5 Crucial Questions

For ***Your*** Retirement

AVIDIAN

WEALTH SOLUTIONS

Esteemed Retirement Reader,

Thank you for downloading our guide, “5 Crucial Questions for *Your* Retirement.” We have found that most of the clients we work with are very interested in learning how to successfully prepare for, begin, and navigate through retirement. If you are reading this, you probably have many of those same questions, concerns, and goals.

Here at Avidian Wealth Solutions, our mission is to make a positive impact in the lives of others. We are a holistic wealth management firm that deeply believes in the value of comprehensive, personalized financial planning. We want to help as many families and individuals as possible attain their goals and maintain financial independence.

Retirement is filled with complex challenges. There are numerous decisions to make and risks to manage. Our role is to help families understand the questions they should be asking and guide them in making informed decisions as they work toward the right answer. We work hard to minimize the stress and difficulty in the financial lives of our clients. We help to create organization, clarity, and a plan that charts a course toward and through your most important financial goals and objectives.

In the spirit of our mission to make a positive impact in the lives of others we offer this guide as our gift to you.

May your financial future be clear, hopeful, and successful!

Sincerely,

Avidian Wealth Solutions, LLC

5 Crucial Questions

For ***Your*** Retirement

Introduction

Getting *To and Through* Retirement

For many people, the idea of retirement is very emotional. Some people look forward to feeling unburdened by the stress and concerns related to their work. Others feel excited to travel the world or to go visit family (especially grandkids)! And then there are those who want to give back through volunteering or philanthropy, start a new business, write a book, take up a hobby, or even start a career in their *dream job*. Retirement means many different things to different people.

There are people, however, who feel like retirement may actually be a cause for concern. They may be asking themselves:

Will I have enough money? Will it *run out* before I *wear out*?

What will I do with my time?

Where will I find my sense of purpose and community?

Without a career, what will be my identity?

Will my spouse or family and I get along if we start spending more time together?

Whether you are thinking ahead to your ideal retirement, or you find yourself in the middle of retirement with questions about your financial future, it can be tremendously helpful to find help orienting you in the direction that will help you reach your retirement goals. This guide can help you get started.

In the following pages we will concisely discuss ***5 Crucial Questions for Your Retirement***. These questions are:

1. How do I know if I am ready to retire?
2. What could go wrong with my retirement?
3. What can I do about these retirement risks?
4. How do I pay for retirement?
5. When and where can I get help?

As you discover the answers to these questions, our hope is that you will be in a much better position to approach your retirement with confidence, purpose, and a clear anticipation of good things to come!

Let your journey *to* and *through* a fulfilling retirement begin!

Question 1

How Do I Know if I Am Ready to Retire?

There are two primary components of retirement readiness: financial readiness and emotional readiness. Neither aspect of preparing for retirement is simple. In fact, both are highly complex and require the analysis of several different factors. Let's first briefly discuss financial readiness, and then we can shift our attention to emotional readiness (which will be addressed throughout multiple parts of this guide).

Financial Readiness

Once you have started to seriously consider retiring, the first question to ask yourself is, "Can I *afford* to retire the way I have envisioned?" We will address this question much more closely in the section entitled, "How do I pay for retirement?" But first, you should begin gathering the informational resources that you will need to address this surprisingly complicated question. Use the box below to get started.

Retirement Readiness: *Financial* Readiness Documents

1. Choose a folder that you can use to collect your retirement financial readiness documents. Be sure that you have a secure location to store it. One option is to use a computer file folder and to collect your documents electronically (as PDFs, etc.).

