9 *Things to Consider in* STRATEGIZING RETIREMENT INCOME *for Ages 65+*

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- Individual Investments
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- Estate Planning Strategies
- Investment Management
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- Non-Qualified Retirement Plans for Executives
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Congratulations!

The day you retire marks the end of retirement income strategizing. According to the Social Security Administration, a 65-year-old American man will live to age 83, on average, and a 65-year-old American woman will live to age 85. Individuals may live significantly longer, meaning their money may need to last 30 years or more.

Retirement income typically comes from multiple sources, including pensions, Social Security and personal savings. This means financial strategizing in retirement requires more than balancing a checkbook. To strategize for retirement, consider working with an insurance professional.

Your retirement will hopefully be long and happy. You may, however, want to develop an estate strategy for the administration of your assets after your death. Communicating your intentions in advance can help smooth the transition and allow survivors to move forward. This usually requires the services of an attorney.

The following is a list of 10 things you should consider when you are age 65 or older and planning your retirement income.

https://www.ssa.gov/OACT/STATS/table4c6.html

1 Collect Social Security Benefit

Social Security is a basic income for many retirees. In most cases, if you had a paycheck, contributions were automatically deducted. However, receiving Social Security is not automatic after you retire; you must decide when to claim it and take the necessary steps to do so.

Explanation: As long as you worked enough to be eligible, you can start receiving your benefit as early as age 62. You receive your "full benefit" when you reach your "full retirement age". For anyone born after 1960, that is age 67; for those born between 1943 and 1959, it's age 66; and for those born earlier, it's age 65 plus a few months depending on your specific birth year. The amount you receive, however, can increase every year you wait up to age 70.[2]

Some people want to start collecting Social Security as soon as they are eligible. Others view Social Security as a protection for longevity and opt for the larger monthly benefit by waiting. The decision is entirely up to you and depends upon your unique situation.

Actions: Visit Social Security (www.ssa.gov) to view your benefits and monthly estimated payments at various ages. An insurance or financial professional may also be able to discuss your options for Social Security and how it fits into your overall plan for retirement income. Once you decide when to receive benefits, you can use Social Security's website to complete an online retirement application.

[2] http://www.socialsecurity.gov/retire2/applying1.htm

2 Learn about Required Minimum Distributions

When you were working, you may have made contributions to a 401(k), IRA or other tax-deferred retirement savings plan. At some point, you most likely will need to withdraw money from those accounts.

Explanation: Because of their tax-deferred status, many qualified retirement accounts require you to take Required Minimum Distributions (RMDs) at a certain age, even if you don't need the money at that time.

Roth IRAs do not require RMDs during the owner's lifetime. Traditional IRAs and 401(k) require withdrawals by age 72. Because these accounts are intended to save for retirement and not for accumulating funds to pass to your beneficiaries, the RMD is generally expected to spend down the account during your lifetime.

The IRS provides worksheets to help you figure out your RMD amount. If you miss taking a RMD, the penalty is severe: you may owe the government as much as 50 percent of the amount you were required to withdraw.

You must withdraw your full RMD amount even if you don't need it at that time. You can also withdraw more than the required minimum amount if you choose. Talk to a tax or financial professional about these options.

Actions: Visit the IRS website (www.irs.gov) to calculate the necessary withdrawals. Then, check with the institution holding your accounts to learn how to request withdrawals.

3 Set up a Withdrawal Strategy

Regular Paychecks cease when you retire from working, but you will need to determine which specific assets to use to produce the income. Review your retirement income sources and savings to determine how to get the funds you need.

Explanation: Social Security and pensions may provide some of your monthly income but likely won't provide all you need. Review your savings -- in both retirement and taxable accounts -- to determine how to generate necessary income. This amount may be higher or lower than RMD amounts.

Also, review your expenses. Compare your expenses to your projected income to determine whether you may need additional income and/or need to trim expenses.

You will need to determine which specific assets to use to produce the income. This may mean closing a CD or selling shares in mutual funds. Some people like to sell once a year as a part of their re-balancing and put the necessary amount into a money market fund. Others like to sell only as the need for funds comes up.

You also should consider which accounts to withdraw from and when, as tax consequences may differ. Also, keep in mind RMDs are determined based on the total value of your tax-deferred accounts, and could be withdrawn from just one account at a time, or any combination of accounts. Basically, you do not have to withdraw from each qualified account you own to satisfy your RMDs.

Actions: Speak with your financial and tax professional to create a tax-efficient withdrawal strategy that will provide the necessary income.

4 Review Asset Allocation

Asset allocation is how you divide your investments between different asset classes. People who are retired or nearing retirement may adjust their asset allocation to decrease risk.

Explanation: Every asset allocation has a certain amount of risk. Generally, when people are younger, they may be able to tolerate more risk because they have more time to recover from downturns.

Even though you are retired, you may want to keep some funds in equities. One common rule is to subtract your age from 100 and keep that percentage of money in equities and the rest in bonds or other fixed income sources like annuities. Other suggest subtracting your age from 120 for a slightly more aggressive portfolio. What you do depends on your risk tolerance.

Actions: Consider your risk tolerance, and review your asset allocation with your financial professional to make sure your allocation is suitable for you.

5 Re-balance Investments Annually

Market growth can throw balanced investment accounts out of whack. They require an annual review for re-balancing purposes, to ensure they are in-line with intended asset allocations.

