- ♪ So here we go again ♪ ♪ Here we go ♪

- [Narrator] The following program is not intended to be legal, financial or investment advice. The program is intended to be strictly educational. The opinions of those appearing on the program are those of the subject and not My Secure Advantage, Inc. For any individual legal, financial or investment advice, please contact your legal or financial advisor.

- Hello, and welcome to Investor Education, creating your retirement paycheck. This is the 10th in our series. We pretty much put together a package of webinars designed to address a lot of the questions we've received around a number of things: retirement, the effect of COVID on the marketplace, the effect of COVID on the economy, what steps should I take to put myself in the best position? Welcome back to those who've been with our various seminars. And if this is your first time, we are glad to have you. My name is William Wesley. I'm one of the retirement coaches here at My Secure Advantage. And My Secure Advantage is simply an organization that provides information around financial matters. I've been involved in the financial services industry a little over 20 years. I've been a financial advisor, an investment educator, a regional education manager, and I've been a bank branch manager. At My Secure Advantage I'm a coach, retirement specialist and I do a lot of the speaking. Today I'm joined by my friend and colleague, Constance Foley. Welcome Constance.

- Thanks William, I appreciate it. And welcome to everyone, I'm glad to be here, super excited to bring you this information. And just to introduce myself, I'm an accredited financial counselor. I have a masters in education, and I've been a money coach for many years. And William, let's get started with some house keeping.

- Let's do it. So before we get into our event, we wanna let you know that you can ask questions, there's a question box on your screen, pop in any question you have around the financial matters we're talking about or other financial matters. And we'll do our best to get to those questions at the end of the presentation. Secondly, we ask that you complete a survey. We use your information, we use your feedback to tweak our presentations to make sure it's meeting your needs. Also, if you have to step away mentally or physically during this presentation, there'll be a recording link sent to you within 24 hours, so you can actually go on to the site and see this presentation. And by the way, if you go to MSA or mysecureadvantage.com, we have a blog page that has the recordings of all the seminars we've done, the webinars we've done in this series. So again, this is the 10th and let's call it our COVID-19 series, and let's jump into our agenda. First, we'll talk about establishing the cost of your retirement lifestyle. What will it take for you to live in retirement? We know what it takes to live now, where you are. But 10 years from now, 15 years from now, what do you think it's gonna be? And how do you put those numbers together? Then we'll talk about building your retirement paycheck, you currently have a job paycheck. In retirement, it's a retirement paycheck, which is comprised of a number of components. We'll look at each of those components. Then we'll talk about the tax considerations. In retirement, our check is different. It's made up of different components, and they may have different tax areas and tax rates. And then we'll close with an action plan that will basically talk to, what are some of the key things you can do right now to put yourself in position to be better on your path towards retirement. But first, let's spend a few moments talking about some of the takeaways, key takeaways, from the last 10 weeks. What we did each week, we talked about the Dow Jones and we talked about the different indices. And basically, the Dow Jones is an index that people use to sort of assess what's going on in the stock market. It's basically made up of 30 companies or the weighted stock price of 30 companies. There's also the S&P 500, which people call the broad market, which is a weighted stock price of 500 major US firms. And then there's the NASDAQ, which sort of focuses more on the tech industry. So as you know, the Dow was rolling, and so was the NASDAQ and so was the S&P up until mid March, and then everything began to tank because of COVID. And what COVID simply did, it's caused a lot of folks to become unemployed, roughly 40 million folks at this point, over the last two months. So what does that mean? How does that affect the economy? Well, the stock market, first of all, that's not the economy. The economy is the economy and the economy is driven by the fact that for the most part, 68% of every dollar spent is a consumer dollar. And when consumers can't spend because they're not receiving checks, because they're unemployed, that affects businesses. And if businesses have to layoff their employees or let go their employees, because they're not doing business, it is a self fulfilling cycle that makes things go worse and worse and worse. Stock market tanks, drops from 29,000 on the Dow down to about 19,000 towards the end of March. It's come back some, but it's a major issue. So we talked about in the second plate there, the importance of savings, making sure you have an emergency fund. To the best of your ability, put aside enough money to exist for ideally three months or six months, but at least a month or two. A lot of folks don't have that. So they're really up against it, especially the families of the 40 million folks who've lost their jobs. Then we talked about, for those who can, if you're still employed, maintain a savings plan, maintain an investment plan, continue to contribute to your long term wealth, retirement, regular savings, et cetera. And then we said, stick to the plan, write goals. If I'm retiring 20, 30 years from now, when the stock market drops, actually, that's a buying opportunity. Because how do you make money in the stock market? You buy low and sell high. When is the market low? Times like this. Market being low, continue to contribute to your retirement plan. Continue to stay on course, don't be a victim of the whims of the news, market up market down, I'm still putting money in because my goal is five or 10 or 15 years from now. So that's a quick takeaway from the last few weeks. Constance, I'll hand it to you and tell us about how do you establish the cost of your retirement lifestyle.