2. Collect summary documents or account statements for the following (check boxes as they are placed in your folder):

Financial Assets:

- ☐ Bank accounts (checking, savings)
- ☐ Investment brokerage accounts
- ☐ Qualified retirement accounts (401Ks, Roth IRAs, Traditional IRAs, etc.)
- ☐ Other: ____________________

Retirement Income Sources:

- ☐ Social Security (projected or actual, for each spouse, if applicable)
- ☐ Pension balances, income, and distribution options (military, government, education, corporate)
- ☐ Loan interest
- ☐ Real estate rental income
- ☐ Part-time or working income
- ☐ Annuities
- ☐ Passive business ownership income
- ☐ Mineral interest payments
- ☐ Intellectual property royalties
- ☐ Trust or inheritance income
- ☐ Other: ____________________

Other Sources:

- ☐ Home value & outstanding loans, and equity
- ☐ Valuable assets that you might be willing to sell to fund retirement: businesses, buildings, farmland, collectibles, cars, etc.
- ☐ Other: ____________________

Emotional Readiness

Once you have determined that you are *financially* ready for retirement, you need to turn your attention to the practical purpose and structure of your desired retirement life. An ideal retirement looks different for everyone, and going from “busy to bored” is not the way to achieve emotional health and fulfillment. If you want a feeling of fulfillment during your retirement, it is critically important to cultivate a sense of purpose, and to continue to have goals and plans that will fill the days of your retirement with meaning, direction, and satisfaction. To help with this, complete the following exercise.

Retirement Readiness: *Emotional* Readiness Survey

- **Define Your Retirement:** Ask yourself, “What does ***retirement*** mean to me?” If you don’t yet have a clear answer to this question, you may not really be ready to retire yet. One way to flesh this out is to start by considering (and writing down your answers) to the following questions:

    - What is most important to you about retirement? What will motivate and give you purpose during retirement? What goals, dreams, or wishes do you *want* to accomplish during your retirement? (Family, travel, volunteering, starting a business, part-time work, reading, writing, hobbies, etc.)

    - What tasks and routines will you still *need* to do during retirement? (Exercise, home and yard maintenance, financial record-keeping, weekly errands, community or volunteer commitments, etc.)

    - What would you like your ideal “retirement day plan” to look like? The ideal week? Consider actually writing down a model schedule that starts when you wake up and ends when you go to sleep.

- **Periodically Review:** Review what you have written to decide if you feel it captures your desired purpose, activities, and goals of your retirement. Periodically review and revise your answers. It is okay to change them as you move toward and through your retirement.

Timing of Your Retirement

On average, a 65-year-old male is expected to live an additional 18.1 more years, while a 65-year-old female can expect to live for another 20.7 years. (Source: https://www.statista.com/statistics/266657/us-life-expectancy-for-men-aat-the-age-of-65-years-since-1960/). It may be very reasonable to need to plan for at least one spouse to live for another 25-30 years.

Retire Early

- Longer retirement, more inflation erosion of your purchasing power.
- Lower Social Security payouts (at age 62 you may get 20-30% less than at age 66/67).
- If you have a pension, the last working years may increase your payout the most so be wary of leaving too soon.
- Taking money from a 401k or IRA before age 59 ½ may trigger an additional tax of 10% ("early withdrawal penalty"). Some exceptions may apply.
- Healthcare is expensive and you are not eligible for Medicare until age 65.

Retire Later

- More time to save. If you retire at age 65 instead of age 55, and you save $25,000 each year at 7%, you could have about $370,000 more. (This hypothetical example of mathematical principles is not intended to reflect the actual performance of any specific investments. Fees and expenses are not considered and would reduce the performance shown if they were included. Actual results will vary.)
- More time to prepare emotionally, take classes, define your plans, etc.
- Higher Social Security payments if you delay it a few years.

Social Security Retirement Benefit Timing Considerations

When to begin taking your Social Security Retirement benefits is an important question. You can begin as early as age 62 or as late as age 70. Benefits increase each year that they are delayed. Waiting to begin taking Social Security until you reach Full Retirement Age (FRA, see below) allows you to access certain advantages such as the ability to receive a maximum 50% spousal benefit (if that is higher than your personal retirement benefit would be). Reaching FRA also allows you to receive earned income without a corresponding reduction in Social Security benefits; when you have earned income at the same time you receive Social Security Retirement, your benefits may be reduced, unless you have reached FRA.

Social Security Full Retirement Age

Birth Year	Age
1934-1954	66
1955	66 & 2 Months
1956	66 & 4 Months
1957	66 & 6 Months
1958	66 & 8 Months
1959	66 & 10 Months
1960 & Later	67

Key Ages for Retirement Planning

Several ages are important in the retirement planning process. Some are important before retirement, others are important in determining when to being retirement, and a couple are related to requirements for taking distributions during retirement. Key ages are noted below.

