or multiple properties, we need to be a little bit more strategic about the things that we put in place. I know people don't like to pay lawyers, but it is very important to have a proper will and trust in place for your estate distribution to help avoid probate matters. A will, in most states, is automatically probated. Therefore, just having a will usually is not enough. It is also important that your advisor and attorney have a working relationship and communicate about the estate to make sure everything is done properly.

Defend and Distribute for DIYers

If we talk to the do-it-yourselfers, a lot of times, people are very old school. They do it the way their neighbor or their parents did. They'll just put different heirs' names on everything. That can get into some gray areas or some sticky situations quickly. For example, if you have one property and you leave seven people as heirs. That's an easy way to create fights within your family. Everyone has an opinion, and often, they aren't in agreement.

If all you do is name heirs, anybody who has a claim to that once you pass away could come in. Let's say you have three children, and you only put two of them on the property you're trying to transfer over. The third child still may have a claim to that. If you don't have that set up in a trust or a transfer-upon-death deed filed with the land records, it doesn't matter. They can argue that you just forgot to put them on there, and then that goes to the court system. It gets probated and fought over among the three children. There are a lot of things that you think you can do beforehand. However, unless it's done through the proper legal channels, stepchildren, brothers and sisters, or anybody who might have a claim to your assets can fight if you haven't put the proper plan in place.

Laws Are Changing… Is Your Trust and Will Still Legal?

There are a lot of legalities and a lot of law changes that have happened, especially in the last five years. If your money's in IRAs and you have not set it up to distribute to your children, in most instances, the government can say that your children have ten years to take all those funds. You can no longer stretch it out over their lifetime. If you have a child who has some drug or alcohol problem, and you don't want them to have the funds right up front, or you have stipulations on it, they only have ten years. If they don't take those funds in ten years, the government is going to penalize them.

With that in mind, if there is a reason you don't want the funds distributed, then you have to set things up differently. The IRA typically has to sit outside your estate and cannot be named directly to that person for that purpose. There are a lot of little nuances. Obviously, lawyers need to stay on top of those matters, but your financial advisor needs to be paying attention to those as well.

Crazy Things Our Kids Do!

When we're talking about defend and distribute, a lot of retirees could say, "I made the money, and I'm leaving my kids the money. They can pay the taxes on my IRA." Sometimes, kids do crazy things. Sometimes, the kids want to pay off the house, buy new cars or take big trips. Whatever they want, they often end up cashing out the IRA all at once.

That isn't necessarily a good idea because, often, a person's parents die while they are somewhere between 35 and 55 years old. Those could easily be your highest wage-earning years and your highest wealth-accumulation years.

Let's say you're a married professional and you have a household that makes $250,000 a year. Then you just inherited a $250,000 IRA, and you decide you're going to take all of it out to pay off your house. Now, you've just bumped yourself into the highest income tax bracket. You might end up paying an excess tax of 3% on top of the full federal income tax rate. You're going to pay your state income taxes on that. You're going to bump your own effective tax rate up on your personal income. It may be better to investigate other ways to receive and manage the inheritance, working with your financial and tax advisors.

It is important to have an advisor who is going to work not only with you but also with whoever you are leaving the money to and that they understand how changes in the laws affect your legacy. Knowing you have an advisor who isn't just doing what they are told but actively staying up to date on legislative and regulatory changes to prevent pitfalls is key to any proper financial plan.

Defend and Distribute While You Can Still Enjoy It

A major surprise many retirees can get when they try to distribute it themselves is taxes.

Tax increases might affect your retirement plan almost as much as market downturns. As you know, the country is in a lot of debt. If you want to look at historic tax rates, we are technically at a tax low, even though it doesn't feel like it. In terms of taxable wages and what they want to do with taxes, I think that either we're going to get spending under control, or they're going to raise taxes.