- Okay, great, great information William and putting things into perspective helps so much. We are always kind of stirred up by the news. So it's really great to have some perspective on what's been going on. So creating your retirement lifestyle, it starts out with how much do you need to spend for that lifestyle. So we have an excellent worksheet that's part of your handout, and you can access it and download it on the webinar platform. And what this worksheet does is it asks you to focus on today's expenses. So you write down kind of the general categories, what you're spending today. And then it asks you also to speculate and dream of what the ideal retirement lifestyle would look like for you, and how that would affect your expenses. So, most importantly, how do tomorrow's expenses compare to today's, and how are you going to have to change some things to make it work? Let's take a look at some important aspects of that lifestyle.

- So, life expectancy, this is a major consideration. In the 30s, the average person lived until about 55, 59 years old or so. Now, a person born today will probably live into their late 80s. Right now, since 2015, the average number is about 78.7 years old. Now, the average retirement, when a person actually pulls out of the system and begins to retire, is around 62. So we're talking at least 15 years and what we're planning on and what we try to plan when we do our planning, some of our coaches here, is to make sure we put a retirement plan in place that will last at least 20, and ideally 30 years. A lot of us will be in retirement for 20, 25, 30 years. And as time goes forward, medical inventions and lifestyle and all of that will increase that number even more, that number being a longer time in retirement. For a lot of us, retirement at some point maybe as long as our work life. So it's very important to look at the numbers and project what we think things will be and where our income will come from, Constance.

- Yeah, won't it be great to have a crystal ball, William, and know it.

- Exactly.

- I mean, it would be good news and bad news, obviously, but at least we could really do some specific planning there.

- Indeed, indeed.

- But anyway, let's take a look at the folks that are thinking that they'd like to retire early. And there's actually a group, a movement, so to speak, called FIRE. The FIRE movement are people that are focused on doing things now so that they are setting the stage to retire sooner than 65. So I'm talking as early as 50. So the FIRE movement is an acronym for financial independence, retire early. So for those folks who maybe, if you're not even a part of that group, so to speak, I mean, they have blogs and things that you can look at, but they talk about what they're doing. Let's take a look at some of the considerations you need to make if you wanna retire early. I think the biggest deal breaker for a lot of people and retiring soon, sooner than they would normally is the healthcare. Because most of our healthcare is from our employer, we get a very good rate compared to buying an individual policy, if we have a group plan. So retiring early, maybe your spouse is gonna continue to work, and then you can join her policy as a dependent and continue with coverage and still retire sooner. The Affordable Care Act allows you to have an individual plan, also known as Obamacare. And so if you go to healthcare.gov, is where you'll find more information about that coverage. Now, traditionally, you'd stay with your employer group plan until you retire at 60 to 65, 65 is when Medicare starts. So that's typically when people are most likely to wait because of the group coverage, if that's an issue. Healthcare costs also, because as we get older, unfortunately, we have more of our medical costs as part of our budget. So early retirement means if we have healthcare costs, we're gonna be more out of pocket perhaps, because our coverage isn't as advantageous as maybe our group plan, if we don't have that anymore. We can also pull from health savings accounts that we've established while we were working. And the traditional route says that you are gonna pay some out of pocket expenses. You can still pull from HSA, for co pays and deductibles. But now, at 65, you have access to the government plan, which is Medicare. And then also typically, most people will buy a policy to supplement, a Medicare supplement or a Medicare Advantage Plan to help with co pays and deductibles that they have with Medicare. Sources of income will be different as well. It'll look like a different landscape than your regular paycheck if you retire sooner. And so you're gonna be pulling from non retirement accounts because retirement accounts typically have set ages, starting at 55 and a half, and earlier, 50, if you're a public safety employee. 55, there is a rule of 55. If you have a 401 , 403 that says, if you quit, laid off, quit or laid off rather that you can pull from your 401 plan without penalty, but you shouldn't roll it over into an IRA because then you're subject to the 59 and a half. So talk to your tax professional on that because we want to kind of, just talk in general about some of the concepts here. And reverse mortgage or rental income, rental income could work as well to supplement your paycheck, reverse mortgage if you're 62 or older and have enough equity in your home currently, a Roth allows for you to take contributions out without penalty if you're under 59 and a half. That's only contributions though. And so, with the employer plan and that type of thing, we're subject to the 59 and a half rule generally. So there are some exceptions which you know, you wanna explore with your tax advisor or money coach, William.

