Legacy Planner

Retirement • Income • Medicare

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Photo by Ray Loth

How's Your Balance?

By Raymond Loth

Whether it's walking, use of time, or placement of financial assets, balance is important. We therefore monitor and evaluate such things. Balance is also individualized, as respects your specific needs, desires, and feelings.

Let me therefore touch on 3 relevant components of pursuing balance with our finances: *

1 • Purpose
2 • Timing
3 • Asset Selection

1 • PURPOSE.

What is the purpose of these funds? Are these assets intended for: current/future primary living expenses, secondary lifestyle pursuits, wish-list luxuries, or other loved ones, etc.? Understanding the purpose of assets is important in selecting the financial instrument to be used.

"Retirees don't live on assets, they live on income!... The ultimate success of your retirement is not about assets. It is about income and risk management"* —Tom Hegna, *Don't Worry, Retire Happy: Seven Steps to Retirement Security

So, first things first. The primary purpose of retirement savings is likely to care for your basic living expenses.** Just like vehicles on the road are designed for various purposes, financial vehicles also have unique features for various objectives. Understanding this is vital in determining where to place funds. Following through is vital to actually having a balanced retirement strategy.

***"As investors get real about how to turn their nest eggs into lifelong income, they're discovering what academics and analysts have been preaching for years: Fixed-income annuities outshine all other income-producing options."*— Karen Hube, *Barron's* (Dow Jones Business and Financial weekly), special retirement report, June 22, 2015**

2 • TIMING.

It is vitally important to consider when to make changes to your strategy. This starts years in advance. Setbacks during these years could negatively impact retirement goals.

"During your working years, the big decisions were how much to save and where to invest. But now it's time to switch gears.

"How's Your Balance?" continues on the next page.

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• Creamy Crockpot White Chicken Chili •

Many of us have a family recipe passed down to us for traditional chili. But have you ever tried ***White Chicken Chili***? Here is an easy recipe that can be made right in your crockpot that for sure you and your family will enjoy! —*Barb Schlaefer*

1 pound boneless skinless chicken breasts
1 yellow onion, diced
2 cloves garlic, minced
24 ounces chicken broth (low sodium)
Two 15-ounce cans Great Northern beans, drained and rinsed
Two 4-ounce cans diced green chiles (one hot, one mild)
One 15-ounce can whole kernel corn, drained
1 teaspoon salt
1/2 teaspoon black pepper
1 teaspoon cumin
3/4 teaspoon oregano
1/2 teaspoon chili powder
1/4 teaspoon cayenne pepper
Small handful fresh cilantro, chopped
4 ounces cream cheese, softened
1/4 cup half and half

Topping Options: Siced jalapenos, sliced avocados, a dollop of sour cream, tortilla strips, shredded cheese

Instructions:

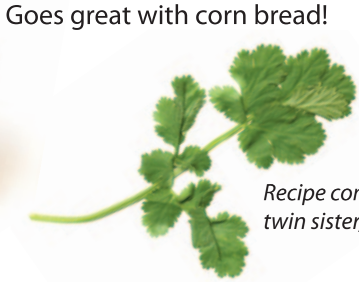
1 • Add chicken breasts to bottom of slow cooker; top with salt, pepper, cumin, oregano, chili powder, and cayenne pepper.

2 • Top with onion, garlic, Northern beans, green chiles, corn, chicken broth and cilantro. STIR.

3 • Cover and cook on LOW for 8 hours, ***or*** HIGH for 3 to 4 hours.

4 • Remove chicken to large mixing bowl, shred, then return to slow cooker.

5 • Add cream cheese, half and half. STIR, then cover and cook on HIGH for 15 minutes, or until chili is creamy and slightly thickened. Serve. Add additional topping options. Goes great with corn bread!



Recipe compliments of Ray's twin sister, Amelia

Onion photo: Colin, Wikimedia Commons
Cilantro photo: ZooFari, Wikimedia Commons

***You must figure out how to turn your nest egg into an income stream to last a lifetime."*—Eileen Ambrose and Sandra Block, *Kiplinger's Personal Finance*, October, 2019**

Retirement planning should be based primarily on your personal timing, as opposed to planning based on expected economic cycles. This timing related risk is referred to as "sequence of returns risk." Notice the impact that the **sequence** of returns can have on the (otherwise) same retirement plan in the example below:

BOTH people...

- **retired at age 65 with $500,000 in the S&P and took out $25,000/yr.**
- **after 16 years: one had $1,120,429 left; the other had only $24,932!!**

The only difference was timing! One retired in 1995, the other in 2000—very different timing as respects developing economic conditions! The sequence, or timing, of returns is a very real risk to retirement. You can't control the outside economic conditions, but you can potentially mitigate them with good decisions. How?

" '...the purpose of a margin of safety is to render the forecast unnecessary' (Benjamin Graham)…pursuing things where a range of potential outcomes are acceptable—is the smart way to proceed."* —Morgan Housel, *The Psychology of Money

It's wise to have a financial plan that will serve you well through a range of economic conditions—because that is what we experience over time! Don't try to predict the future. Instead, prepare for and take control of yours!

3 • ASSET SELECTION.*

People vary considerably on this. While some may be over-weighted in risk, others may have limited earning power. Since it is your money however, your feelings and preferences are rightly the driving force in asset selection. In one of the best financial books I've read, *The Psychology of Money*, Morgan Housel says "the foundation of 'does this help me sleep at night?' is the best universal guidepost for all financial decisions."

