FINANCIAL PLANNING IN RETIREMENT

Simplify your life

LAUREL WEALTH PLANNING

When Time is No Longer on Your Side

1 in 3

retirees use a professional financial advisor to help manage their retirement savings/investments.[1]

You've spent years earning money and watching your account balances grow. But now you need to turn those investments into a long-term source of income and shift your investment strategy from accumulation to withdrawals. Without employment income ahead, you now need to be even more strategic with your finances.

You want to be a good steward of your money for yourself and your family. You don't want to waste money by missing opportunities — or be up at night worrying if you're doing the right thing.

Your time is valuable and while you could research the ins and outs, you would prefer to do other things. This is where a professional financial advisor can help. Transitioning to retirement and what we call "the withdrawal stage" is a key time to consider working with an advisor.

An advisor can help you create and execute a plan that covers which accounts to withdraw from, how to make required withdrawals, how to manage taxes, and how to invest to enhance your plan. They can provide answers to many other questions and help you navigate decisions in a way that fits your goals and preferences. An advisor can also help you adjust your plan as your needs and goals change, as you move through the four stages of retirement, and as investment conditions and tax laws change.

Dive Deeper

Just as the first quarter of your life has many stages (infancy, childhood, teen years, young adulthood), so will the final quarter. Explore the four stages of retirement and key financial considerations for each. **laurelwealthplanning.com/retirement-stages**

More Questions Than Most People Know to Ask

Among retirees who have a financial strategy for retirement, 82% have taken Social Security and Medicare benefits into account, but less than half considered ongoing health care costs and less than a quarter have a plan to deal with inflation.[1] Below are some key questions to consider in your retirement strategy.

SHIFTING FROM ACCUMULATION TO WITHDRAWAL MODE

- What accounts do I take money from?
- How do my withdrawals affect my taxes?
- How do I meet all the various withdrawal requirements?
- How do I know how much to withdraw as my income?
- When do I start drawing Social Security?
- How does my pension income fit in? What pension option should I choose? When should I start it?

MANAGING EXPENSES

- How much can I safely spend in retirement so I don't run out of money?
- Should I pay off my mortgage?
- What if I have a large unplanned expense, like a major health issue, or change of plans?
- Do I need a Medicare supplement and/or a long-term care coverage?

INVESTMENT STRATEGY

- Where and how should I invest my money after retirement?
- What do I do if the stock market takes a downturn?
- How much risk should I take?
- If I don't have a pension, should I create my own?
- How do I obtain the growth I need to meet my goals?
- How do I set my investments up to deal with inflation?
- Are there investment strategies out there that might fit me that I haven't been exposed to?

TAXES, GIFTING, AND ESTATE PLANNING

- What tax reduction opportunities fit me?
- Should I invest some accounts one way and others another way to reduce my tax bite?
- How does my withdrawal strategy fit with my estate plan?
- How do I fit any philanthropy I desire into my plan? Or gifting to my children or family members?

Dive Deeper

While the answers to the questions on this page should be personalized for your situation, you can read our basic roadmap for setting your retirement income and expenses. **laurelwealthplanning.com/retirement-budget**

A Sample Financial Plan in Retirement

Meet Jane and John Doe. Jane is a retired optometrist, and John is now ready to retire from his job as an insurance agent.

They have done a good job of saving and investing over the years. They are both newly eligible for Social Security; he has a pension; she has a 401(k); and they have investments in a brokerage account and Roth IRA. They aren't sure when to start drawing Social Security, which pension withdrawal option to choose, and which accounts to pull income from.

The couple has four married children and several young grand-children. They are thinking ahead about their grandchildren's college expenses and how they could help. However, they are also concerned about having enough money for future unplanned expenses, such as care in their later years.

Jane and John meet with an advisor, Mary, who offers comprehensive financial advice as part of her investment management fee. Mary spends a series of meetings getting to know Jane and John, to deeply understand their situation, values, risk tolerance, goals, and dreams.

The Financial Planning Process

From there, she dives into the details of their accounts, including investments that she will ultimately manage and those she won't. She analyzes past tax returns, insurance policies, pensions, Social Security statements, cash reserves, and other assets.