- Okay, good stuff, Constance. A lot of stuff there really also points to the fact that you have access to a money coach, and you can have a conversation around your particular circumstance to walk through the bullets that Constance just covered. So let's talk a little bit about building your retirement paycheck. What does that consist of? Well, it depends on where you are. So if we talk about retirement, let's eliminate our paycheck. But what other paychecks could we have coming in? Well, retirement accounts, and Constance mentioned, right, your 401 , your IRAs, could be pensions and other things we'll talk about in just a moment. Investment accounts, you may have gold and silver, you may have a brokerage account that has stocks and bonds and mutual funds in it. You may have real estate, your personal real estate, your residence which is a source of income for a lot of folks. There are folks who don't have enough money coming in and they may want to tap into their asset called a home, especially if they paid that home off. And that's where the reverse mortgage idea may come in, or like a home equity line of credit. Also in the real estate space, some of us have income property, which we use literally as an annuity, every month we receive additional income. And then you have insurance and other assets. A lot of folks have went out early in their careers and in their lives and in their families and in their 20s bought insurance or in the early 30s, bought substantial insurance and continue to pay for that. And the reason they bought insurance was probably twofold, one, to protect the kids if something happened to their income and two, to pay off the house, to cover the house, so that the family doesn't have to move. Well, as you get close to retirement, a lot of us have, our kids have grown and they've moved on and the house is paid for. But we still may have that large insurance policy that may have a cash value, and some folks begin to take that as part of the money that they use to fund their lifestyle. So there are a number of sources. This is not an all encompassing list, but it gives you an overview. So we take that and say, okay, so how do I break this apart, in terms of looking at my income? Well, the first thing we like to look at is your retirement floor. And what we talk about there is pretty much, what is my guaranteed money? What is the money that comes in, and all I have to do is one, reach a certain age, and then live? Like Social Security, which is a contract with you and the government. You've paid into it, you've worked, you've earned it. And once you turn it on, it's lifetime income. Secondly, a pension. That could be with your previous employer, it could be the company you worked for, it could be the government you worked for, but a pension same type of thing. It's an arrangement with that entity that says you'll be paid a certain amount of money for the rest of your life. And some have survivor provisions where you can make sure your significant other receives something too. Then the last contract and again, this is the guaranteed money that you receive literally as a floor, that's your base amount, is an annuity. Many folks have annuities, which is simply contracts with an insurance company to pay you a lifetime income. So those are three of the major sources as we look at what's our base, what's our floor income coming in.