Where do we think taxes are headed? More than likely, they're going up. If taxes go up and you have to take more money just to be able to pay your taxes and help with the inflation, that is a problem that many people are not factoring into, "What if I live until I'm 97? What if I live to 104?" We don't want to get to age 85 and run out of money. Then what are you going to do? Chances are, you're either going to go live with your kids, or you're going to be sitting as a door greeter saying, "Welcome to Walmart," because you don't have enough income. It's important to make sure that you are focused on your taxation and how that's going to affect your plan, as well as the markets and inflation and all of those things.

My Concern for You

My concern is that you do nothing. Because there's so much uncertainty in the world right now and there's so much unknown, a lot of people do not act. Instead of becoming proactive, they do the "wait and see" method.

Essentially, this means you're doing nothing. If you're doing nothing to enact a plan and things get worse, there could be detrimental consequences. How is that inactivity going to impact you throughout your lifetime? How is that going to impact your kids and your family? If you run out of money, that becomes a big burden on other people.

Do you want to spend the rest of your days worried about all the problems going on around you, or do you want to have a true holistic retirement plan that can potentially offer you greater confidence? You have spent a lifetime getting to this point; don't waste time unnecessarily trying to figure it all out. You might be well served instead by finding the right financial advisor, one who is an experienced professional and who will put you first and be the quarterback of your retirement. Oh, and make sure you're not just another number. It may seem good in the beginning to be with a large group, but do you feel they care about you and are building that one-on-one relationship with you, or are you just another face in a crowd? Work with someone who cares about more than just your money.

Chapter Three

DIY, Brokerage, Team Approach, or Do Nothing

DIYers

Let's talk about DIYers. They often do a great job many times during the accumulation stage.

DIY typically means that you like the stock market. You've probably played around in the stock market. The last 15 years of the market have been fairly good up until COVID. As a result, there have been a lot of market masterminds out there. That's where many folks have made money, but now, all of a sudden, some of us are not doing so well.

The people who are retiring now came up in the dotcom era. The baby boomer generation came up in an era where the "set it and forget it" model was a good one. Maybe they operated under the mindset of, "If I hold a certain amount of domestic American funds, over time, it's going to do great."

Perhaps that was true in the ’80s and even into the ’90s, but we often have bigger market swings in a day than we used to have in a month. The whole mindset of, “We’re just going to set it there and wish for the best,” is not a good plan for anyone.

Brokerages

The brokerage approach involves working with a brokerage house. When you work with one of those, often their only option is the stock market. That’s where they make their money. That’s what they train people on. However, most of the time, in my opinion, you’re getting a cookie-cutter portfolio.

You come in, and your broker sits down with you. They look at your age, your demographics, and how much money you want to take out. Then they might say something like, “Okay, well, you need to go into a 60/40 or an 80/20 portfolio. Once a year or once every six months, we’ll sit down and reevaluate it and see if we need to make changes.”

That is not a complete plan. You could do that yourself. You could go to TD Ameritrade or Fidelity and open an account and create your own portfolio and not pay the additional fees to do it.

This method can also be costlier. Some of the underlying expenses in those portfolios are not shared or disclosed prominently. You really have to dig for them. They're sometimes not on your statement, so you don't really know what you're paying for with those portfolios. There are typically three people involved in the stock market account. There's the advisor, the company you're invested with, and the underlying expenses of the investments. All three of those are typically getting paid in some way, shape, or form. Therefore, getting an independent analysis to know what your underlying expenses may be is important. Somebody is always getting paid. You just might not know how much you're actually paying.

I won't mention company names, but let's say you work with what I call a "big box" brand. The big box brand is getting paid. They are getting paid. Then, the advisor is also getting paid. Both of those entities are always going to be involved in some way, shape, or form. You should want to know what you're paying. When you get your statement, it does not necessarily tell you. You might think, "Okay, well, I paid $100 this month, but really, is that what I paid?" You may see your stock went from $10 to $12, but you may have really only received $11.50 because half a percent went towards the big box brand. This is why we encourage you to get an analysis done on it through an independent advisor.

