THE RETIREMENT PLAN PLAYBOOK

WHAT YOU SHOULD DO IN THE DECADE BEFORE YOU RETIRE

EVERMONT
WEALTH

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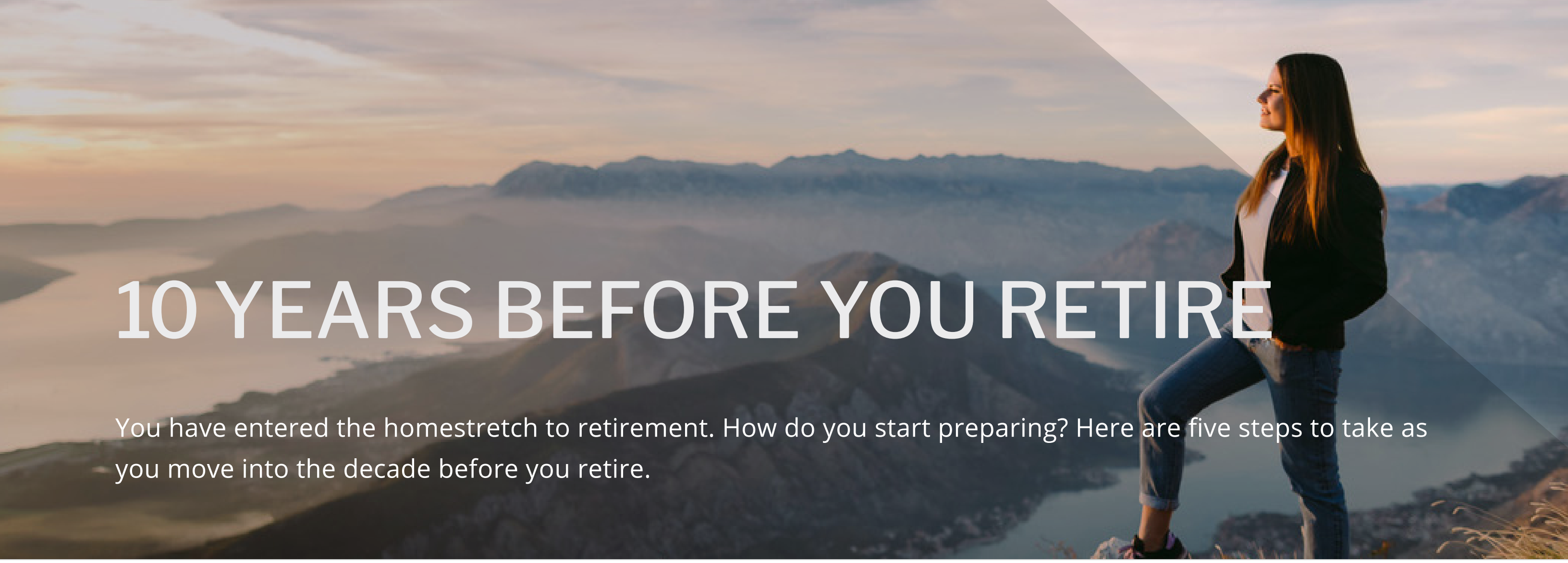
INTRODUCTION: WHEN RETIREMENT IS ON THE HORIZON

You have been working hard in your career, raising a family, and putting money toward a retirement that seems very far off. Then one day you wake up, and you realize that retirement isn't so far off after all. You have maybe 10 years to go before you make this critical transition, and you know you should start preparing for it—but how?

What financial steps should you take to make the comfortable retirement that you have worked so hard for a reality?

We wrote this ebook to help guide you through that critical decade before you retire. You will receive a timetable for decisions to make and encouragement to help you stick to your goals. By following our checklist of steps, you can feel more confident that you will be ready to retire when the time comes.



10 YEARS BEFORE YOU RETIRE

You have entered the homestretch to retirement. How do you start preparing? Here are five steps to take as you move into the decade before you retire.

1. TARGET YOUR SAVINGS

Many people get sidetracked when saving for retirement. Immediate needs, such as mortgages and children's education, can seem more pressing, and the money that was earmarked for retirement can suddenly find another use. The problem is that you are potentially facing a retirement of 20 or even 30, years, and you don't want to outlast your savings.