- Good stuff, and let's talk a little bit more about Social Security, because I think there's a lot of questions around that. Social security isn't the most transparent organization, although you can find a lot of information on the website, but you have to kind of know what to ask or where to look. So, just to give you an overview, the average monthly benefit for Social Security income is a little over $1,477 a month. And of course, there's there's higher than that. I mean, I think it's around 22 to 2,300, is on the upper level. And so you have to pay into Social Security throughout your career, at least 10 years worth of work history and paying into the system. It's 40 quarters, and it doesn't have to be consecutive, so you can stop and start work as long as you have 40 quarters by the time you want to retire and access benefit. So the definition of full retirement age which they call by the acronym FRA, it's typically gonna be 67 for most people now, based on the fact that they have increased it based on the year of birth. And so the minimum age to collect Social Security is 62. Between 62 and 67 is about a 25 to 30% discount. So if you start at 62 to receive Social Security for your lifetime, it's a discounted payment for lifetime, It does get adjusted with inflation adjustments but it still is an adjustment based on the full retirement age. Now if you delay beyond the full retirement age, you can earn 8% a year increased benefit, if you delay taking it until the age of 70. After 70 there's no benefit, no advantage or increase to waiting. So if you wanna see what the upshot is of starting your benefit at different age and coordinating with your spouse, you can go to various websites for Social Security timing. And then also to access your own benefit, there's the website there that's listed for the retirement benefit estimator. Let's go on and talk about a scenario here of one couple. This is Mark and Jane, and these are not real people. So we're not violating anyone's privacy here. We're just saying a hypothetical couple. And they have an action plan for their retirement. What they're gonna do is they're gonna take Mark's 401 money, and when he retires, they want to roll that into an IRA rollover account. And then from there, Mark's gonna take his IRA money, and it's gonna be in cash, and he's gonna sign up with an insurance company for an annuity. And as was mentioned earlier, William mentioned that an annuity is a contract with an insurance company for lifetime income. So his income for life will be $1,000 a month based on what he's putting into it. And it varies based on age, and when he starts taking the money, so we're just hypothetically saying he'll get $1,000 a month based on what he's investing. And then as a survivor benefit, Jane's gonna get 75% of that monthly income for her lifetime. But, if Mark passes away before her, then she'll get a survivor benefit of 75% of what he's been getting. If Mark passes, also Jane will get his Social Security income. He's getting 2000 a month, she's getting 1500. If he passes before her, she'll assume his benefit, which is greater, and that's why she would assume it, because it is greater. She doesn't have to assume it, it's just because it's a greater amount. Let's take a look at some planning suggestions here. When you when you sit down with an advisor or a money coach to start planning for your retirement income, there's actually three scenarios, if you're in a couple, that you wanna consider. You wanna consider, what would we have together? What would we have if, let's say, the husband passed away first? And what would we have if the wife passed away first? And how much would each have as survivors? Because it can be different. In this scenario, it is different. Together they have, Mark's and Jane's Social Security combined, they have Mark's annuity, which remember he took his IRA, rolled it over, and put it into an annuity contract generating $1,000 a month, for a total of $4,500 a month of income while they're both alive. Now if Mark passes before Jane, Jane is a survivor, she would assume his Social Security benefit because it's larger, when she can do that. She would also get a survivor benefit from his annuity, 75% or 750 dollars of what he was getting, she'll get that for life. And so her total income, if she's surviving Mark is $2,750. So we've got a $1,750 shortfall, or so here that we're looking at. So, can Jane live on $1,750 less? That's quite a bit of a drop in income. And sure, expenses will be lowered. You know, I mean, hypothetically, if you're one person instead of two, but I think that's quite a bit of a drop. Let's look at a scenario of Mark as survivor. Jane passes away first, he still gets his 2,000 a month Social Security, he still gets his $1,000 annuity because it's paid for his lifetime, he will get $3,000 which is not that much more than Jane would get as survivor. And again, it's a drop in income, about $1,500. Let's take a look at one way that this can be solved. And again, this is not a one size fits all scenario. And this is why you really need to talk to a money coach or an advisor who can address some of these things. You wanna look at your lifestyle. A lot of advisors merely just look at, you know, your investments and whether you're investing in the right asset category and what's your return, but lifestyle is important to bring that into the conversation. And we work with planners, we don't compete with them, we dovetail with what they provide. And so, the pension maximization is a strategy where instead of Mark, when he rolls his money into his IRA, he buys an annuity. Instead, he goes for a single life option, which means that he will get more money instead of having a joint survivor option. When you have a beneficiary on your annuity benefit, then that means overall, your money is less. Your income as the annuitant, the key person, is gonna be less because you're sharing that over two lifetimes. So instead, Mark is gonna choose a single life annuity, giving him more money. And then, now there's not gonna be a beneficiary option. Excuse me for a minute. And so what we're gonna do is we're gonna take the $500 difference between the single life and the joint and survivor benefit that he could have opted for. The $500 difference, he's gonna buy a life insurance policy with that money, and he'll be the insurer, Jane will be his beneficiary, and if he passes away first, she'll get the life insurance money, which should be enough to provide the difference and cover that gap, so she can continue to have $4,500 a month in income or whatever level. It could drop a little bit if she's still able to sustain her lifestyle. So all of those numbers have to be worked out. We have to ascertain if Mark is healthy, right? Because we're talking about maybe getting life insurance a little bit later.