Most people do however desire outside input, knowledge, and information to help guide these important decisions. Here are a couple comments regarding asset selection for persons in or nearing retirement:

***"…while employers have gotten better at coaxing employees to save for retirement…A big piece of that that's been missing is that guaranteed income…We're seeing a real paradigm shift from a focus on just accumulating wealth to offering participants strategies to creating that retirement income."* —Sarah Max, "How Companies are Helping Workers Turn Savings Into Income," *Barron's*, November 18, 2019**

***"Any retiree with a hefty allocation of stocks, he says, ideally will have 'a secure base of sustainable lifetime income to support essential expenses' (examples: Social Security, pensions, annuities)"* —Glenn Ruffenach, *Wall Street Journal*, August 9, 2021**

If you would like to explore other retirement vehicles, you may appreciate considering that the middle ground of fixed income annuities represents a significant part of the financial retirement landscape today. These asset classes actually complement, or work along with, other asset types. Like automobiles, we don't expect an SUV to perform like a convertible, or a convertible to carry or tow a load—each vehicle serves different purposes.

I hope some of this helps as you consider YOUR. . .

- **Purpose(s)**
- **Timing**
- **Asset selection**

The goal is to help you develop solid reasons for feeling comfortable, confident, and "balanced" regarding your finances... and future. —*Raymond Loth*

* This is not intended to offer specific advice or details on any particular asset type. While we do work with certain financial institutions, this is not intended to represent any specific company or account terms which are available only in company specific and approved materials. We also do not represent or claim to offer advice on securities.

Annuities are long term financial products designed for retirement income and may not be suitable for everyone. They involve fees, expenses, and limitations, including surrender charges for early withdrawals. Some include optional riders and benefits that may come at additional cost. Annuity guarantees are backed by the financial strength and claims-paying ability of the issuing company. Annuity product and feature availability may vary by state.

** Since many of our clients are in or nearing retirement, much of this information will relate to establishing and protecting primary financial needs during these years.

Opinion: Retirees With Annuities Have More Fun

"... a new report says retirees who convert their savings into guaranteed lifetime annuities effectively double the amount they are willing to spend each year, on themselves and their families. The reassurance that they won't outlive their savings lets them open up their wallets and have a good time while they can, argue researchers David Blanchett and Michael Finke..."

—Brett Arends, *Retirement Weekly*, August 6, 2021

Case Study

From Retirement Unknowns, to Knowns.^

Mr. W is 58 and starting to think seriously about his retirement, with the goal to do so at age 65. **Since he does not have a company pension option**, he feels that he's on his own as to how to turn his nest egg into income. He is concerned about market risks in the years before retirement and feels this is a good time to start the transition in his planning to create some certainty. While he wants to protect his principal from market volatility, he still wants to keep his nest egg working in the right direction. **Mr. W learns that he can accomplish both goals**.

Mr. W decides to put $150,000 in a fixed annuity with a lifetime income rider.* Since Mr. W has other funds elsewhere, he feels that this account will compliment his overall financial strategy and add balance to it. He loves protecting his nest egg from market volatility and also knowing that while he waits to retire, this account will be increasing the guaranteed lifetime income payment amount that he will receive in the future. If used as planned,** this will guarantee him just a little under $1,000/mo. income for life. He also appreciates having a feature on the account that could increase his payments if he needs custodial care.

Mr. W feels more confident in his future knowing he'll have these guaranteed monthly payments to supplement his social security. He feels it's like having his own personal pension plan, but with options, flexibility, and other benefits that he can control. —*Raymond Loth*

^ The examples shown are hypothetical only. Income payment amount results may vary.

* Please see the main article's first footnote, second paragraph about **Annuities** on the preceding page.

** These types of accounts may allow for additional withdrawals which would then impact the future/current income amounts.

Photo: Mopaper, Wikimedia Commons

Ask the Professional...

How much can I take out of my annuity, and how do I do that?

Annuities are considered long-term savings vehicles, for your income needs. They do generally have multiple withdrawal options,* either for systematic/regular income or for occasional unplanned occasions. Excess withdrawals, or any taken prematurely, can incur a penalty.** Once the 'surrender charge period' is over, the account may become fully available for withdrawal if desired.

In some cases, monthly withdrawals can be started as soon as 30 days after the account is opened. **Many annuities allow for penalty free withdrawals of 10% each year, starting after the first year.** This may be for regular monthly, or occasional/as needed withdrawals. Such withdrawals may be taxable and may incur an IRS penalty if done before age 59 ½.

How to Withdraw Money? Unfortunately none of the companies that we work with have a local drive thru! However, we do everything we can to get you your money as quick as possible—and we work with companies who have the same approach. Most companies require basic paperwork. Some will take the request, along with banking **information, over the phone.** That is great and works very fast.

Once the company has the information, the bank transfer or paper check is often processed in a couple of days. However, circumstances can cause it to take longer so we ask that you plan for a week or two, not including mail (or electronic transfer) time. **We monitor your withdrawal through the process to make sure that you have your money in your hands as quick as possible.** —*Raymond Loth*

* Please see the main article's first footnote, second paragraph about **Annuities** on the preceding page.

** These are often referred to as a 'surrender charge penalty' and may decrease each year during the original term of the account/contract. Certain types of less common annuities, including those that are 'annuitized,' may not allow for additional withdrawals beyond the established income stream. In all circumstances, you should check with your financial professional to ensure that you understand any fees associated with your distribution request—as well as with your tax professional regarding taxes.