All this qualitative and quantitative information helps Mary create an income plan that includes withdrawals and tax planning, and she'll adjust it until Jane and John feel comfortable and confident.

She also addresses their goals of helping with grandchildren's college expenses and spends time listening to their concerns about future care needs. They work together to create and implement a plan that will help them meet their goals and sleep better at night.

Setting The Course

Mary will set the course for Jane and John as they start retirement. She might recommend that:

- Jane, who has more Social Security work credits, defers her payments until age 70 to get the maximum benefit
- John takes the 100-percent joint-and-survivor annuity option on his pension, because Jane is in better health and likely to outlive him
- The couple withdraws more from their 401(k) while they still have mortgage tax deductions and shifts the balance toward their brokerage accounts later in retirement
- They take out long-term care insurance policies to lower the financial risk if John gets a chronic illness that runs in his family
- For the moment, they decide to help their grandchildren when they enter college by co-signing student loans and then potentially helping pay the loans off when they feel they have the financial flexibility to do so. This has the added benefit of not decreasing their grandchildren's financial aid which money set aside for college can do

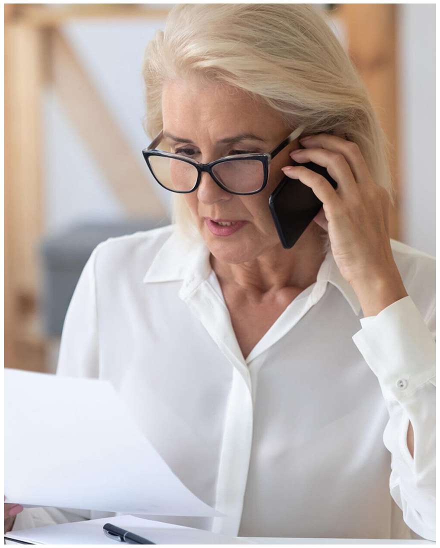
Navigating Along the Way

If Jane and John hire Mary for ongoing management and advice, she will continually help them navigate along their way, correcting course as needed. She will be a guide who helps them steer toward their goals by:

- Updating their income plan as their situation, tax laws, investment markets, and their preferences change
- Reviewing their cash flow needs annually and recommending adjustments to which accounts the dollars should come from
- Calibrating investment strategies, especially as markets reach extremes
- Considering investments that match the couple's values
- Providing analysis and wisdom on risks and opportunities so they can make the decisions they feel are best for them
- Helping them monitor their withdrawals as compared to their portfolio to help ensure their portfolio will last over the long term
- Annually reviewing their tax returns for investment tax planning opportunities
- Reviewing their insurance coverage annually
- Monitoring changes to Social Security rules for a potential strategy change
- Optimizing their estate planning
- Communicating with them frequently

Finding a Good Fit For You

When you hire a financial advisor, you are embarking on a long-term relationship. These are three key questions to ask as you interview advisors to see if they are a good fit.



Q: How are you compensated?

- "Fee-only" means only the client pays the advisor, rather than the advisor also being paid commissions on products they recommend. This mitigates the conflict of interest that can arise when an advisor receives income, called commissions, by selling financial products to clients. This doesn't mean it's a flat fee. Often, it's a percentage of the assets the advi-sor manages for you. This fee includes investment management services and ongoing financial planning services.
- "Fee-based" generally means that the advisor is paid through a combination of fees and commissions for product placement. If they get commissions or referral fees, make sure you are aware of these.
- "Commission-only" means you don't pay anything directly. Some insurance agents, banks, and others in the financial world offer "free advice" but rely on commissions from selling products to you.

Q: Are you always held to a fiduciary standard?

- Under the fiduciary standard of care, advisors must put your interests first at all times.
- Conversely, under the best interests standard, financial professionals must work in your best interests while they are making a recommendation, but when it's done, it's done.
- If you are looking for an ongoing partnership, where your interests always come first, ask whether the professional is legally obligated to act as a fiduciary at all times in serving you.

Q: What is your client base?

- Advisors serve anywhere from a few dozen to over 1,000 clients. Make sure that any advisor you choose will have time to be an attentive partner for you.
- Because the financial world is complex, advisors are often most effective when they work with other clients like you.

Ask whether the professional is legally obligated to act as a fiduciary at all times in serving you.

