



How to successfully plan your retirement



Andrew McFadden, CFP®, MBA
Week 2

Outline

- ▶ Week 1
 - ▶ The smart way to approach Social Security
- ▶ Week 2
 - ▶ What does retirement look like for you? When?
 - ▶ What do I need to do from now until retirement?
 - ▶ Tax Tips
 - ▶ Estate Planning Essentials
- ▶ Week 3
 - ▶ Investment Management
 - ▶ How to build a team of advisors you can trust



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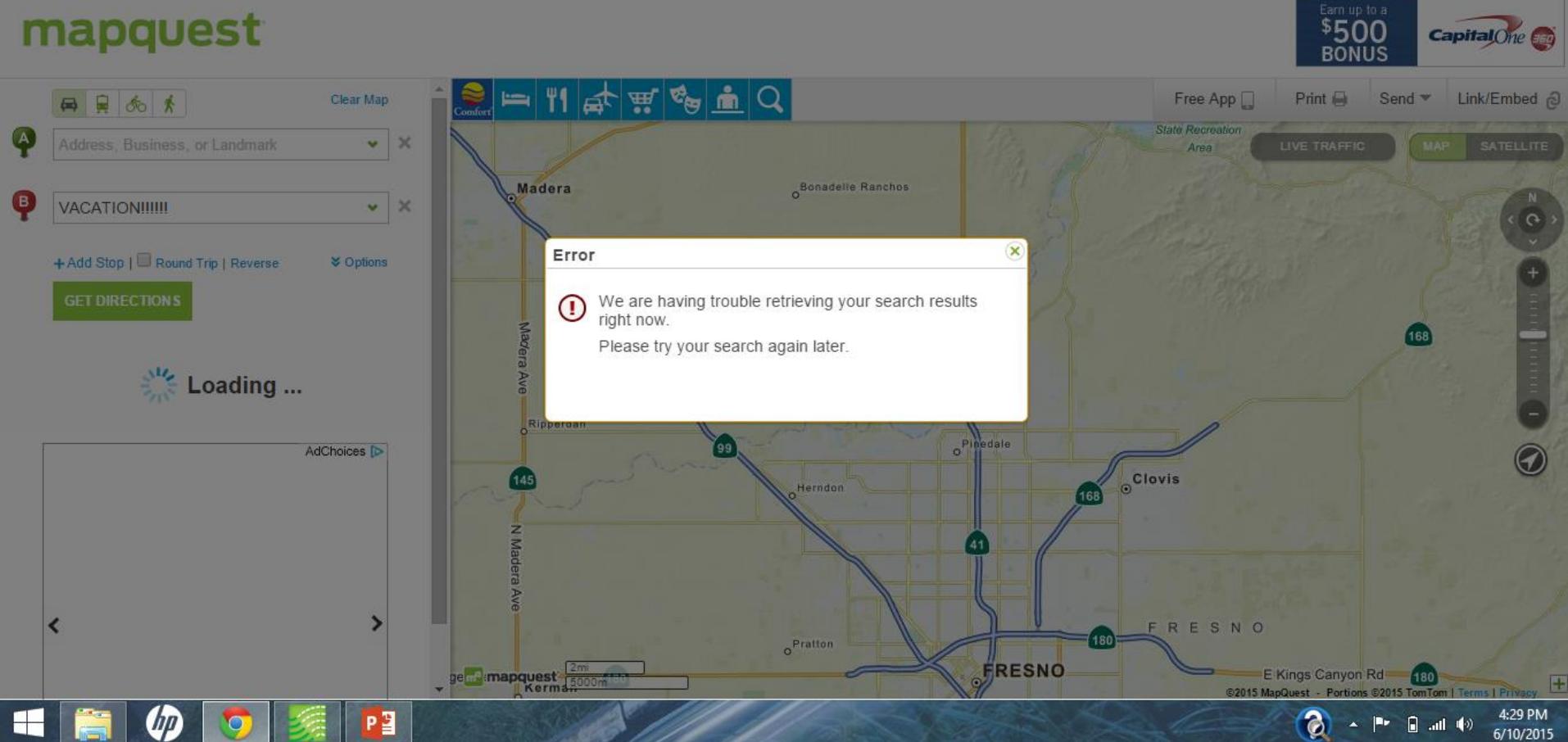
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Via CA-152 W 157.39 miles
2 hrs 44 mins / 2 hrs 44 mins based on current traffic
Est. Fuel Cost Calculate