Planning Consideration	Key Age	Don't Forget!
Begin Catch-Up Contributions	50	You can increase your 401k and IRA contributions.
Access Employer Plan Without 10% Penalty (Upon Separation from Service)	55	You can take distributions and rollover to an IRA. Tax on distributions from pre-tax contributions and earnings.
Access to Employer Plans and IRAs without 10% Penalty	59 ½	Tax on distributions from pre-tax contributions and earnings.
Early Social Security Benefits	62	Taking benefits early reduces payments, but you get payments for a longer period.
Eligible for Medicare	65	Contact Medicare 3 months before your 65th birthday.
Full Retirement Age for Social Security	66 to 67 (depending on year of birth)	Earned income no longer reduces Social Security benefits. Spousal benefits may be higher as well.
Maximum Payment to Start Social Security	70	Every year you postpone taking Social Security past Full Retirement Age, benefits increase by 8%.
Required Minimum Distributions	72	You much begin taking RMDs by April 1 of the year after you turn age 72. You can delay taking RMDs as long as you continue working (if you are less than a 5% business owner).

Question 2

How Do I Pay for Retirement?

Retirement income planning is both very important and quite complex. A lot of planning concepts converge in creating sustainable retirement income. In this section we will discuss a simplified framework of steps to follow as you begin to assemble your own retirement income plan.

Key Steps in Retirement Income Planning

1. **Estimate Your Current Living Expenses:** In the appendix we include a cash-flow worksheet that you can use to assess your current income needs.

2. **Adjust Your Living Expenses for Retirement:** If you are not already retired, you will need to modify your projected living expenses to account for variations that may arise during retirement. Will your home mortgage be paid off? Will your healthcare expenses rise? Will you travel more during retirement than you did before retirement? All of these are important adjustments to your retirement living expenses.

3. **Plan for Inflation:** If you will not retire for many years (5, 10, 20 years), then you will need to adjust your living expense for inflation. Since most people live in retirement for two or three decades it will be important to estimate the impact of inflation on your living expenses over time. The same dollar amount will buy much less after 20 years of average historical inflation. That means that you will need many more dollars to pay for the same expenses in the future.

4. **Determine What Income Streams Will Be Available to You in Retirement:** Make a list of your income streams (monthly or annually) that may be available to you in retirement.

Social Security:	**$**_______________
Spouse Social Security:	**$**_______________
Pension:	**$**_______________
Rental Income:	**$**_______________
Business:	**$**_______________
Interest:	**$**_______________
Annuity:	**$**_______________
Dividends:	**$**_______________
Other:	**$**_______________
Other:	**$**_______________
TOTAL:	**$**_______________

5. **Determine What Assets Could Be Used to Create Additional Income:** Make a list of your financial assets such as bank accounts, investment accounts, and retirement accounts. Total your financial assets below.

Cash Accounts:	**$**_______________
Investment Accounts:	**$**_______________
Retirement Accounts:	**$**_______________
Spouse Retirement Accounts:	**$**_______________
Other:	**$**_______________
Other:	**$**_______________
TOTAL:	**$**_______________

6. **Project Expected Growth Rates for Assets, and, if Possible, Account for Continual Cash Withdrawals from Investments to Supplement Income:** This very sophisticated calculation may require complex formulas, spreadsheets, software, and specialized expertise that is beyond the scope of this guide.

7. **Identify Other Assets the Could be Sold to Help Pay for Retirement:** This could include real estate, businesses, collections, valuables, etc. Home equity may also be available as a potential retirement income resource (down-sizing, reverse mortgage, etc.).