You can use an online calculator to get a ballpark estimate of how much you should be saving, or you can talk to a financial advisor, who can give you a specific number. If you find out that you are behind in saving, now is the time to make it a priority. Among your options is taking advantage of catch-up contributions for your 401(k) or IRA once you turn 50. You may also consider working more hours so you can receive a larger check from Social Security when you claim your benefits.

2. FACTOR IN SOCIAL SECURITY

Speaking of Social Security, you can take a look at whether you should delay claiming your benefits. Enrolling in benefits before you reach full retirement age (66–67 depending on the year you were born) significantly reduces the amount you receive—for the rest of your life. Moreover, delaying past full retirement age increases your benefit amount. (Note: There's no point delaying past age 70, when the increases stop.)

The Social Security website at **www.ssa.gov** has information and calculators that can help you determine at which age you can retire and still meet your income needs.

3. REVIEW YOUR PORTFOLIO

As you close in on retirement, you might be tempted to dial down your investment risk by moving away from stocks. At this stage, however, you probably still need to invest with growth as an objective. We suggest you talk with a financial advisor about the amount of risk that you should have based on your stomach for it (also called risk tolerance) and how much you need to save for retirement.

Risk tolerance is important because if you take on too little risk, you might not reach your saving goals. But if you take on too much, you could be prone to panic selling when markets get rocky. An advisor can help you determine the right balance between growth and risk for the next 10 years.

4. GET A HANDLE ON YOUR DEBT

Now is the time to take a close look at your debt and decide how you want to deal with it. Make a plan to pay off high-interest debt, such as installment or credit card debt, as quickly as possible. After you tackle this debt, you can move on to other debt, such as your car loans.

Also review your mortgage to determine if you should pay it off as one of your pre-retirement goals. You may envision retiring mortgage-free, but you might be helping your finances more if you invest the money that you would otherwise use to pay off your mortgage early.

This decision is not a purely financial one—one decision may give you more peace of mind than the other. If you want some guidance on how to handle your mortgage and other debt, a financial planner could help you understand your options and create a debt management strategy that works in sync with your other financial goals.

5. TALK WITH YOUR SPOUSE

We have met a lot of couples who never talked to each other about their plans for retirement. This can be a recipe for disaster, since retiring is a complex process that involves a multitude of decisions over finances, goals, homeownership, Social Security, long-term care, and estate planning—just to name a few areas.

Make some time to sit down with your spouse to discuss your plans for retirement. You should determine when each of you will retire and how those decisions affect concerns like Medicare. Your talk should include your goals and dreams, both shared and individual, so that you can create a retirement that you both look forward to.

If you think your savings may fall short of achieving your goals, then go back to Step 1 above and review how much you are putting aside. If you work with a financial planner, you can get a comprehensive plan for retirement that is based on your goals and includes the financial, investment, and tax strategies to help you reach them.