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Location Carmel-by-the-Sea, CA Check-out 06/11/2015 06/12/2015

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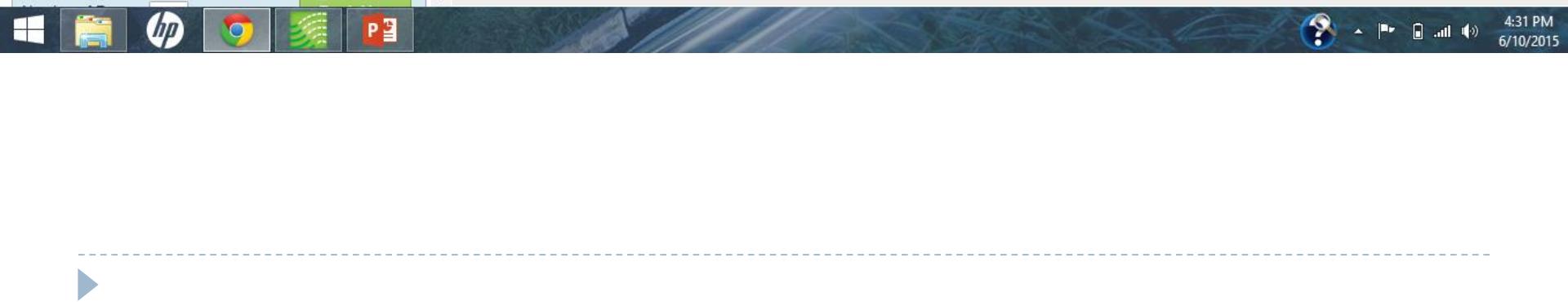
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What does retirement look like for you?

▶ “You know you’re getting old when you stoop to tie your shoelaces and wonder what else you could do while you’re down there.”

- George Burns

▶ “I don’t feel old. I don’t feel anything until noon. Then it’s time for my nap.”

- Bob Hope



More likely....