Retirement Income Planning Principles

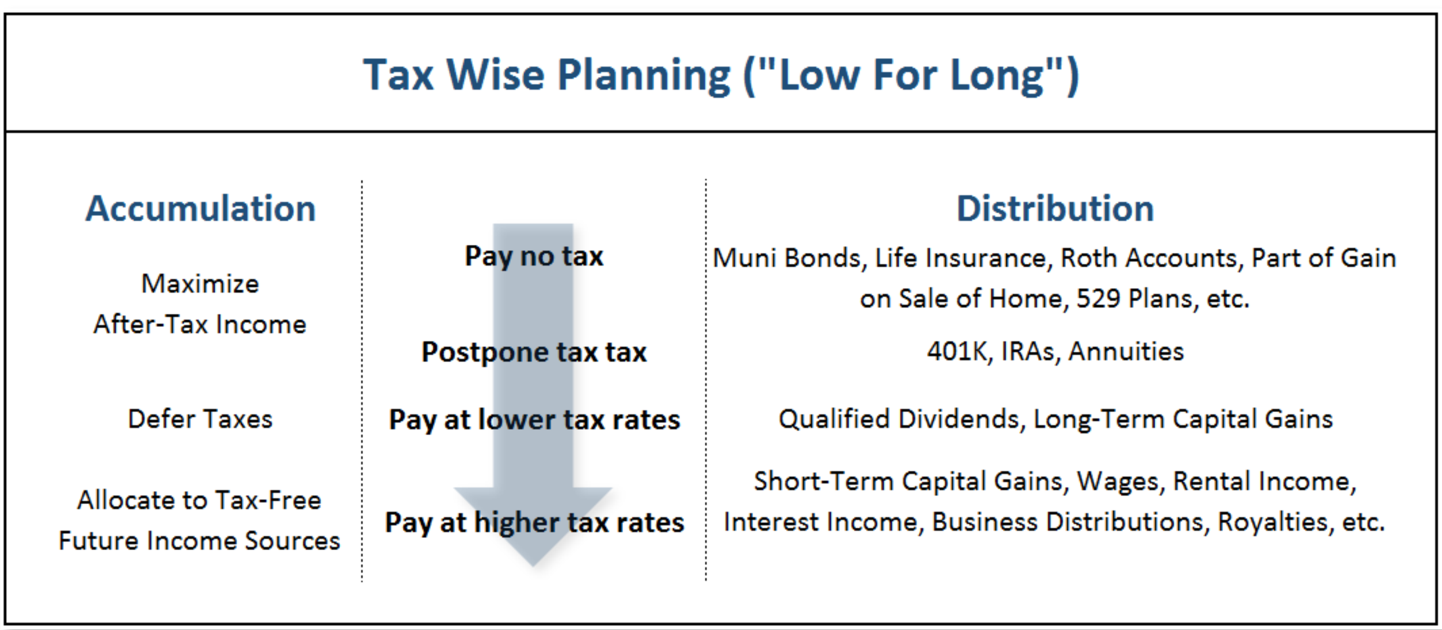
The tools and calculations needed to confidently assess personal retirement income are complex and should generally account for inflation, variable annual investment returns, inconsistent cash flow needs, and personal financial goals. Most individuals do not have access to the sophisticated planning software needed to accomplish such analysis. However, there are numerous rules and guiding principles that may still be helpful as you get a sense of how to approach retirement income planning. A few of these helpful concepts are included below.

"Safe" Withdrawal Rates

There has been a significant amount of research on the "ideal" asset withdrawal rate. The idea is to figure out what percentage of your assets you might be able to take out of your account annually, after taxes, and accounting for asset growth and inflation to maintain a stable income stream over a long period of time such as retirement, without running out of money. Many investigators have estimated that somewhere between 3-4% is a "safe" annual principal withdrawal rate. If you take out more than that amount, you may end up consuming more investment principal than you should early on in your retirement. A full financial plan can help to assess the impact of projected retirement withdrawals on your portfolio, and can be used to stress test the likelihood of your money running out during your lifetime.

Tax-Wise Withdrawals

There are many considerations involved in making decisions about how to withdraw your retirement assets in a tax-efficient manner. Some ascribe to a "low-for-long" approach that attempts to extend tax benefits (tax-free, deferred taxation) for as long as possible. The idea is to keep taxes as low as possible for as long as possible. Generally, that means that you should withdraw first from taxable accounts, then from tax-deferred accounts, and finally from tax-free accounts. Any approach that you decide to take here should be done with the help of your professional tax advisor.