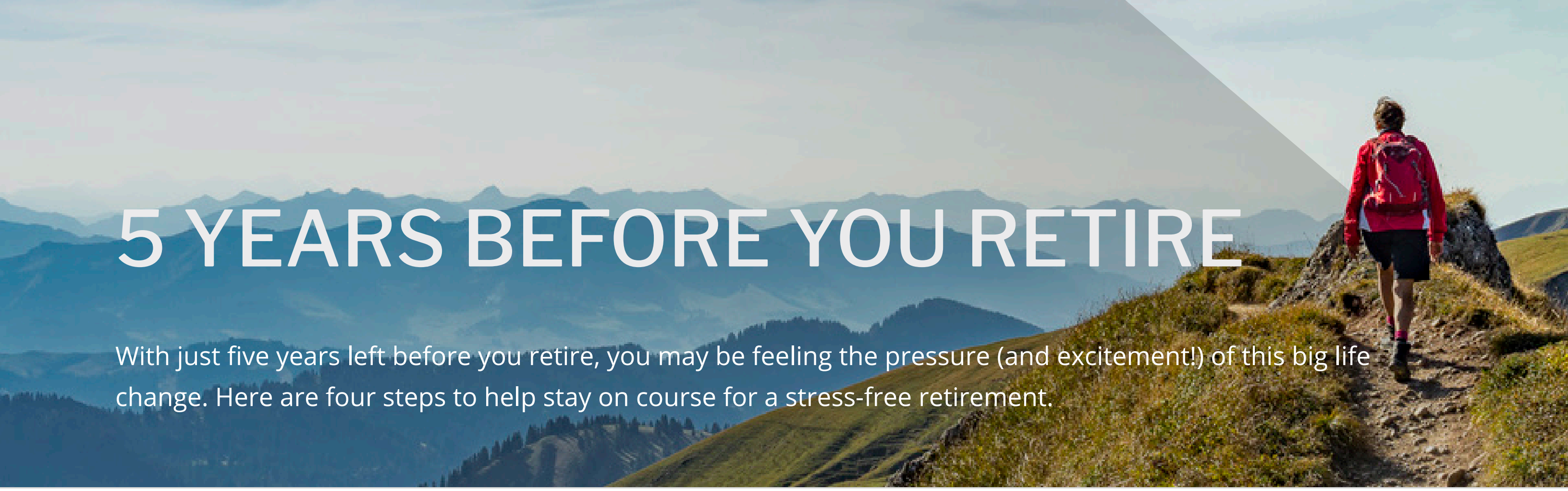
CASE STUDY: JAKE & HELEN

Jake and Helen were dreaming of an early retirement, but they had concerns about whether they had saved enough to retire early—or even retire at all. Jake, 51, owned a small business, while Helen, 48, was a high school teacher. Together, they had a joint income of $195,000, and they had decided that an income of $150,000 in retirement would help them enjoy a comfortable lifestyle. In addition, they wanted to help their two children with college tuition, and Jake needed a succession plan for his business.

Since Jake and Helen were concerned whether they were on track to achieve their goals, they sought the help of a financial advisor. Using Jake's retirement savings and Helen's pension as a starting point, the advisor determined how much additional savings the couple would need for their retirement. She recommended that the couple add bonds to diversify their current savings and reduce investment risk. She also suggested that Jake start a safe-harbor 401(k) plan for employees and contribute the maximum allowed to his own account.

Since the couple already had 529 college-saving plans, the advisor suggested that they make the allocations more conservative to reduce investment risk, then use the plans to pay for the children's first two years of college. After that, the cost of university would be paid through a combination of student loans and out of pocket. Finally, the planner advised the couple to work with a CPA to prepare for Jake's departure from his business. The steps would include selling his shares in his business at 55 and training one of his star employees to take over the business when Jake reached 60, with the ultimate goal of fully stepping away at 62.

After meeting with their advisor, Jake and Helen felt confident about their direction. They had a plan that would not only help them with the more immediate goals of business succession and college tuition, but set them on the path of achieving the early retirement they had been dreaming of.



5 YEARS BEFORE YOU RETIRE

With just five years left before you retire, you may be feeling the pressure (and excitement!) of this big life change. Here are four steps to help stay on course for a stress-free retirement.

1. REVIEW YOUR PLAN

Take a look at your savings and other points we touched on in the Year 10 chapter, and determine whether you are on track with your goals. If you are not, regroup and figure out what you can do to address any shortfalls. A talk with a financial advisor could help. They will be able to review your overall picture, help you address red flags that you might have missed, and make sure you are in a position to reach your objectives. They can also help assess how much you can expect in monthly income based on your current savings and investment trajectory, other income sources, needs, and goals.

2. TAKE A LOOK AT HEALTH CARE

Health care is expensive—a trend that isn't likely to change anytime soon. Now is a good time to estimate your health care needs in retirement. You and your spouse should consider your expected longevity and current medical conditions, as well as potential future conditions. Then take a look at **www.medicare.gov** to review Medicare plans and costs. But remember: Medicare will not pay for everything, so you will need to determine how you will cover the gap.

3. CREATE A PLAN FOR LONG-TERM CARE

One of the things that Medicare does not cover is long-term care, except in limited instances. Unfortunately, long-term care is expensive, with an extended stay in a nursing home running into the tens of thousands of dollars. If you do not have the savings to cover that, you need a plan for long-term care (LTC).

Long-term-care insurance is the most popular solution, but it can be pricey. Alternative strategies, such as hybrid life–LTC policies, may be helpful. Take the time to get informed about your options. The website at **www.longtermcare.gov** covers a variety of topics, including coverage provided by federal or state programs, why where you live matters, and how to pay for LTC.

