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FINANCIAL & RETIREMENT PLANNING FOR LIFE

The benefits of retirement

A look at how your retirement benefits can replace your workplace paycheck

Retirement may evoke thoughts of long, relaxing days and free afternoons with your grandchildren. But while this period of unstructured time can be sweet and easy, it also requires doing your due diligence to prepare for a myriad of more practical changes. While you're planning your retirement, you'll need to address how your retirement benefits will compensate for your workplace ones. Doing so could help preserve your retirement fund and offer you something more precious than money: security and comfort.

By collaborating with your financial advisor, you can establish strategies to pay for essentials such as healthcare as well as determine income-generating methods to cover your paycheck in retirement. Here are a few topics you'll want to cover.

START AT THE SOURCES

First, let's start with the streams of reliable retirement income that will serve as your main source of cash flow. This could include any one or a combination of: Social Security, pension payments, employment income or annuity payouts. The key is identifying the sources of consistent and reliable income that you can use to cover your necessary expenses.

For example, Social Security, which generally includes a cost of living increase each year, should hold steady in a variety of economic environments. Its resilience is one reason why it pays to maximize this income stream if you can. Depending on your specific circumstances, it may make sense to hold off on taking

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EAGLE WEALTH STRATEGIES
877 Kings Highway
West Deptford, NJ 08096
T 856.845.4005
www.eaglewealthstrategies.com

The benefits of retirement (cont.)

benefits, since they grow at about 8% per year until age 70. Deciding when to claim your benefits can be difficult. Your financial advisor can help you make the decision that best fits your financial picture.

If your needs aren't quite covered by your main sources of retirement income, you may have to turn to other income streams to fill the gaps. These are the assets you specifically set aside to fund your retirement and supplement your reliable income. Funds from your employer-sponsored 401(k), IRAs, checking and savings accounts, and CDs, as well as dividends and interest from your investment accounts, can be diverted to pay for the essentials. Additionally, you may opt for a deferred compensation plan before retiring so that your income is paid out at a later date than it was earned. If your employer offers it, an employee stock ownership plan (ESOP) could also boost your supplemental income.

WHERE MEDICARE FALLS SHORT

You may have a clear vision of your ideal retirement, but that dream could fade if unexpected healthcare costs start to eat away at your hard-earned retirement savings. The fact is, even with Medicare, quality healthcare can come with a hefty price tag. There are still premiums, copayments, deductibles and other out-of-pocket expenses that must be accounted for.

For instance, Medicare doesn't cover routine dental care, hearing, vision or long-term care. If you want to keep your healthcare costs in retirement as low as possible while enjoying the best coverage, it's imperative to seek professional counsel. Asking your financial advisor to help connect you with a healthcare planning professional can allow you to answer questions such as: How do I decide between traditional Medicare and Medicare Advantage plans? How do I select the right Part D plan, or Medigap plan, or Medicare Advantage plan?

HEALTH AND WEALTH

When it comes to covering your bases for healthcare costs, budgeting may become indispensable. A broad approach could consist of allocating a lump sum of money to cover the average lifetime healthcare costs. If you aren't able to set aside large sums of money, you can opt for the more practical approach of estimating your and your spouse's projected health needs based on family history and current state of health. There's also the hybrid approach of estimating costs, buying enough insurance to cover most of your anticipated needs and then setting aside a smaller cash reserve for the unexpected. Yet another option includes taking advantage of health savings accounts (HSAs). While you can no longer contribute to an HSA once you're enrolled in Medicare (even if you're still working), you can use any preexisting HSA funds and roll over unused amounts.

If you retire before being eligible for Medicare (the usual age of eligibility is 65), you may want to look into the Consolidated Omnibus Budget Reconciliation Act (COBRA), a health insurance program that allows retirees and other qualifying individuals to receive health insurance coverage at group rates. Although COBRA plans can be costlier than employer-sponsored healthcare, they are usually less expensive than individual health insurance plans and can provide identical coverage to the one offered by your former employer. Considering the complex nature of these alternative programs, it pays to discuss your options with your financial advisor. ■

> Even with Medicare, quality healthcare can come with a hefty price tag.

Sources: cbo.gov, investopedia.com, medicare.gov, Raymond James research

Retirement costs

According to the latest Bureau of Labor Statistics data, here are the expenses a retiree can expect to have each month in five major categories:

- Housing: **$1,322**
- Transportation: **$567**
- Healthcare: **$499**
- Food: **$483**
- Entertainment: **$197**

Source: usatoday.com

NEXT STEPS

- Work with your financial advisor to estimate your projected retirement costs.
- Identify sources of consistent and reliable income you can use to cover necessary expenses.
- Plan how you'll pay for your healthcare needs, keeping in mind there are important services that Medicare does not cover.