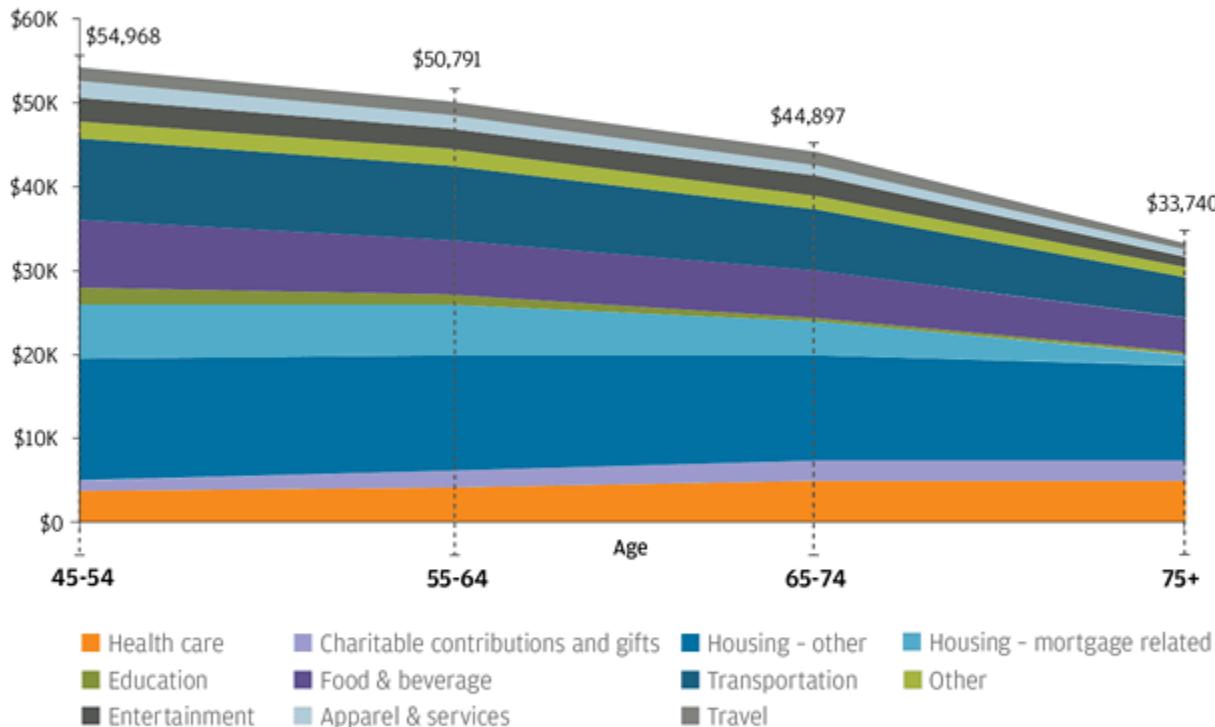


Changes in Retirement

- Saving (10 – 20%)
- Mortgage (Varies)
- Health Care (Separate)
- Lifestyle (Varies)
 - Travel
 - Hobbies
 - Gifts
- Work Expenses (Usually minimal)
- Payroll taxes (7.65%)



Average household spending patterns by various age groups



WHAT TO EXPECT

Household spending peaks at the age of 45, after which spending declines in all categories but health care and Charitable contributions and gifts.

Retirement Needs Booklet



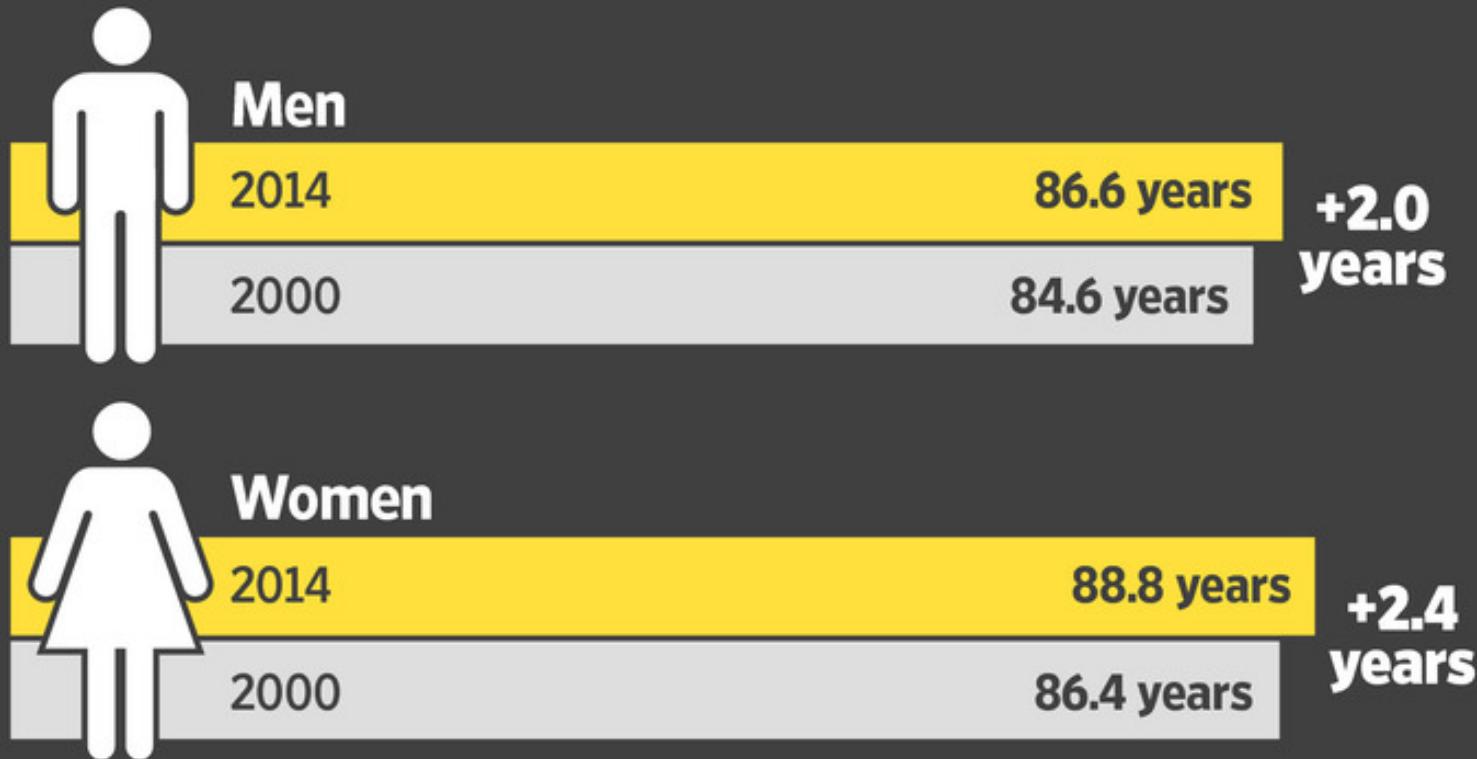
How Much Income Will You Need?