Whatever you do, don't ignore the possibility that you or your spouse (or both of you) may need long-term care someday. With Americans living longer, more of us than ever can expect some form of long-term care. A plan can help give you peace of mind that you will be covered if the need arises.

4. DECIDE WHAT TO DO WITH YOUR HOUSE

Your house is not just a place to live in. You may have raised your family there, and now you have a lifetime of memories associated with your home. This may make you reluctant to sell, but we encourage you to take a look at whether staying in your house is the right move financially.

Downsizing or relocating might make better sense for your retirement. By selling your house, you can move to a less expensive area and free up money for your retirement. If you want to stay close to family, you can consider a smaller home. By saving on maintenance costs, energy bills, etc., you will have more money (and time) for your kids and grandkids.

CASE STUDY: STEVE & JANET

Steve and Janet, both 60, had long talked about leaving their busy urban lifestyle in California for a quieter life in Texas or Montana. But that's all it was—just talk.

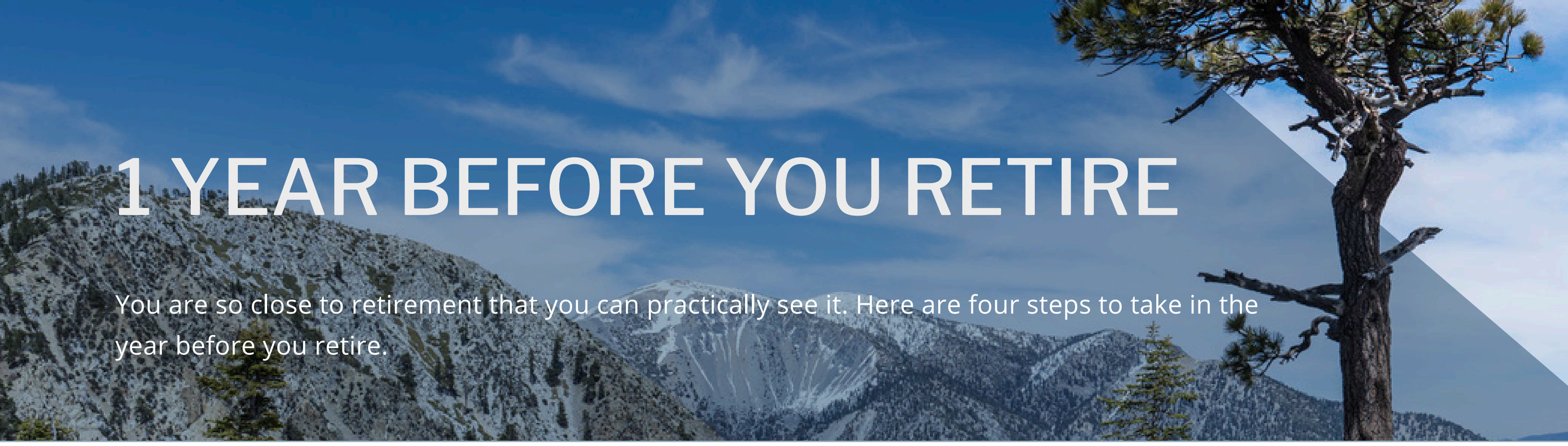
Until now.

The couple recently decided to pursue their dreams, with the goal of retiring at 65. Since they didn't know the best path forward, they turned to the financial advisor they had been working with over the years. In addition to moving, the couple—who didn't have children—wanted an estate plan that would benefit their favorite charities.

Steve and Janet had $3.5 million in retirement savings and needed an annual income of $125,000 to pay for the lifestyle they envisioned. The planner worked with them to determine the best time to begin taking Social Security benefits, as well as how much they would need to withdraw from their savings to cover the shortfall. He also advised Steve and Janet to sell their house and rent an apartment until they retired. They could then use the cash from the house sale to buy their retirement homes. By reducing their contributions to pretax retirement accounts, they could put the difference toward renovating their new properties.

Finally, their advisor began establishing charitable giving strategies so the couple could support their charities while minimizing taxes while still alive. Once they passed, the documents would be in place to direct their inheritance to the charities they selected.

After working with their financial advisor, Steve and Janet felt excited that their dreams of new homes under the wide open skies of Montana and Texas would soon be a reality. And they felt peace of mind knowing that the legacy they wished to leave would be taken care of.



1 YEAR BEFORE YOU RETIRE

You are so close to retirement that you can practically see it. Here are four steps to take in the year before you retire.