Required Minimum Distributions (RMDs)

When applicable, complete RMDs need to be taken from qualified retirement accounts. This should be reviewed with your professional tax advisors. Failure to take an RMD can result in a heavy-handed IRS tax penalty of up to 50% of the amount that was not correctly withdrawn!

Setting Portfolio Allocation

Setting your portfolio allocation (% to stocks, % to fixed income, % to alternative investments, etc.) both removes some of the emotion of investing and can help to smooth your income stream and the impact of the market on your retirement.

Continual Portfolio Rebalancing

As the years go by, your target investment allocation is bound to shift away from where it began. You should decide if you plan buy and sell investment assets to rebalance your portfolio quarterly, semi-annually, annually, etc.

Rebalance in coordination with your withdrawal (income) strategy. A well drafted strategy should place you in a strong position that will allow you to sell high and buy low. Rebalancing does not happen by accident.

Question 3

What Could Go Wrong in My Retirement?

Navigating through retirement can be both an exciting adventure and a perilous journey. There are many risks that you will need to pay attention to during your retirement years since any one of them could completely derail or substantially impair your financial stability. During your entire adult life, the period of your greatest financial vulnerability could be your retirement. The biggest retirement danger is not having enough income at a time when you may have both less ability to earn and less time to recover from substantial financial losses. All of this could occur at a time when your personal cash-flow needs may be more important than ever.

In the next section, we will discuss some of the most vital financial risk factors that you need to be aware of during your retirement.

Major Retirement Risks

- **Premature Retirement:** Stepping away from your income-earning years too early could have two effects. It may halt your asset accumulation, and every year you are not working is another year that you have to pay for in retirement.

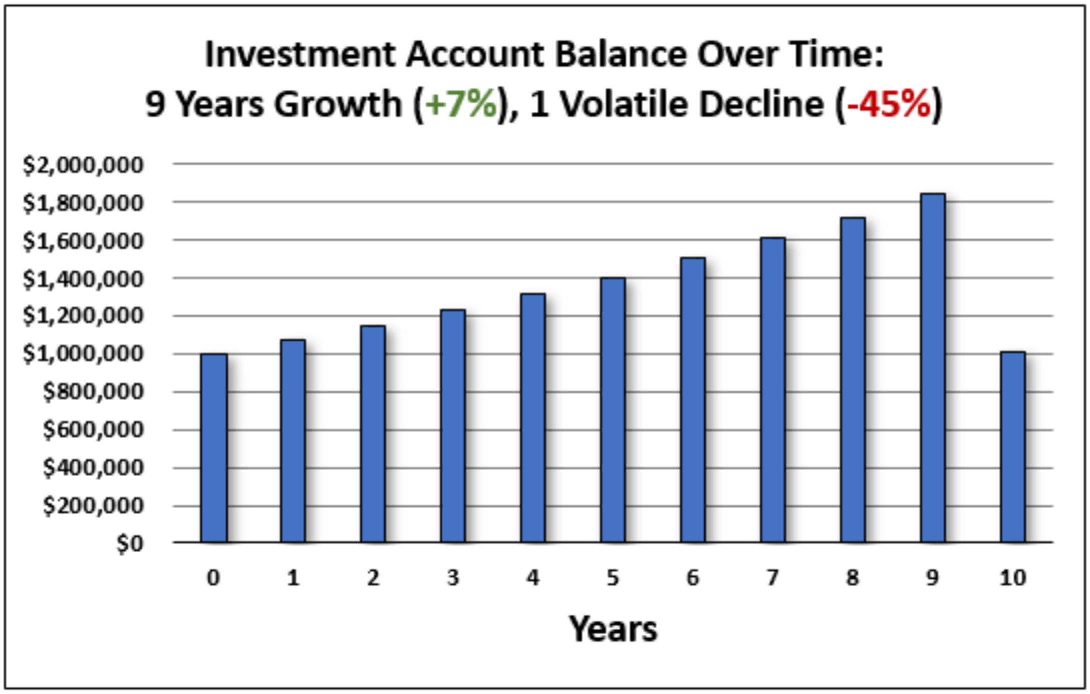
  What if stopping work too early causes you to run out of money later on?