Explanation: Investment values go up and down every year, changing their allocation.

Re-balancing investment accounts restores the distribution of assets so they match your desired allocation. If you have new money to reallocate (maybe from a maturing CD or an inheritance), you may reallocate to the asset class that needs to be increased. If you need to sell your assets as part of your cash-flow strategy, you can sell from an over-weight class. If you do not need to sell to generate cash, you can still sell assets in the overweight class and reinvest those funds in the underweight class.

Investment values go *up and down every year,* **changing** their **allocation.**

Even if the biggest gain is in a fund held in a taxable account, you do not need to sell shares from that specific account, as selling shares from a taxable account could trigger capital gain taxes. Instead, you may be able to buy and sell the necessary asset classes in one of your retirement accounts, thus averting the creation of taxable income until it's withdrawn.

Actions: Review your accounts every year and re-balance your investments. Speak with your financial professional and tax planner to make the necessary tax-efficient adjustments.

6 Update Estate Strategy

Review Beneficiaries on your policies. Update will and trust documents as necessary.

Explanation: You probably didn't give much thought to your estate when you were younger. Now that you have matured it's important to put the correct documents in place so that your accounts are handled in accordance with your wishes. Otherwise, your state's laws will decide who inherits your assets.

There are several ways you can specify who should inherit your assets. You can write a will or set up a trust directing how assets should be distributed. Retirement accounts and other asset types let you name a beneficiary or a pay-on-death designation. Those designations cannot be overridden by a will, so it's important to review beneficiaries periodically, especially if you have a significant life event such as marriage, divorce or the birth of a child.

If you have significant assets, consider the effect of estate taxes when strategizing. Federal laws currently tax estates values at more the $5.45 million. Some states also asses estate taxes on different asset levels.

Once you have an estate strategy in place it's a good idea to review the documents with your spouse and children. This ensures that your family knows what assets exist and understand your desires regarding asset distribution.

Actions: Review your estate strategy documents and update them as needed. Speak with your attorney and tax advisor to get advice tailored to your situation.

[3] *https://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Estate-Tax*

7 Apply for Medicare

Many Americans age 65 and older have Medicare as their primary health insurance. Confirm your eligibility and be sure to enroll.

Explanation: If you are collecting Social Security, you will be automatically enrolled in Medicare at age 65. If you have delayed Social Security, you can enroll for Medicare online.

Make sure you understand how Medicare works.

Part A provides hospital coverage, while Part B provides coverage for outpatient services like office visits with your doctor. Generally, Part A insurance is free (though you may pay part of the cost of services you use), while Part B coverage requires paying a premium that varies by income level. Part D, which is also paid for separately, covers prescription drugs."

Many people also buy a Medicare supplement plan to cover expenses not covered by the original Medicare plans. Supplemental plans are standardized. You can identify the additional coverage you want and then shop by price.

You can choose a Medicare Advantage plan instead of "original" Medicare. In the Advantage plan, you receive insurance from a private company that can limit you to its network of doctors while also offering additional services.

If you have retiree health insurance, the insurance you receive through your former employer can become secondary coverage once you go on Medicare. Continuing this insurance lessens the need for a Medicare supplement plan. Your retiree health insurance plan may also include prescription drug coverage, eliminating the need for separate Part D coverage,

Actions: Visit Medicare.gov to learn how Medicare works and how to sign up. There is a penalty if you do not sign up for coverage on time. If you are still working or have retiree health insurance, speak with a benefits representative to understand how this insurance will coordinate with your Medicare coverage.

[4]https://www.medicare.gov/find-a-plan/questions/home.aspx?AspxAutoDetect-CookieSupport=1

8 Strategize for Long-Term Care

According to LongTermCare.gov, someone turning age 65 today has almost a 70% chance of needing some type of long-term care services. This could be skilled care in a nursing facility or daily living assistance at home. No matter where the care is provided it can be expensive.

Explanation: It's important to be aware that Medicare does not pay for long-term care. Medicare may only pay for nursing home care or assistance at home for a limited time following hospitalization. Plan to strategize funding your extended care yourself, either through long-term care insurance or your savings.

It's important to *know*, **Medicare does not pay** for ***long-term care.***

Medicaid provides long-term care but only if you don't have resources of your own and the eligibility requirements differ state to state. The coverage varies as well, and may be limited to care in a nursing home. In some states and situations Medicaid may allow you to remain in your home.

Actions: Speak with an insurance professional to see if long-term care insurance is suitable for you.

[5]https://longtermcare.acl.gov/the-basics/how-much-care-will-you-need.html

9 Review Housing Expenses

Consider paying off your mortgage and/or moving to a smaller home.

Explanation: For many people, monthly home costs are among their largest expenses. Therefore, eliminating your mortgage can greatly reduce those costs.

In some cases, moving out is more desirable than staying in your current home. While some people have a sentimental attachment to their home, many older individuals live in homes larger than they need or that may be difficult and expensive to maintain. Smaller homes are easier to maintain and the savings from decreased bills can open up additional income.

Actions: Review your living situation. Speak with your financial professional to see if paying off your mortgage or downsizing your home would be beneficial to your overall financial strategy.

Your money needs to last a long time after you retire. Continue to monitor it after you close your office door for good. If the 9 Steps seem overwhelming, take them one at a time. Remember that **Step 10 is have fun!** You have worked hard to ready yourself for retirement; get out there and enjoy it!

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