1. ADJUST YOUR PORTFOLIO

Work with your financial advisor to adjust your investment portfolio based on the amount of risk you should take in retirement. Many people reduce their risk to protect their nest egg better. Your financial advisor can help you pick the right equity-bond allocation that works for your income and saving goals.

2. TEST-RUN A BUDGET

Create a budget for retirement that takes into account all of your expected sources of income such as IRA distributions and Social Security benefits, as well as your expected expenses.

Make sure to give your budget a test run before you retire. That way, you will have the time to tweak the budget and test again. You may find that you need more money (or less!) than you thought.

3. EVALUATE YOUR PENSION OPTIONS

Most people don't have a pension nowadays, but if you are one of the lucky ones, you have some decisions to make. For one, you will need to decide whether you want to take your pension all at once or via monthly checks. You will also need to choose the appropriate survivor benefit for your financial situation. For example, if you choose a reduced benefit now, your spouse will receive a larger benefit after you die, which could bring you peace of mind if you anticipate that they will outlive you.

4. SELECT YOUR MEDICARE PLANS

We already recommended that you review your Medicare options to get an idea of your health care costs in retirement. Now is the time to select the coverage you think you will need, such as Part D (which covers prescription drugs) or Part C (which is offered by private companies in lieu of "original" Medicare). Consider your options carefully since you will have to live with your decision at least until the next open enrollment period.

CASE STUDY: MIKE & SUSAN

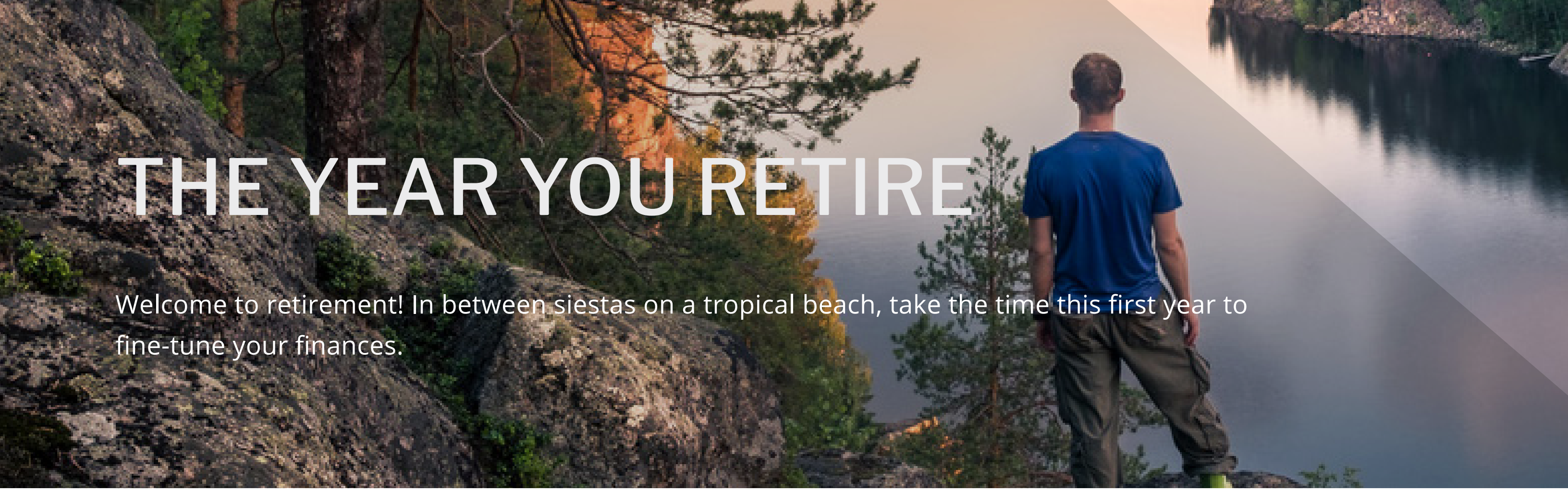
Mike and Susan were getting ready to retire, but they had diverging ideas about when retirement should be and how it should look like. Mike, 65, was tired of the politics at his job and wanted to retire now. He envisioned long days spent golfing. But Susan, 66, found her part-time work with a charity gratifying, and she wanted to stay with it until she turned 70. In the meantime, they both wanted to travel and spend time with their grandchild, the first for the couple.