- **Overspending:** You want to feel like you are able to use what you have saved for retirement, but without a practical cashflow framework it can be difficult to know if you are overspending dollars today that you might need in the future.

  What if spending too much today takes away from the dollars you will need tomorrow?

- **Market Volatility:** Investing can be very emotional and swings in market prices can be both dramatic and unpredictable. If your asset allocation does not match your needs and risk tolerance, you may be exposed to more volatile investment risk than is necessary to reach your goals. If you make emotional reactive decisions to market changes, you might find yourself locking in investment losses that could be difficult to recover. If you have large, concentrated stock positions, you might be at risk of extreme losses if those positions experience a significant decline.

  What if your investment approach causes you to lose much-needed retirement assets?



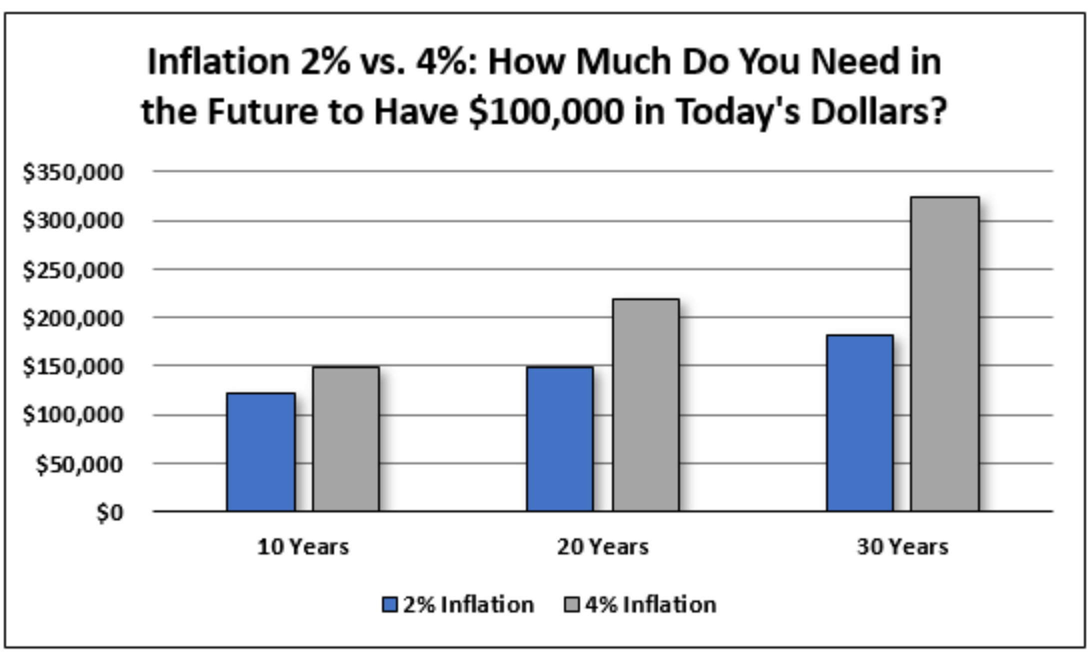
Note: one major volatility spike can completely wipe out many years of consistent growth.

- **Sequence of Returns:** Even with efforts to carefully invest, there is a risk that the timing of the market's returns might turn against you at the worst possible time.

What if immediately after, or during retirement a market decline reduced your investments by 30%?

- **Inflation:** The dollars that you have today will slowly lose value over time as inflation marches on. In retirement, any of your fixed income streams and/or cash savings will buy less and less each year.

What if your future retirement income isn't enough to keep up with ever-rising expenses?



- **Premature Death:** If a family income-earner dies before reaching retirement, there may not be enough saved to cover retirement needs. Likewise, at death some retirement income streams can go away completely leaving your surviving family members without the assets or income that they need to get by in retirement.

  What if you or your spouse passed away unexpectedly leaving the other without needed income?

- **Longevity:** While we hope to live long and healthy lives, a major financial issue can arise if you live significantly longer than expected. You don't want to have insufficient funds during your most vulnerable age. It is possible to run out of money before you run out of breath.