Dive Deeper

See more questions to ask a potential advisor — and why they matter. **laurelwealthplanning.com/questions**

Assessing The Costs and Benefits

THE COST

The total annual fee to work with an advisor depends on the firm, the complexity of your situation, your asset levels, and the type of services you need.

You will hear advisors talk about three types of fees, and here is what they mean:

One-time planning fee: Like it sounds, this is a fee you pay once for a point-in-time financial plan. This is the "setting the course" that Mary did for Jane and John. After that, it is up to them to follow the plan and figure their way around an unforeseen obstacles or opportunities. This fee will depend on the complexity of your situation and the comprehensiveness of the plan but it may run \$3,000 - \$15,000.

Assets-under-management (AUM) fee: When an advisor manages a client's investments, they charge based on the amount of investments (assets) being managed. This fee may also include some level of ongoing financial planning advice. You will likely see fees ranging from 0.75% to 1.50%, with a lower fee for higher account values.

Ongoing financial planning fee: Some advisors will charge an ongoing fee for advice separate from their AUM fee, while some offer ongoing comprehensive financial planning advice as part of their AUM fee.

Keep in mind that the lowest cost option today might be the most expensive in the long run. Advisors who charge higher fees can afford to have fewer clients, thus giving more personal attention and potential value to each client.

Assessing The Costs and Benefits

THE VALUE

Morningstar and Vanguard studies calculated the value of comprehensive financial and investment advice to be 1.6% per year or 3% over time, after all fees. This can be a lot of incremental value. For example, a $1 million portfolio could gain a value of $30,000 over time AFTER accounting for fees paid.[2]

Dive Deeper

Explore the details of the Morningstar and Vanguard studies at **laurelwealthplanning.com/value.**

How Do I Get Started?

Most advisors, including those at Laurel Wealth Planning, seek long-term relationships with clients. The more time we have with a client and the more access we have to their financial information, the more insight — and ultimately value — we can provide.

For that reason, we offer point-in-time financial plans only to people who express an interest in moving to ongoing assets-under-management in the near future. For example, if you are nearing retirement and all your investments are in work retirement plans, you can start with a point-in-time financial plan. As you retire, or qualify for an in-service work plan distribution, you can use a tax-free rollover[3] to shift to our assets- under-management service, which includes both investment management and comprehensive financial planning.

When we manage your investments, we get a full and immediate picture of your financial situation, including gains, losses, and shifts in the balance between investment categories. This helps us make timely recommendations and adjustments to not only your investment strategy but your tax strategies as well.

You are in complete control at all times, because you can easily leave, only incurring small account closing costs. This incentivizes us to provide you with high service and ongoing value. It is simple to start with us, and we'd be delighted to answer your questions.

Contact Us

Because we help construct multi-faceted plans and offer our clients high attention, our minimum fee for new clients is currently $7,500. This is equivalent to about $750,000 in investable assets, such as stocks, bonds, and mutual funds.

Our annual fee includes comprehensive hands-on investment management, tailored advice, and a full range of wealth management services. For clients seeking targeted financial guidance, we offer an hourly fee option as an alternative to our comprehensive wealth management services.

Contact us to learn more about our hourly rates and how we can help with your specific needs.

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If you are ready for a free listening session to see if we are a good fit for you, please contact us:

Investment advisory services offered by Laurel Wealth Planning LLC. All investing involves risks, including the potential for loss of principal. There is no guarantee that any investment plan or strategy will be successful.

Footnotes:

1. TransAmerica Center for Retirement Studies September 2020 survey of retirees, page 14, found at https://www.transamericacenter.org/docs/de-fault-source/retirees-survey/tcrs2020_sr_retiree-retirement-amid-covid19.pdf
2. "The Value of a Gamma-Efficient Portfolio" by Morningstar, found at https://www.morningstar.com/content/dam/marketing/shared/research/foundation-al/831611-GammaEfficientPortfolio.pdf and "The added value of financial ad-visors" by Vanguard, found at https://laurelwealthplanning.com/wp-content/uploads/2020/12/Vanguard-Added-Value-of-Financial-Advisors.pdf
3. Before deciding whether to roll over your funds from an employer-spon-sored retirement plan, compare fees, expenses, penalties, and requirements between your current plan and a new plan.