- In the 60s exactly.

- Yeah, later in life, or if you're thinking way ahead, maybe 50. I mean, if he's really planning ahead that far, but sometimes people just don't think about it. So, there's some things to consider there, and it's not a one size fits all. So be sure and run the strategy by your advisor, by a money coach, by a tax person. And when you have all three boxes checked and you understand the strategy, then that would work for you. Now, of course, if Jane passes away first, then mark would cancel the life insurance policy. So it would not be--

- The he takes the income.

- Yeah.

- Absolutely.

- And he takes the five, he saves the 500 a month that he would have been saving on the life insurance policy. So there's a lot of moving parts here. So again, it warrants a conversation.

- Absolutely.

- And that's for everything we're talking about. Isn't it William?

- Absolutely.

- It's really just to bring this up so that you can start realizing there are other options rather than a cookie cutter approach. It's not one size fits all, it shouldn't be. It should be customized for what you really need.

- Indeed, thank you Constance. Very, very good stuff, important stuff. And again, it really points to the fact that we need to do planning, right. So, and the planning, these are things we talked about. But a couple of quick points on Social Security. One, you can turn your Social Security on and turn it off within a year. If you decide, hey, I took it too early. The key with Social Security though, you'll have to give back all the payments you've made. The other key point around Social Security, once you register on ssa.gov, that's your portal. Now you can go in and pull up all your information, look at your earning history. Make sure all of that's correct and what have you. Do that as early as possible, if you're 51, do it now. But just so you know, if you do that, the periodic statements you receive will stop because now Social Security assumes your connection is through the website. And back to the scenario where we show the pension maximization. Normally it does work this way where the male goes first, statistically men die before women. So the most intelligent way to set that up is normally to put the life insurance on the man. Okay, let's talk a little bit about systematic options, right? There's a concept called the rule. Well, there's a 4% rule. And what it talks to is a safe withdrawal rate, referring to, if I have $500,000, and I'm taking 4% of that $500,000 as part of my additional income. So I have my floor, which may include Social Security, maybe pension, maybe an annuity, but on top of that floor, I'm also taking some money that's needed because my expenses may be here and my floor is here and I drip into that gap with my retirement income. Now, ideally, if I can craft this correctly, if I can take less than my return, that is if I have $500,000, and I'm getting a 4% return and if I'm taking 4% out, I still maintain $500,000. But if the markets doing a little better, I'm retired, but I'm still in the market, and let's say I'm getting 5%, well, now I'm taking out four, and I'm still increasing my balance. And conversely, if I'm taking out four, but the markets doing three, then my balance is diminishing, but at least we know and we can do the math around based upon establishing our budget. Then, since we're really talking expenses and income, one, I can look at adjusting income. Another thing I can do is look at adjusting expenses. Can I get by at a lower amount? Also, if I'm talking to income, can I supplement my income and increase it? And as you look at your retirement accounts, sometimes annuitizing that money makes sense because that is a lifetime income. And you sort of beat the house, in gambling parlance, if you live longer than expected by the annuity company. So if you turn on an annuity at 65, and the estimate is roughly you'll live until about 83, well, you win everyday after 83. So the longer you live, they're still paying you for your life. So that's very, very powerful. And it's a tool that a lot of folks use. But we wanna talk a little bit about annuities. And annuities can give you peace of mind because it's lifetime income. I know my Social Security is coming, I know my annuity is coming every single month. And there are different types, some are taxable, some aren't taxed, some have floors that are riders basically, that basically say once the annuity value reaches a certain amount, it locks. It sets a watermark at that amount. Even if the market drops, the annuity stays at that amount. There's an additional cost normally for that, but you get the point. For some folks, it makes a lot of sense 'cause the next time the market goes up, boom, it locks at that watermark. So we look at the different things. A lot of folks don't like annuities, a lot of folks like annuities. It's an individual decision based on the information that makes the most sense for you. One of the big things that people talk about is the cost of an annuity, and there is a cost, because again, this is a contract where someone's agreeing to pay you for the rest of your life. A lot of them have, they have tax deferred growth, which is a great thing. There's no limitations on income. There are a number of provisions that really make it something worth looking at. It doesn't mean you have to get one, but consider that as you look at the different types of things that you can use as part of your income stream in retirement. Constance.