  What if you and your expenses outlast your assumed life expectancy by 10 or 15 years?

- **Healthcare Expenses:** Your retirement years will probably cover the period when you are most at risk of major medical and personal care expenses. The causes of these expenses could include disabling accidents, cancer, dementia, kidney disease, diabetes, and many other conditions. Many of these expenses can be sudden and significant. They could also turn into long-term healthcare events over time.

  What if you or your spouse gets cancer or needs extended personal care during retirement?

- **Changes in Tax Laws:** The Tax Code changes frequently. If legislation causes taxes to spike while you are in retirement, you may find yourself with much less after-tax income than you thought you would have.

  What if taxes rise, taking a bigger-than-expected bite out of your retirement income?

Recent changes in tax law can impact retirement planning. For example, under the **2019 SECURE Act** some of the following tax changes include:

- Postponing the age to begin RMDs from age 70½ to age 72.
- Loss of "stretch" deferral for many inherited IRAs (forced distribution and taxation within 10 years of death of original owner – with a few exceptions: spouse beneficiaries, etc.).
- Elimination of age limit for deductible retirement plan contributions.
- Expansion of approved uses of 529 plan funds (including up to a total of $10,000 toward student loan repayment).

- **Natural Disasters and Life Events:** Other life experiences that could wreak havoc on your financial situation in retirement could include natural disasters (floods, fires, etc.), family life changes (divorce, children or grandchildren moving in, etc.), and many other situations.

  What if an unforeseen natural or family disaster came crashing into your retirement financial life?

Question 4

What Can I Do About These Retirement Risks?

It can feel overwhelming to think about how to address all the important planning gaps and risk factors that could affect your retirement. Thankfully, there are steps that can be taken to prepare for, anticipate, minimize, and, in some cases, avoid these retirement problems. Several of the tools and steps that can be taken to address these risks are discussed below.

Retirement Risks	Planning Opportunities
Premature Retirement	☐ Estimate your life-expectancy (and how long you'll need money during retirement) ☐ Establish a financial plan to project long-term retirement cash flow needs ☐ Delay retirement by a few years ☐ Pick up a part-time retirement job
Overspending	☐ Complete a cash-flow (budgeting) worksheet ☐ Establish a financial plan to project how long you may be able to sustain your spending
Market Volatility	☐ Assess your personal investment risk tolerance by evaluating your emotions and comfort level in response to different levels of investment volatility ☐ Assess the investment "hurdle rate" that you are projected to need in order to meet your retirement cash flow goals ☐ Determine what asset allocation will best match your risk and return needs ☐ Develop a plan to appropriately diversify your investments, to minimize the impact of volatility from concentrated stock positions and over-weighted asset class exposure
Sequence of Returns	☐ Keep enough cash and income-producing assets in your portfolio to minimize the impact of early-retirement market declines and to help you wait for some degree of market recovery (to minimize the impact of "selling low" on your retirement)
Inflation	☐ Put idle or excess cash to work so that inflation doesn't eat away it's purchasing power ☐ Allocate your investments in a manner that includes enough growth and income, as well as including assets that historically help to hedge against inflation, so that your investments "keep up" with inflation (on an after-tax basis) ☐ Monitor federal reserve actions, market interest rates, and other policies that can impact short and long-term inflationary pressure
Premature Death	☐ Evaluate your risk management plan for income replacement, debt elimination, and other family capital needs (including sufficient life insurance) ☐ Identify whether pension, Social Security, or other income might change or end at death ☐ Maximize pension payout: lump sum and reinvestment, single life, joint life, etc. ☐ Maximize Social Security payout: personal or spousal benefit, beginning age
Longevity	☐ Create a financial plan that projects income needs for your life expectancy, and then "stress test" it for outliving that life expectancy ☐ Identify opportunities to create income streams that will last throughout your entire life ☐ Ensure that your financial assets are invested with a long-term perspective ☐ Assess the long-term sustainability of your investment withdrawal rate ☐ Consider using Monte-Carlo analysis to estimate the probability of success in meeting all of your financial goals, given different investment return possibilities
Healthcare Expenses	☐ Assess short-term emergency care needs ☐ Evaluate your risk management plans (including potential insurance needs and legal document preparation) for on-going healthcare needs, disability (especially while still working), and extended personal care needs