The two asked a close friend for a recommendation to a financial advisor, and set up an introductory meeting. After analyzing their finances and discussing their goals, the advisor developed a comprehensive plan that would help each of them achieve the retirement they envisioned.

In retirement, the couple would have Mike's 401(k) of $400,000 and pension of $30,000, Susan's IRA of $23,000, and their inheritance of $95,000. With a desired retirement income of $90,000, the financial planner ran Social Security and pension projections to see how much the two would need to withdraw from their retirement accounts to make up for the income shortfall. He advised that Mike start collecting Social Security at 66 and Susan at 70, helping them to realize the retirement dates they each sought.

In addition, the financial advisor created a travel budget so they could start taking the many trips they had talked about over the years. The new grandparents also started a 529 college-savings plan for their grandchild with a one-time contribution of $5,000, with the goal that the child's parents would continue adding to the plan. Finally, they invested $50,000 of their inheritance and put the remainder in a high-yield savings account.

By working with a financial planner, Mike and Susan gained clarity about their direction, and they felt thrilled that they now had a plan that met their needs as individuals and as a couple.



THE YEAR YOU RETIRE

Welcome to retirement! In between siestas on a tropical beach, take the time this first year to fine-tune your finances.

1. REVIEW YOUR SPENDING

It is easy to get off track when you are fresh into retirement, but you want to be diligent and make sure your spending does not outpace your income. If your budget seems to have gone haywire, don't panic. Simply take steps to get your spending under control. If you are having trouble doing so, you may need to revisit your budget.

2. STICK TO THE PLAN

Along with your budget, you have put together a retirement plan that includes how and when you will take distributions while minimizing taxes. Stick as closely to your plan as you can to better see where it is working and where it needs to be adjusted. If it needs work, adjust accordingly. You might consider talking to a financial advisor, who has the expertise to see how the details fit into your overall retirement picture.

CASE STUDY:
JIM & SANDRA

Jim, 67, was two months into retirement, while his wife, Sandra, 68, retired a year ago. Now that they had both stopped working, they wanted to make sure that their financial plan was in line with their retirement reality. Though the couple were diligent, it was a challenge to make the transition from accumulating savings to spending it. They had overspent their monthly budget several times and were concerned about the impact that continued overspending could have.

The two contacted a financial advisor, who took a comprehensive look at their finances and investments. The advisor fine-tuned their retirement distribution strategy so that it covered their income needs each month. As empty-nesters, the couple had been wondering if their home was too big for them. Their advisor helped them determine how much money they could get by selling their home, which still had a mortgage. The cash they would receive in the home sale would enable them to purchase a smaller home mortgage-free, providing them more financial cushion.

Working with the financial advisor helped Jim and Sandra make important corrections to their budget so that they could stay on track each month. Now that they were no longer concerned about outlasting their money, they started to enjoy retirement more and began eagerly planning their next home destination.

YOUR COUNTDOWN TO RETIREMENT CHECKLIST

10 YEARS BEFORE YOU RETIRE

☐ Target your savings

☐ Factor in Social Security

☐ Review your portfolio

☐ Get a handle on your debt

☐ Talk with your spouse

5 YEARS BEFORE YOU RETIRE

☐ Review your plan

☐ Take a look at health care

☐ Create a plan for long-term care

☐ Decide what to do with your house

1 YEAR BEFORE YOU RETIRE

☐ Adjust your portfolio

☐ Test-run a budget

☐ Evaluate your pension options

THE YEAR YOU RETIRE

☐ Review your spending

☐ Stick to your plan

THE NEXT STEP

At Evermont Wealth, we get how scary it can be to shift from saving for retirement to spending your retirement savings. As financial advisors, we think retirement planning should be a lot easier.

Our mission is to help you cut through the complexity of your finances and make good decisions. Our advisors work with you to help make sure all the retirement pieces come together so you can feel assured you have a plan that can endure over the course of your retirement.

It's easy to work with us:

Step 1: Schedule a 30-minute phone call to discuss your retirement goals.

Step 2: Meet virtually or at our Claremont office to learn how we can help solve your problems.

Step 3: Sign the engagement to start creating your perfect retirement.

Take the first step—schedule your consultation today: **evermont.com**

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