Pay, Pay, Pay

In my opinion, if you're with an aggressive brokerage that is constantly selling and buying, then you could be paying even more fees that you don't even realize.

The Team Approach

The team approach is where you have multiple advisors in one office who all work together as a team. You often don't have one person who's your sole advisor. You have the entire team working with you, but that can limit your ability to really get to build a personal relationship with one person. There may be a number of advisors who work in this one firm that you might cycle through. You never have consistency in who you are working with and, therefore, may experience confusion in your plan.

What to Look For… Simplify the Complicated

What I've seen work well is sitting down with people and having an in-depth conversation. This requires truly asking a lot of questions of them and figuring out not what they want necessarily from their money but what they want from their life for the next 20 years. What do you want out of life? We need to figure out, "Okay, well, here's what we've saved. Does what I want coincide with what I've saved? How do we create a plan that'll get us what we want with what we have?" Having a truly individualized retirement and income distribution plan with a person who knows you and your hopes and dreams can be vital. If something happened to you, understanding who your family is and knowing more about a person than just their money is essential.

Especially in today's world, you need to be more than just a portfolio manager. You need to understand a person's life and who they are to be able to understand what they want from their money.

My Encouragement to You

If you're feeling like this sounds like what you want, seek that out. Start calling people in your area. I know people get frustrated and say, "Well, I don't want to be hounded by a bunch of phone calls," but you get one shot at retirement. It's not like you get to do this repeatedly. It is imperative to make sure you have the right person you trust. You might not completely understand everything about your retirement plan because it's not something you do day in and day out. You need to trust that the person who is handling it is an experienced professional with the right mindset to make your wants and desires their priority.

You need to feel that you have access to your advisor and that your questions are not a frustration or a burden to them. Your advisor should know you as well as the many people in your life.

Chapter Four
Taxing You Now and Later

Nobody likes taxes, but we all end up having to pay for them. To be honest, I don't like taxes either. Really, who wants to pay taxes now and later? I don't!

The Social Security Surprise

Paying for Social Security, in and of itself, is a sort of tax. Social Security was taken out of your check for the entire time that you worked. It wasn't originally supposed to be taxed once you started drawing on your Social Security, but that law changed. Now, up to 85% of your Social Security could be taxable. Social Security was taken from paychecks in the past, and now those funds are being redistributed back to you. While you are obtaining those funds, you could be taxed on it again.

Not only that, but you likely saved money in pre-tax accounts. You were told that was the proper thing to do because if you save a dollar now while you are working, you'll be able to control it on the back end a little bit more. The thought behind this was that you'd know how much you want to take, and you wouldn't be spending as much when you retire. Well, I can tell you that, in my experience, most people don't want to retire with less than what they currently have.

The lifestyle stays the same, but you might have thought you were going to get your Social Security tax-free and now you may not. There is a possibility you could be bumped into a different tax bracket because of this. [1]The average person or a married couple brings in $1,500 to $2,500 a month per person in Social Security. That's a lot of extra unexpected income that could bump you into another tax bracket.

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[1] https://canvasannuity.com/blog/average-retirement-income-for-married-couples

Also, you were taxed while you were earning your wages. Then, you might be taxed in retirement, and in some cases, your money is taxed when you die. There are multiple layers of taxation that you may be able to reduce or even avoid with careful planning. Some potential solutions involve putting funds in tax-free vehicles like Roth or permanent life insurance policies or things that will grow and accumulate tax-free but also can be taken out tax-free. That way, you may be able to better protect yourself, and you can have greater control over your taxes a little bit more when you retire. Additionally, they also help with your estate. If you have life insurance policies in place, those dollars go to your beneficiaries tax-free[2], so more money stays in their pocket.

[2] Life insurance death benefits are generally tax free to a properly named beneficiary. Insurance agents do not provide tax or legal advice.