	☐ Model care expenses in your plan to know that you are covered. ☐ Evaluate the possible need for long-term care insurance as a way to protect against extended health and personal care needs.
Changes in Tax Laws	☐ Monitor changes in federal fiscal policy (tax laws) to determine their impact on your tax rate, retirement income, and investment strategy ☐ Invest your money in a tax-wise manner (put the right types of assets in the right types of accounts: tax-deferred, tax-free, taxable) ☐ Withdraw your retirement income in a tax-wise manner while accounting for required minimum distributions and while trying to maximize tax-deferred growth in traditional retirement accounts, tax-free growth in Roth retirement accounts
Natural Disasters and Life Events	☐ As many different types of life events come along, it is important to update your plans to meet your changing needs and to assess the probability of success of your plan

Question 5

When and Where Can I Get Help?

The complexities that surround your retirement can be overwhelming and concerning. Thankfully, there are professionals who have the experience, resources, tools, and expertise to help you prepare for and navigate through retirement with confidence. When might you need assistance, and where can you go to find it? Let's look at those questions below.

When Might You Need Help?

You should consider getting help with your retirement planning if any of the following applies to you:

- You value independence and prefer to focus your attention on your family, friends, goals, and dreams, rather than feeling tied to the stresses of financial management.
- You are motivated, hard-working, and active in your circles of influence, and you don't have the time or energy to devote to investment research, monitoring market activity, and keeping track of tax laws and key retirement planning deadlines.
- You are looking for a financial roadmap that helps to "make sense" of where you are and where you want to be headed.
- You have strong income and want to save, but don't seem to be accumulating the way that you think you should every year.
- You have worked hard to save and would like to put your money to work but you feel overwhelmed by all the financial voices out there telling you what you "should" do.
- You are concerned that your hard-earned savings might be at the mercy of the constant creep of inflation.
- You do not know if the amount you have saved is enough to replace provide for retirement income, needs, and goals.
- You are not sure how to tell if you are at risk of running out of money before you run out of breath.
- You do not know how to estimate the cash flows that will be required to pay for your needs during retirement.

What to Look for in a Trusted Advisor?

There are many kinds of financial professionals who specialize in different strategies and tools: mortgages, life insurance, annuities, investments, and more. The professionals who will be best able to meet your needs will help you create a holistic financial plan that does not just look at one narrow product, solution, or gimmick. You should find a professional who is a legitimate "financial planner" and who can help you to do the following:

- Bring together your entire financial picture in one place
- Make sense of all the puzzle pieces that are important to your personal financial situation
- Capture and crystalize your personal financial needs and goals
- Assess your likelihood of success in meeting your financial needs and goals
- Identify customized financial strategies and facilitate their implementation by bringing together all of the professionals needed to accomplish your goals

What Questions Should You Ask A Financial Advisor Before Working with Them?

Below are several questions you can ask an advisor to help you discover whether they have the expertise and alignment that will help you to meet your goals:

- Do you have a legal fiduciary duty to put my needs ahead of your own?
- Are you required to disclose any conflicts of interest that you might have with me?

- How are you paid? By fixed annual fees, product sale commissions, hourly fees, or by some other means?
- What planning software do you use?
- How will you assess my probability of success in meeting my financial goals?
- What is the scope of services that you provide? Can you help me with all the following areas: investments, retirement planning, risk management and life insurance, tax strategies, reviewing my estate planning, etc.?

About Avidian Wealth Solutions

At Avidian Wealth Solutions our goal is to make a positive impact in the lives of the families that we serve. We have found that clients who have gone through our process, and who have built a relationship with us, feel more confidence and less stress living the life that they want to live in retirement.

We do our best work for affluent clients who want help and who value having a trusted partner to help guide them through the complexities of and ever-evolving wealth landscape.

If you would like to schedule a free consultation, we would be happy to meet with you. We can be reached in the following ways:

281-822-8800

Request a Meeting

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