

Talk of the Town

Chart Your Course to Retirement: Five Key Areas of Retirement Planning



James D. Stillman

I wanted to touch base this month on the five key areas to think about when planning for retirement. Kelly and I regularly discuss this on our radio show, as well as at our educational workshop events. This month I thought I'd also put it in print. Now, there are certainly more than just five things to be aware of when it comes to retirement planning, but these are at the top of the list, in our opinion. Our *Chart Your Course to Retirement* planning process is actually built around these concepts.

1. Income Planning - Your income will dictate the retirement lifestyle you get to live. We always talk about two types of income: guaranteed income and "maybe income". Things

like Social Security, fully funded pensions, CDs, government bonds, and annuities would be considered sources of guaranteed income, while just about everything else would fall into the "maybe income" category. The first thing we tackle when putting together a retirement plan is income, because we think it's really the most important piece. If you don't have a solid income plan, then you don't have a solid retirement plan.

2. Investment Planning - As you grow older, you have less & less time to recover from losses. Investing is without a doubt a good way to attain long term growth, but at some point, it's wise to take a portion of the money and protect it. Asset preservation should become more of a priority as we grow older. The older you are, the more you should protect.

Also: KNOW YOUR RISK SCORE! Everyone should know how much loss they can actually stomach, then plan accordingly. At JDS, we have programs to help you determine your personal risk score. In our experience, we see that people typically have portfolios that are wildly inconsistent with their actual risk tolerance. We're not pointing fingers as to who is to blame for this, but a good first step is to accurately pin down your personal comfort level for risk. Another rule of thumb used is the "100 Age Rule". To apply this concept, simply put a percentage sign behind your age (or average age for couples). That's how much you should have safe, then the rest can be invested in your risk pool based on your risk score.

3. Health Care Planning - Not having a proper health care plan is one of the top reasons folks file for bankruptcy. Once on Medicare, if you don't have a company provided plan, we usually suggest getting a Medicare Supplement Plan or Advantage Plan to cover what Medicare does not. Also, research and consider long term care insurance. A married couple age 65 or older has a 70% chance that at least one of them will need long term care / nursing home care. In North Carolina, that costs about \$75,000 per year. "Asset-Based LTC" has become very popular, and you owe it to yourself to learn about it. You're no longer stuck with single purpose long term care insurance. There are other options that most people aren't even aware exist.

4. Tax Planning - Don't pay more in taxes than you need to. Learn what's taxable, what's not, and at what rate. Learn how to plan for future taxes and strategize to limit taxation when possible, especially when it comes to IRAs, 401(k)s, qualified pensions, etc.

5. Legacy Planning - Leaving a legacy to family, loved ones, charities, etc. is a very important thing for a lot of folks. Unfortunately, most folks don't understand the tax consequences of passing on assets to heirs, especially when those assets are IRAs. If legacy planning is important to you, then you should take the time to learn strategies to optimize what will go to heirs. It's not just about the tax liability to heirs. There are a whole slew of strategies for legacy planning. It all depends on what you're trying to accomplish.

At JDS Wealth Management, we can put together a *Chart Your Course to Retirement Plan*, which will take all five of these areas into consideration. If your current plan (if you've even got a plan) is missing any of these areas, then we'd suggest you get in touch to be sure you're on track for a successful retirement.

Be sure to tune in to "The Safe Harbor Retirement Planning Show" every Saturday at 10am and Wednesday at 8am on WSIC AM 1400 & FM 100.7. Also, feel free to check out our website for a ton of information, lists of our free reports, our uploaded radio shows, to request copy of my book "Finding Safe Harbor in Retirement" or a free consultation, or to sign up for any of our upcoming seminars.

And, as always, remember: The purpose of the money dictates where you put it!

Until next month,
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