The Wealthy Often Use Strategies to Reduce Their Tax Bill

Many wealthier consumers often pay less in taxes upon death because they have put proper planning in place. They can afford to go sit down and put the plan in place, and they know the tools to use to help prevent their heirs from giving up to half the money back to the government.

Why You Could Pay More Without a Plan

There are several costly mistakes you can make by not having a plan.

First, not having any plan in place for long-term care needs can be a mistake, in my experience. Not that you necessarily need traditional long-term care insurance, but having no plan in place can be extremely costly in retirement.

Second, not having a will, a Power of Attorney, or a trust to prevent the government from taking your assets if you do go into the nursing home or are incapacitated could be a mistake.

A third mistake is not paying attention to how your accounts are being managed. Most people just give it to their advisor and say, "Well, they're doing it," and they don't pay any attention to it. That can be a mistake as well.

You Don't Have to Be Wealthy to Have a Plan

That's the thing. The plans that they put into place are not necessarily overly expensive. [3]It may cost you $2,000 to $5,000 to get every single thing you need in retirement to protect yourself against all the what-ifs of taxes, estate, and long-term care matters. It may only cost you $1,500, and in the grand scheme of things, that's not a lot of money when we're talking over a 20- or 30-year period of protecting your assets. It's just making sure and taking the time.

It's daunting to some people. It's overwhelming, but having an advisor or a quarterback could help make the process easier. I tell people, "I'm your quarterback." I'll make

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[3] https://www.nolo.com/legal-encyclopedia/how-much-will-lawyer-charge-write-your-will.html

the appointment. I'll go with you, and I will communicate with a lawyer to help ensure that all your stuff gets done so that you don't have to figure everything out for yourself. Sometimes, if you don't know something, you just shut down and stop the process. That's one of the biggest things I see with estate planning. Some people will go meet with the lawyer, and they'll start the process, but then it never gets finished.

Many times, I meet with clients who have always been DIYers, and now they have ended up with three different lawyers working on three different things.

You don't need that. You need a good accountant, a good financial advisor, and a lawyer. All three of those are like a three-legged stool. If one is not working with the others, you might have a wobbly stool that doesn't fully support you. It's best to have all three working together.

A Question to Ask Yourself

Do I have a proper plan in place? Have I seriously considered who I'm working with? Are they doing everything necessary to have my plan and my money last? Are they doing what I would want for myself? Are they willing to help me implement and carry out my wishes?

Chapter Five

Less Fees Plus Less Taxes Could Equal More Money In Your Pocket

If you are paying more fees than you know, that's a problem. If you save a dollar in fees, how much risk did we have to take to save the dollar? Probably none. For example, you could save money by spending less on taxes and insurance policies. That's more money back into your pocket. Over time, that makes a noticeable difference.

A 1% reduction per year in fees or taxes is 1% that could be compounded over time rather than being lost. That's a lot of money, and you don't necessarily have to take a risk to do it. You could have an advisor who's making you 7%, and you're being charged 1.5% to 3% in fees. Conversely, you could have an advisor who's making you 6% and only charging you .5% to 1%.

Keep as Much as You Can

In retirement, it's not always about returns. It's about what you're keeping of your own money. That's the important thing at the end of the day. Keeping as much as you possibly can is the idea.