- ▶ Gross Income 100.00%
- ▶ - Payroll Taxes 7.65%
- ▶ - Savings 10.00%
- ▶ Income Needed 82.35%



Retirement Life Expectancy

Change in life expectancy for 65-year-olds in the U.S.



Source: Society of Actuaries

The Wall Street Journal

Calculation Factors

- ▶ Nest Egg

<u>Years to Retirement:</u>	1	2	3	4	5
<u>Multiply by:</u>	1.04	1.08	1.12	1.17	1.22

- ▶ Annual Savings

<u>Years to Retirement:</u>	1	2	3	4	5
<u>Multiply by:</u>	1.00	.490	.320	.235	.184



Factors that you control that impact your retirement savings

- ▶ RWLE
- ▶ RLE
- ▶ Expected Portfolio Returns
- ▶ Lifestyle changes



What 5 years could do...

- ▶ If you save \$12,000 per year for 10 years and earn an 8% annual return you would have about \$174K
- ▶ If you save \$5,000 per year for 15 years and earn an 8% annual return you would have about \$326K

You Saved for 50% longer
and ended up with almost TWICE as much!!!



- ▶ According to a recent study by Ernst & Young, almost three out of five new middle-class retirees will outlive their financial assets if they attempt to maintain their pre-retirement standard of living. Finding the right spending balance and developing a financial plan leading up to and in retirement is an arduous process and often requires assistance from a professional.



- ▶ Read more: <http://www.foxbusiness.com/personal-finance/2012/07/05/why-planning-for-retirement-is-so-hard-and-what-to-do-about-it/#ixzz2GxOHKO6>



Great Ways to Save Now and In Retirement

- ▶ Downsize
 - ▶ Buy used cars
 - ▶ Become energy efficient
 - ▶ Eat out less
 - ▶ Find deals for things you're already doing
 - ▶ (Happy Hour, Senior Discounts)
 - ▶ Make coffee at home and take water with you
 - ▶ Cut your cable and get an antenna/Netflix subscription
 - ▶ Travel during the offseason
 - ▶ Minimize/eliminate alcohol purchases while out
 - ▶ Shop your existing services out
-

Factors that you control that impact your retirement savings

- ▶ RWLE
- ▶ RLE
- ▶ Expected Portfolio Returns
- ▶ Lifestyle changes



Factors that you control that impact your retirement savings

- ▶ RWLE
- ▶ RLE
- ▶ Lifestyle Changes
- ▶ Expected Portfolio Returns – Next Week!