Prepare for a lifetime and beyond

Review your estate plan to help avoid costly consequences

There's a calm comfort that comes with estate planning. A sense that your ducks are in a row and that your family will be taken care of after you pass away (hopefully at a ripe old age, peacefully in your sleep surrounded by those you love who love you right back). Sadly, it doesn't always happen that way. Forgotten details can create confusion and havoc for your family.

AVOIDING THE GREAT ESTATE "OOPS"

Even those who think they've got their estate plans buttoned up, can and should review – then update – those documents at least once a year. After all, you probably don't want your family members to end up in a drawn-out legal battle over grandma's grand piano. Paired with regular reviews, the following steps can help prevent your estate from descending into chaos.

WRITE A WILL AS SOON AS POSSIBLE

And keep your beneficiaries updated. Everyone over 18 needs an estate plan that includes a comprehensive will (at the very least) and that properly documents their wishes. Remember, life is unpredictable.

CONSULT A PROFESSIONAL

Trust a qualified estate planning professional to help you write your will and other estate planning documents. To find one, ask for a referral from your financial advisor or visit the American Academy of Estate Planning Attorneys or the National Network of Estate Planning Attorneys. Most of us have limited expertise when it comes to complicated tax and estate planning, and even though dedicated software can help you create the necessary documents, it's still a good idea to have an estate planning attorney review what you have.

REVIEW YOUR PLAN ANYTIME YOUR LIFE CHANGES

Remember that every life event – births, adoptions, disability, deaths, marriages, divorces, even moving – should trigger a review and update of your estate documents. If any of these events occur in the life of a beloved beneficiary, take note! That requires another look, too.

TAKE ADVANTAGE OF ESTATE-PLANNING TECHNIQUES

Make sure your will accurately reflects your existing family structure. And, don't forget to talk to professionals about estate planning techniques that take advantage of all the tax exemptions currently available. Doing so could ease the transfer of assets and keep more of your hard-earned wealth within the family, not in Uncle Sam's coffers. ■

NEXT STEPS

- Make sure your estate plan reflects your wishes
- Review your estate plans at least once a year
- Discuss this process with your advisor

Rightsizing your home for retirement

How to find a forever home that's the perfect fit for your needs

Retirement is a time of change. More free time, different hobbies and, for some, a new home. But whether "new" means a smaller or larger abode depends on the needs and wants of each retiree. While there was a time when "living large" drove American desires for big cars and even bigger houses, that's not necessarily the case now. There are some who prefer the freedom and convenience of living simply in a cozier home, whereas others still relish the prestige of a larger place.

THE UPSIDE OF UPSIZING

A more spacious home makes sense for retirees eager for visitors, and those open to sharing their space with generations of family, whether full time or just for vacations and holidays. Although a multigenerational household requires dealing with other people's schedules, needs and pet peeves, the perks can add up. Grandparents who aren't working outside the home might help with childcare and meal preparation, easing the burden for their adult children. Older people who have trouble making ends meet can find that moving in with their adult, retired children is less costly than traditional senior housing. Plus, they will have a built-in social network.

Perhaps the biggest benefit of having several generations in one house is the simple luxury of being around family. With shared meals, shared laughter and the satisfaction of surrounding yourself with loved ones, when it works, it just feels right to live as one big tribe.

LIVING LARGE BY LIVING SMALL

Retirees and empty-nesters have been downsizing or "smartsizing" for decades in a bid to use their income as wisely as possible. This demographic often sells larger houses in favor of a mortgage-free lifestyle with less maintenance. Really, they're permanently reducing one of the biggest fixed expenses they'll encounter: housing costs. And with their children out on their own, homeowners are giving up their five-bedroom house in the suburbs in favor of a two-bedroom condo on the beach that is much more appealing to them. Saturdays can be spent collecting seashells rather than mowing the lawn.

Many of those who voluntarily downsize can afford a big car and a larger house, but they're doing the math and finding that living with less doesn't necessarily mean going without. For instance, a smaller home may mean less yard and housework and more time and energy to pursue things you truly enjoy. It's not necessarily about making do with less; instead the trend is about making room for what makes you happy. ■

NEXT STEPS

- Consider the pros and cons of a larger versus smaller home.
- If contemplating a multigenerational household, ask your family for feedback and perhaps practice over an extended vacation.
- Talk to your advisor about how rightsizing housing costs fits into your financial plan.