Also, you don't necessarily need to pay so much. The average fee that a person is paying their advisor is somewhere [4]between 1.5 and 4%. Someone might think they're paying 1%, but when it comes to the commissions, the transaction fees, or the underlying expenses in [5]the portfolio, many people are paying much more than they think. If you're paying 3% per year and taking a 5% withdrawal, you're taking

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[4] https://articles.smartasset.com/financial-advisor-true-cost/ux/index.html?utm_source=google&utm_campaign=goo__falc_advisor&utm_term=financial%20advisors%20cost&utm_content=150927867499_663967884453&gclid=CjwKCAjwrranBhAEEiwAzbhNtVZVB40aU-qNfJ8vg7Sr-OFEH-QEESDfm7NIlld9UQYfY9JiZ2u4uBoCjDYQAvD_BwE

[5] https://articles.smartasset.com/financial-advisor-true-cost/ux/index.html?utm_source=google&utm_campaign=goo__falc_advisor&utm_term=financial%20advisors%20cost&utm_content=150927867499_663967884453&gclid=CjwKCAjwrranBhAEEiwAzbhNtVZVB40aU-qNfJ8vg7Sr-OFEH-QEESDfm7NIlld9UQYfY9JiZ2u4uBoCjDYQAvD_BwE

8% out of your portfolio. That adds up to a lot. That's assuming your portfolio doesn't go down and if it's always going up. This is about as likely as us all riding unicorns to the grocery store. We can't plan on income that uses the "always going up unicorn" as a multiplier. You can't plan on that.

Over-Complicating the Already Complicated

Unfortunately, I have to say many professions intentionally over-complicate things that are already complicated. I think the financial industry sometimes does it as well.

This is where we can help. We make things simple so that you can feel confident and comfortable with your plan.

Let's Be Real

Everyone works for a living and needs to be paid for their services. That doesn't mean that I should pay *more than is necessary* because the advisor wants to make more money. The advisor is going to make money. The question is, are they making more than they should?

Here's What Focusing on Averages and Paying Too Much in Fees Can Look Like.

I think that most people would say, "This S&P 500 averaged 14 or 15% over the last 10 to 15 years." I know Yahoo Finance recently did an article on this. [6]This article found if you had just taken your money and put it in the S&P 500 mutual fund and followed it exactly to a T, you would get nowhere near what the S&P average is. That is because the law of averages cannot take into account a negative number. For example, if you have $100 and you make 50%, now you have $150. However, if you lose 50% of the $150, you now have $75. If you take those two numbers, plus 50 minus 50, and average them, you average zero, but you lose 25%.

When you look at the S&P or you look at the market, you have to think to yourself, "Okay, this year, maybe I lost 3%, but how much did I

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[6] https://www.yahoo.com/video/p-500-average-annual-return-231601665.html#:~:text=Second%2C%20it's%20important%20to%20understand,years%20it%20is%20significantly%20different.

pay my advisor? Did I pay them one? Well, even if I paid them 1%, now I've lost 4%, but more than likely, I'm paying closer to 2%, so I lost 5%." The next year, the market goes up 10%, and you think you're getting 10%, but you only receive 8%. Did the 8% return make up for the 5% loss? The answer is no. Also, if you were drawing income on that, you're never going to recover that money.

You must know what your fees are because the fees you are paying could compound any losses and reduce your gains to negatively impact your portfolio. You also need to focus on your actual yield, not what the market averaged. Knowing what you are actually returning, not what you think you're getting, is vital to planning.

You'll Still Pay…
Even When You Are Losing Money

The fact is that the stock market going down has nothing to do with you still being required to pay for services. Advisors will never come up to you and say, "Hey, I know you've already lost a lot of money, so I'm not going to charge you my regular fee."

Legally, they can’t do that. By law, if they are charging you a set management fee, they will collect it even in down market years.

Many times, it will feel like, “Well, I know you’ve lost half your pie, but I’m still going to take my quarter.”

Always remember you’re going to get charged regardless. If you ever see a commercial that says that we only make money when you do, that is not true. That is not necessarily true. If you are in the stock market and paying your advisor an advisory fee, they are making money based on your total assets. They may make less money if you do not do well. For example, if $100 goes to $200, they’re making more money on the $200 than they were making on $100, but if your $100 goes to $50, they’re making less money, but they’re still making money.

Get an Analysis Done

It can be a good idea for people to get their portfolios analyzed to truly see the amounts they are paying. Getting that analysis is big. It’s often a big eye-opener for people.