Mitigate your tax burden

Deductions, Exemptions, and Credits

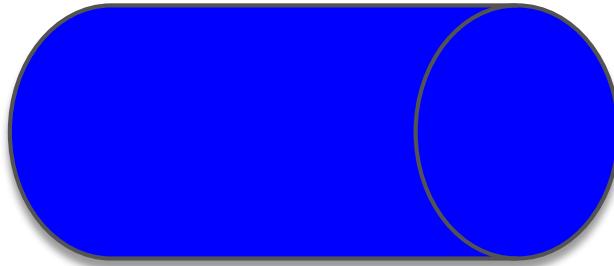
- ▶ Nearly 20 “Above the line”
- ▶ 10+ “Itemized” (below the line)
- ▶ 10+ “Credits”

[The Most Overlooked Tax Deductions](#)

[List of Tax Credits](#)



2 Gallons



1 Gallon



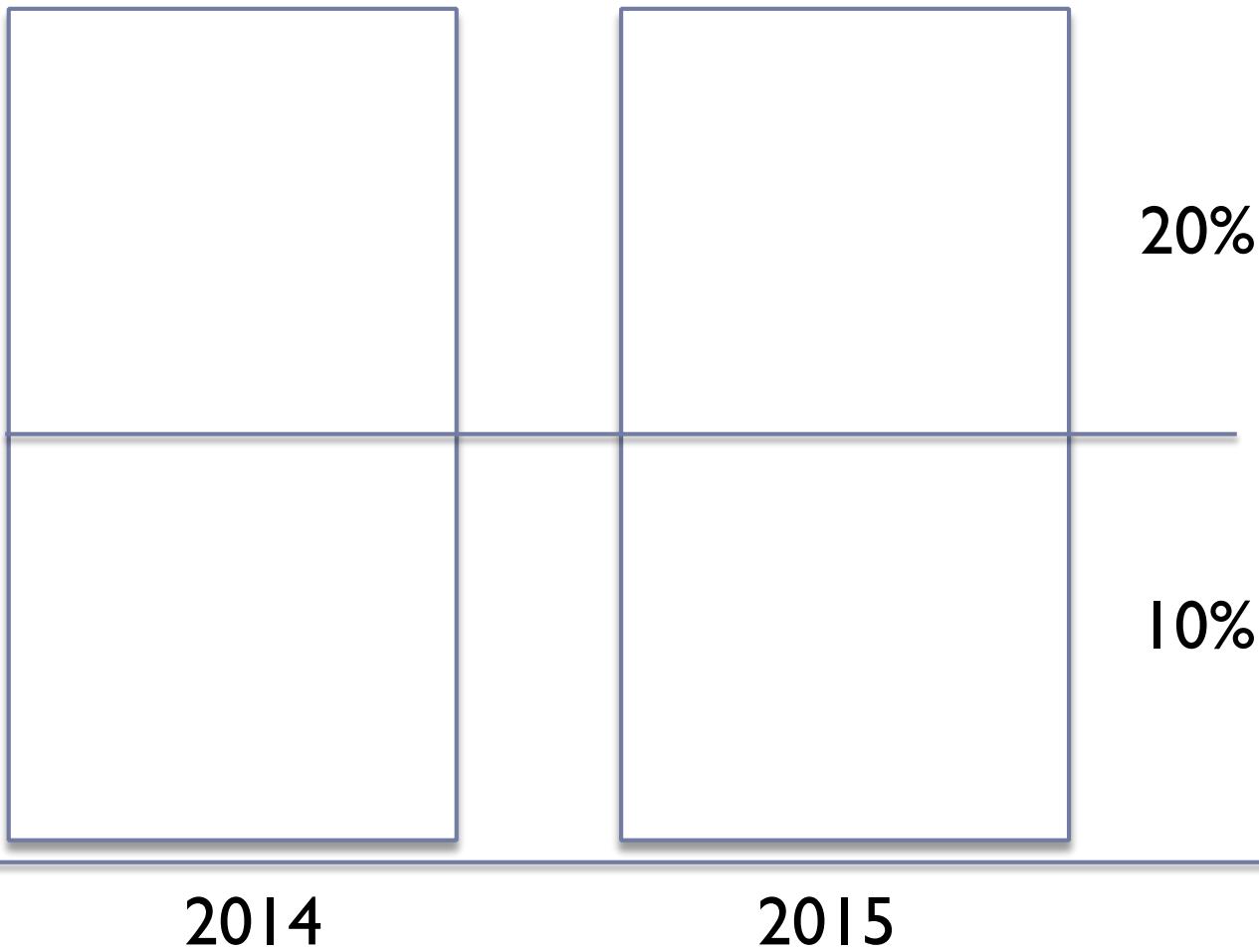
1 Gallon

Retirement Income Planning

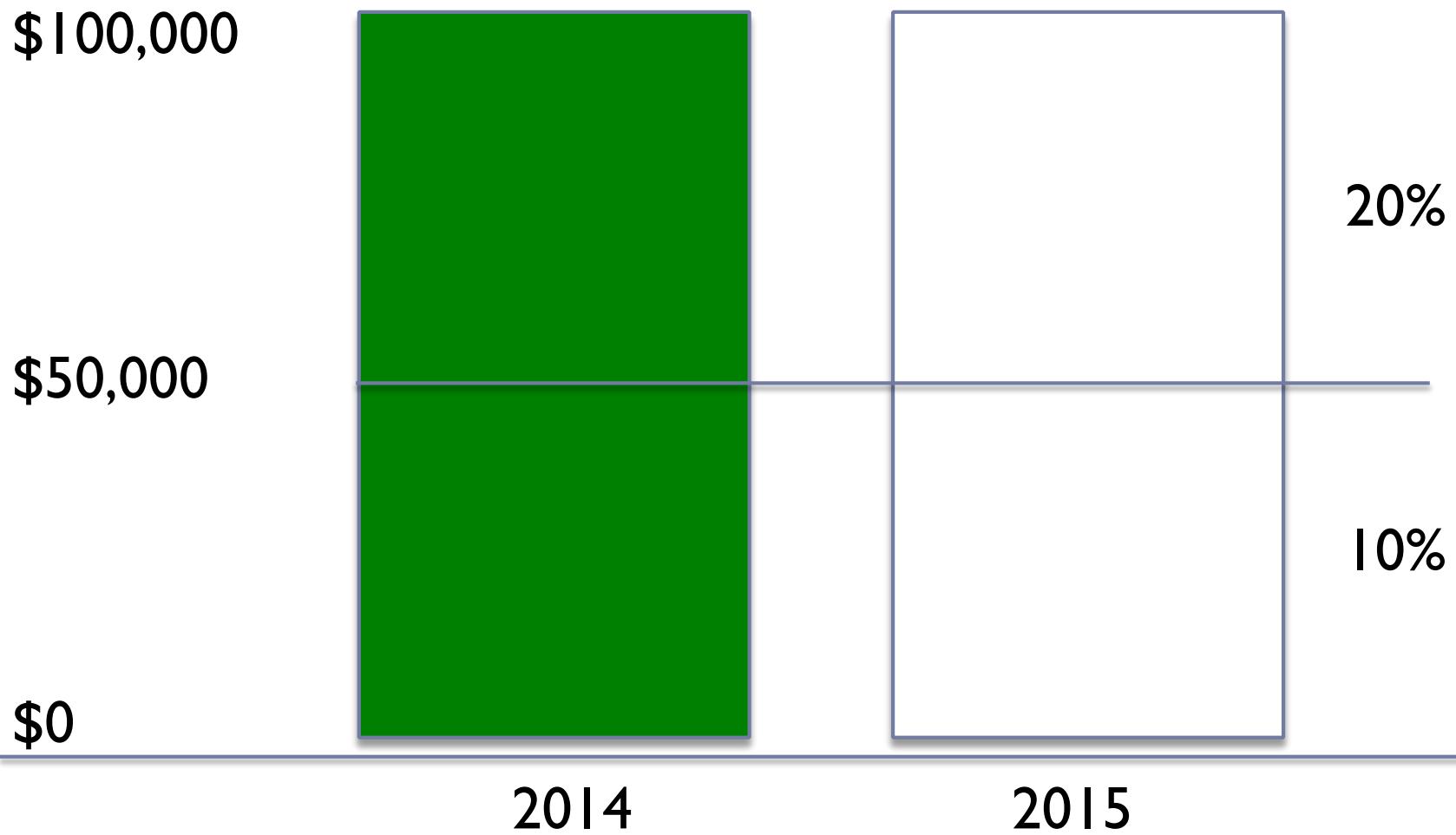
\$100,000

\$50,000

