



SMART INSIGHTS FROM FINANCIAL PROFESSIONALS

Be Honest with Yourself About What You Want Out of Retirement



This is something you need to know before you make your retirement plan. Answering these three questions will help you get down to the basics of what is most important to you about your retirement years.

By Robert Dodaro | Investment Adviser Representative
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It's safe to say that many of us want to confidently enjoy the early years of retirement without having to worry that money spent enjoying our newfound freedom will make us vulnerable in our later years.

One of the best ways to enjoy retirement with confidence is to develop a written plan. However, a written plan can only be effective when you're honest with yourself about what you truly want from retirement.

The sad reality is that many people haven't taken the time to figure that out. Sure, most of us want to spend time with our families or travel, but there are three critical questions that can help you sharpen your retirement focus before you start developing your written plans.

1. WHY DID YOU SAVE FOR RETIREMENT?

If you're nearing retirement, think back over some of the reasons you put this money aside. Was it to provide security? Did you intend on spending this money or living off the interest?

Too often, people will say that they want the last check they write to be the one that bounces. Yet, when they get to retirement, they are worried about spending too much. At the same time, many of the people looking to spend it all haven't spent a lot of time contemplating how stressful it is to be elderly and running out of money.

The point is not that one way is better than the other; rather, the point is to know yourself so that you can build a plan for retirement that gives you the confidence you need to enjoy your golden years.

So, let's say you run an income analysis that determines you can spend \$1,000 more per month than what you believe you'll need. Are you going to spend that extra money having fun, will you spend it protecting yourself from concerns, or are you going to keep your lifestyle the same? If you think back to why you started saving for retirement, you'll be able to figure out how you want to spend your retirement, and your adviser will be able to build a plan that is suited to your needs.

2. ARE YOU CONCERNED ABOUT BEING ABLE TO PAY FOR LONG-TERM CARE?

Paying for long-term care can be very expensive. If you wait until you retire to build a plan for long-term care expenses, then that plan can also be very expensive. So, many people do nothing to build protection into their retirement plans. Going back to our earlier example, can you feel confident about spending that extra \$1,000 a month if you don't have protections in place for covering long-term care?

Now, if you're someone who says that they don't care about long-term care, and you just hope that the nursing home doesn't get all of your money, then I want you to consider that you will be paying for the level of care you receive. Let's say, hypothetically, that you could keep 100% of your money and assets protected from the Medicaid spend-down provisions, so that when you go into a nursing home the government will pay for your care. Most people would jump at that option.

But just to put things in perspective, when Medicaid is paying the bill, you are getting adequate care, but there may be additional things you want that Medicaid does not pay for. Maybe a private room or additional food in your room? Perhaps

you want some additional care? Would you go back to those assets you protected and use them to pay for those additional things, or would you stay put so that more of your assets could pass to your family?

Again, there is no right or wrong answer here. The point is to know yourself so that you can build a plan that is customized to your goals while providing protections for your concerns. There are many options for addressing long-term care needs, whether it be an actual long-term care policy, a life insurance policy with an accelerated death benefit for chronic illness, or even a hybrid annuity. Knowing how you truly feel about long-term care will tell you and your adviser which strategy actually makes sense for you.

3. HOW MUCH OF YOUR MONEY DO YOU WANT TO LEAVE TO YOUR FAMILY?

Not only do you need to think about how much you want to spend in retirement, but you need to think about how much you will be leaving behind. I know many people will say that they don't care about how much they leave behind, but go back to our first question. Are you going to spend extra money when it's available to spend? If the answer is no, then you need to figure out the best ways to pass on your wealth to your family. It can be gifting strategies, buying life insurance, or building a Roth conversion strategy; the answer depends on you.

The other issue to consider is that while many people do not care about exactly how much money they leave behind, many of those same people do care about how much of their estate is taken by taxes. Let's say, hypothetically, that 60% of your estate will go to taxes when you die. Would you do anything differently now to change that outcome?

Whether your goal is to spend, protect or preserve, a confident retirement starts with a written plan. But a written plan is only effective when you are able to identify what you want out of retirement. So before you meet with your financial professionals, take some time to think about your answers to these three questions. You'll put yourself in a much better position to enjoy your retirement if you do.

Dan Dunkin contributed to this article.

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