A Question to Ask Yourself

Do I know how much I'm paying in fees? If not, how do I figure out how much I am paying in fees? If not, why not?

Chapter Six

Healthcare Planning

When we age, we realize some days are better than other days. Nobody wants to get sick, but many people have degenerative diseases or long-term illnesses in their family history. In these situations, when is planning for that too early and when is planning for that too late?

If you know for a fact that those problems run heavily in your family, then think about putting a plan in place as soon as you can. Sit down with somebody and start figuring that out. Many insurance policies help with those kinds of issues. Additionally, the sooner you do it, the younger you are, and therefore, the cheaper it generally is.

I would say it's never too soon to plan for that, but if you are older and you've not put anything in place, then still look at the options and weigh them to see if it's worth the cost. Also, don't just get something that only covers one thing because then you kind of pigeonhole yourself. If you have a long-term care policy, those are reimbursement-type policies, and they're often expensive.

There are other avenues that you can choose from that would meet this need. Life insurance is one potential option that often allows you to use your death benefit for long-term care needs. Also, life insurance does not pay it as a reimbursement. If you go into a nursing home and meet the stated criteria outlined in the policy, they'll often let you generally use somewhere between 50-80% of the death benefit while you're still alive for those needs. Also, let's say you don't ever go into a nursing home; then your beneficiaries will inherit the money tax-free. It allows you to do more than one thing with the funds. Of course, this assumes you can qualify medically and perhaps financially through the underwriting process.[7]

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[7] Life insurance proceeds are generally tax free to a properly named beneficiary. Life insurance riders may be optional and require an additional cost. LTC riders are NOT a replacement for long-term care insurance. Insurance agents do not give tax or legal advice.

Earlier Is Better

Getting planning done at younger ages is typically better. For somebody who has degenerative diseases in their family, getting the insurance policy before they're diagnosed is better. Even if they just have a concern, that would be something maybe to look at as early as possible.

Once you are diagnosed, you're not getting it. You may never going to be healthier than you are today. Generally, health goes down each day in terms of life. It's always best to put things in place before there are any problems because once there is a problem, the insurance companies are usually not going to insure you.

When Is Later Too Late?

It's generally too late if you've been diagnosed with some sort of illness such as cancer, Alzheimer's, cardiac diseases, or things of that nature. At that point, it's too late. That's not based on your age. It's just based on your health.

In terms of age, I would say it's not necessarily ever too late. It's just the older you get, the more expensive it becomes. The question becomes, "Is it worth the cost? Are you getting enough benefits for the price of it? Would it be better to self-insure at some point because you've gotten to the point where the insurance isn't covering what it should?"

When we say self-insure, we mean that you would just pay cash for services. You would have to put money aside specifically if those things happened. It doesn't have to be complicated. Some people may choose to put money in an investment account that is protected from loss, and they just pay from that account and still allow it to grow as well. Then, you don't need it for those purposes for whatever reason. You have a nest egg on the side for other things.

Strategies for Couples

For a couple with kids, if you are not working for a company that offers health insurance, looking for health insurance can be very costly. In terms of the cost of health insurance today, it can be pretty high. [8][9]For most families, it's going to be somewhere around $1,500 to $2,000 a month. We need to make sure that, if you don't have benefits through your employer, you have factored that in.

For a single person, it's not necessarily quite as costly, depending on your age. A lot of health insurance accounts are based on age. [10]If you're a young, single guy and you just want to buy a health insurance policy, you may pay $200 to $300 a month, which is generally worth it. Family plans are more expensive because anytime you add children to a plan, the premium tends to go up.

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[8] https://www.nolo.com/legal-encyclopedia/how-much-will-lawyer-charge-write-your-will.html
[9] https://www.nolo.com/legal-encyclopedia/how-much-will-lawyer-charge-write-your-will.html
[10] https://www.thestreet.com/personal-finance/average-health-insurance-cost-14878894#:~:text=Often%2C%20the%20starting%20point%20for,plans%2C%20but%20above%20Bronze%20plans.