\$0



Retirement Income Planning

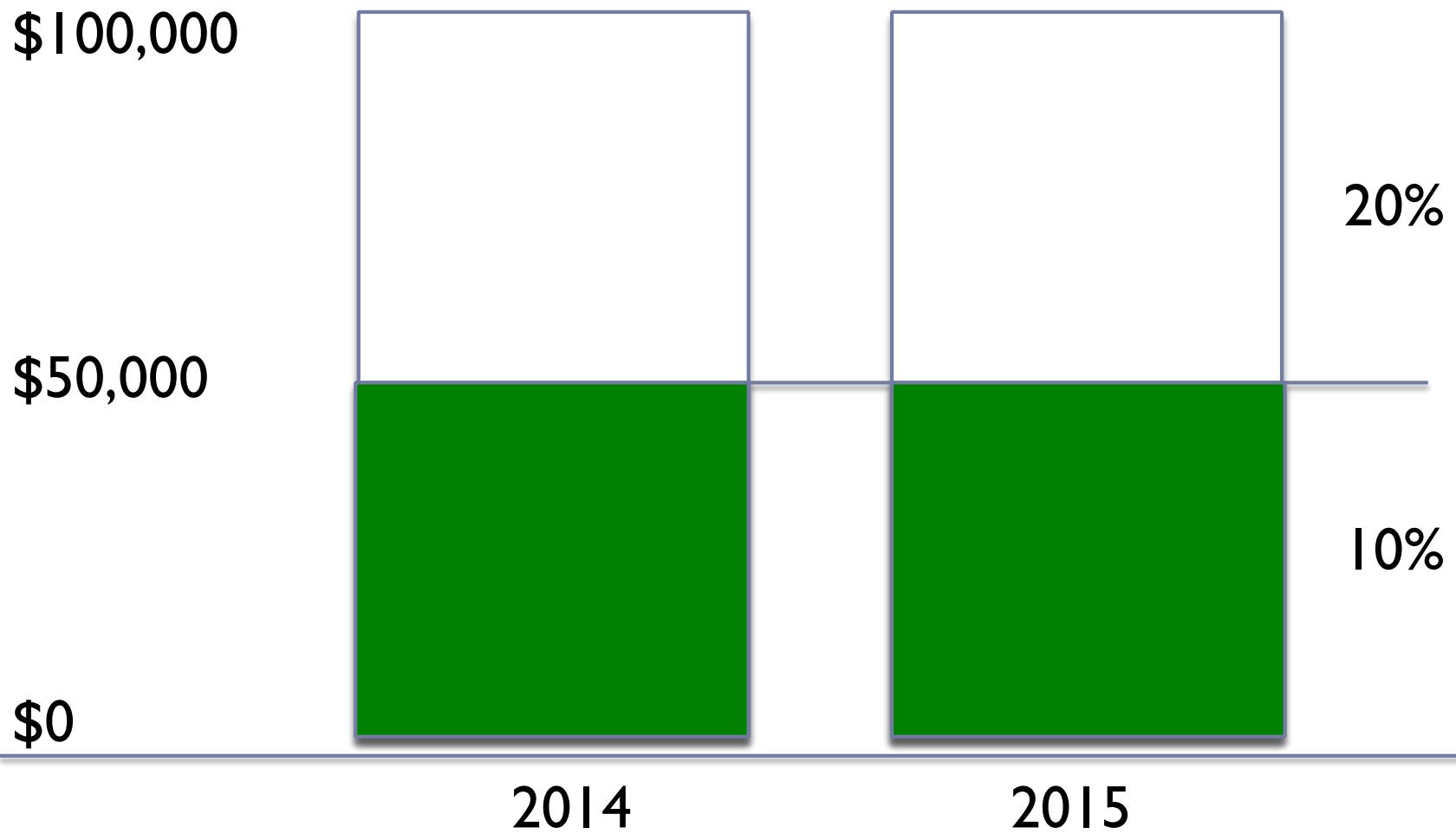


Retirement Income Planning

- ▶ Results:
 - ▶ $\$50,000 \times .10 + \$50,000 \times .20$
 - = $\$5,000 + \$10,000$
 - = $\$15,000$