Health Care Planning Isn't Just for Nursing Homes

Maybe somebody wants to retire early, but they're just forcing themselves to go to work every day because they don't want to pay health insurance premiums. They're trying to wait until they get to 65, but their life is miserable, and they're making everybody else miserable around them.

Healthcare planning for them could look like what? Going on to Obamacare, which I don't say lightly because that can be tricky because of the income limits.

Obamacare can be a tricky one just because it's based on income, so it depends on your lifestyle in terms of income. However, in terms of wanting to retire at 62 versus 65, you have to cover three years. If you're miserable, let's look at the numbers. Ask yourself if the cost of the insurance is going to negatively impact your retirement in a way that costs you too much in the long run. If the answer is no, then don't be miserable. You might want to just pay the premiums and leave your job. If you're going to be okay, if you have a true plan in place, and you know it's going to last throughout your retirement, then why work and be miserable?

IRA Funding Health Care

Some people may start taking money out of their IRA. They're saying, "If I'm only going to pay $12,000 the whole year for insurance, I'm just going to take that amount out of my IRA."

You need to weigh the pros and cons of the situation and ask, "Is my life and my health going to diminish by staying with my employer?" If the answer is yes, is it worth it to save the money? If you can afford it, then you may want to go ahead and leave if it's causing you severe distress.

Life's too short to be miserable and stuck in a place that is making you extremely unhappy, especially if you have the means not to be there. There's no reason to stay in a place and be miserable when you can retire or get a different job.

My Concern for You

Let's say you don't have enough resources, and you do need to stick it out for another year or two. Is it worth staying where you are currently, or should you just go get a part-time job that'll cover those benefits? Trying to figure that out is one concern. Medicare is another factor to consider. Once you get on Medicare, if you do have some health issues, make sure you have the right supplement. Having an advisor who works closely with an insurance professional to help ensure the prescriptions or the medicines that you need are covered by your plan is a big concern for a lot of retirees.

Surprises with Medicare

If the person has a condition, does the facility that they always go to right now accept that supplement plan? That would be quite traumatizing. Someone's been with the same doctor for many years, and suddenly, they joined a different plan because it was a little bit cheaper, and now they can't go to their regular doctor.

You do not want that to happen because, if you have some sort of chronic condition, an autoimmune disorder or something you've been working with the same doctor for over a 10 or 15-year period, you don't want to have to go figure all that out with somebody different.

Again with Over-Complicating Things

The potential confusion that can be caused by Medicare, Social Security, and other matters is another thing to consider. Talk about overcomplicating the complicated. People are not always well informed, like with Medicare Advantage. People think that that is government Medicare.

They just call up because they see a commercial on TV, or they ask their friend, "Hey, what do you have?" Their friend says, "Oh, well, I have this plan, and it's great. It covers everything." That doesn't mean it's going to cover all of your stuff. The biggest confusion is that some people just do what's easy because they don't know any better.

One of the things that I have put in place as an advisor is I work with an insurance agent who focuses on Medicare insurance coverage, and that person will do a phone interview with you. They will ask you all the necessary questions and will help you find the right plan to fit your needs. It does need to be an individualized conversation when it comes to Medicare and the coverage that you choose. If you have diabetes and you need insulin, but your neighbor doesn't have that problem, you might have chosen a plan that does not necessarily cover that particular insulin that you're taking.

In my experience, some of those Medicare Advantage commercials throw people off track. Sometimes, when people are on Medicare already see that Medicare Advantage commercial, they might get talked into switching to Medicare Advantage. Later, they realize, "Uh-oh, this is not what I want."

There are a lot of plans that were available five years ago that are not offered at all anymore. If you have one of those, you may not want to get off of it.

A Key Point to Remember

Don't allow the fear of premiums and the cost of insurance to prevent you from living the lifestyle you want. Also, don't allow it to prevent you from seeking out a plan. In my opinion, that would probably be one of the biggest things that people do not plan for is their health. We all think we're going to stay young and healthy forever, and then all of a sudden, we're not. Starting a plan while you're younger for the what-ifs of the future would be a good idea.

When you sit down and start going over your situation, make sure you're working with somebody who's listening to you first and foremost. If someone's doing all the talking and not listening to you, it may not be a good fit. If they present a plan to you and the plan's big and complicated, and you don't understand it, then it isn't the right plan for you. A good plan can be done very simply and in a way that you understand and feel confident in.

Don't go sit down with somebody and feel like you don't have a say in the conversation. At the end of the day, it's your money, it's your life, it’s your health, and it’s your retirement. The person who is advising you or helping you through that period just needs to be your quarterback. They need to be the person who is calling the plays, but you still have a say. “Well, no, that’s not the play I want to run. Can we look at something different?” Make sure this is a collaborative relationship. It must be a two-way conversation between you and your advisor.

**Our firm is not affiliated with the U.S. government or the federal Medicare program*.

Chapter Seven

Here's How We May Be Able To Help You

Our first meeting is called the "Let's Talk" meeting. I named it that for a reason. We're going to talk a lot. We're going to ask a lot of questions. We're going to figure out if you've ever worked with an advisor. Have you done it yourself? Have you worked with a team? What have you done in the past? What did you like or dislike about that? What do you want to see going forward? What are your hobbies? Do you like to travel? Do you have plans to buy a boat? Do you want to buy an RV? Are you somebody who just likes to sit and read in your backyard?

All of those things matter in terms of how we're going to create a plan for you and your retirement. In that first meeting, we're literally going to spend an hour to an hour and a half just sitting there talking about where you've come from, where you currently are, and where you want to go.

You will leave the meeting knowing that, when you come back for your next meeting, the plan that will be put in place and presented to you will be based on you and solely on you. It will be tailored toward what you want out of your retirement.

My Hope for You

I hope that you feel empowered to make decisions for yourself and feel heard. One thing I get from a lot of people is they don't feel like their advisor listens to them but rather that they're trying to tell the client what to do. I want you to feel empowered to ask questions and to be actively engaged in what's happening with your money.

You can contact me at **Heidi@agapewealth.com**. The website is **www.agapewealth.com**, and the phone number is **228-333-5683**.

My Wish for You

Just look at your situation and ask yourself the following questions: Am I happy with what I have? Should I get a second opinion? Do I feel like I have a true fireproof plan in place that's going to last me throughout retirement and for the next generation?

Retirement Simplified…
Even if Your Life is Complicated

Congratulations!

You are near or at retirement age. You've worked hard your entire life and saved and invested for the next 20 or 30 years of retirement.

Don't you wish getting all your money out of your retirement accounts was as simple as it was to get it into them?

And what about all the complexities of taxes, IRAs, ROTHs, RMDs, and all the other alphabet soup of decisions you must make?

Wouldn't it be great if there was someone to help simplify the complexities of retirement? That's where we come in. And we may be able to help you!

To learn more about the ideas discussed in this book, go to **www.agapewealth.com** to:

Schedule a **Let's Talk meeting** to see what other questions you may not know to ask when speaking with an advisor.

Here's to all the complex retirement decisions being behind you and your best years ahead of you.

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Step 1: Download the **5 Missteps to Avoid** in the first 5 years of your retirement when it comes to distribution.
Step 2: Download **5 Questions you Don't Know to Ask Google** to see where you may or may not be already prepared for retirement.

Step 3: Schedule a **Let's Talk call** to see what other questions you may not know to ask when speaking with an advisor

Here's to all the complex retirement decisions being behind you and your best years being ahead of you.

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