Retirement Income Planning



Retirement Income Planning

- ▶ Results:
 - ▶ $\$50,000 \times .10 + \$50,000 \times .10$
= $\$5,000 + \$5,000$
= $\$10,000$

\$5,000 Savings!!!



Example

Age	Salary	Savings	Trust	Social Security	IRA	Taxable Inc	2014 Bracket
60	\$150,000	-\$15,000				\$135,000	25%
61	\$155,000	-\$15,500				\$139,500	25%
62		\$60,000				\$0	0%
63		\$30,000	\$30,000			\$0	0%
64			\$80,000			\$0	0%
65			\$60,000		\$20,000	\$20,000	15%
66				\$60,000	\$20,000	\$71,000	15%
67				\$62,000	\$18,000	\$70,700	15%
68				\$64,000	\$16,000	\$70,400	15%
69				\$66,000	\$14,000	\$70,100	15%
70				\$68,000	\$73,000	\$130,800	25%
71				\$70,000	\$75,400	\$134,900	25%
72				\$72,000	\$78,200	\$139,400	25%
73				\$74,000	\$81,000	\$143,900	25%
74				\$76,000	\$84,000	\$148,600	28%
75				\$78,000	\$87,400	\$153,700	28%



Things to do

- ▶ Plan ahead
 - ▶ Redistribute to low marginal years
 - Increase deferrals in high earning years
 - Roth conversions in low retirement years
 - Coordinate how you recognize income
 - Social Security
 - IRA Distributions (RMD's)
 - Annuity income
 - Rental income, earnings, dividends
 - Take advantage of all deductions, exemptions





Estate Planning Essentials

Estate Planning

- ▶ Deciding for yourself, ahead of time, what you want to happen in event that a health emergency or untimely death should occur.
- ▶ We will discuss:
 1. The basics of what you should know
 2. Financial implications

*Should be values-based, or you won't accomplish your goals



The Basics

Who do you want to leave your assets to?

- ▶ Your loved ones
- ▶ Your favorite charities
- ▶ A nursing home
- ▶ Your spouse's next spouse
- ▶ The government

*The way to make sure is to plan ahead of time



The Basics

- ▶ To prevent your state from directing your affairs you must supersede their default with your own clear wishes using a:
 - ▶ Will
 - ▶ Trust
 - ▶ Advanced Medical Directive
 - ▶ Power of Attorney
 - ▶ Or title your assets correctly using beneficiaries



Wills

- ▶ Outline where you want your funds and property to go
- ▶ Guardianship Clause
- ▶ Who would raise your kids that you trust?

Caution!!!

Wills cannot outline how,
when or for what purposes
your money should be given
to your beneficiaries



Advanced Medical Directive

- ▶ Outline how you want your health care decisions to be addressed in the event that something happens to you that causes a medical emergency
- ▶ HIPPA authorization
- ▶ End of life and life-support decisions included



Power of Attorney

- ▶ Allows someone (most commonly your spouse) to sign for you in the even that you are unable
- ▶ Durable or “Springing”



Trusts

- ▶ Can be set up for children's or other beneficiary's benefit
- ▶ Can designate the how, when and for what purpose

You need a good,
knowledgeable Estate-
Planning Attorney to craft
the proper trust



Strategies

- ▶ Probate can be expensive and time consuming
 - ▶ Avoid if possible with proper titling and trusts
 - ▶ Everyone should have a Will and Advanced Medical Directive
 - ▶ A Trust and Power of Attorney (springing) can be very helpful too
 - ▶ Should be coordinated with your overall financial plan
-

END WEEK TWO

- ▶ Questions?