- Yeah, and the good news is that annuities, a lot of annuities are fixed annuities, not tied to the stock market, just like the other types of floor income you mentioned, which Social Security and your pension, it may be invested in the stock market, but you're not gonna see it in your experience, in what you receive. So, that's why we call it consistent income because even if the market drops and we have times like this, you'll still get that steady income.

- Indeed.

- And again, the beauty is that we don't sell products and the reason we're mentioning annuities, I think, is because of just building awareness. So we want you to realize it is a tool. It's just something that can be accessed and may help you.

- Absolutely, and we've noticed also, over the last few weeks, we've gotten a number of questions on annuities. So we thought we'd address some of that.

- Yeah, exactly. Yeah, and let's take a look at other ways to supplement income in retirement. You could certainly turn your skill that you've been honing for 20 years or so in your career into a part time position. And even if you haven't seen anyone in your company do that, you may be paving the way in a pioneer by approaching the management of your company to say, hey, is there an opportunity for someone who wants to work part time? And you never know what they'll say. You can turn a hobby into income as well. And also if you have any spare bedrooms, you can share your house with friends or rent out to room and share living expenses to help pay off your mortgage sooner perhaps or just make a better cushion for yourself. And then also you can act as an independent contractor or as a consultant in different roles. And certainly the Internet has helped to expand opportunities for working from home and online, as we've seen, and I think probably that's gonna be even more of a consideration now that we've seen it work so well for certain employees. Let's take a look at how taxes impact our retirement income because remember, we're building a paycheck. Again, we're recreating our income when we retire. And so unfortunately, we can't leave the tax man behind or tax person, I should say. So review these concepts when you're thinking about retiring and it's good to have tax planning sessions, maybe six months to 12 months out before you retire, just so you can maybe rearrange things. Do some things, strategize, that will make a big difference. So it's good to go through each income source you have and what the tax implications are. You can either choose to have withholding, just like you do on your paycheck, withholding on your Social Security, on your pension, on annuity income, other income that you may have will have a withholding option perhaps. And you can either have withholding or just wait until you file your taxes and then hopefully you would have done quarterly estimates or some other way to pay as you go throughout the year. And most retirement income that we have is taxed at ordinary income rates, which would be the same as what we're experiencing today when we're working, whatever tax rate you are, and what tax bracket you'll be in retirement is how you're taxed in retirement for that income. And Social Security, unfortunately, is taxed for most people, 50 to 85% of it. Depending on what other income you have in addition to Social Security will then determine what percentage of that Social

Security is taxed. So again, for that reason, just for that reason, I would recommend a tax consultation to understand that. And then you can still maximize certain deductions and long term capital gains. So there are still opportunities to make a difference in your taxes. So seek that out, seek the advice. Let's take a look here. This information is kind of summary of what would happen if we withdraw money early from our traditional retirement accounts. Now, Roth IRAs are different because you can access the money, the contributions only, without penalty or any income tax prior to 59 and a half, 'cause that money has been already taxed. It's after tax money, the contributions. You can also access your IRA for higher education costs, for a first time home purchase up to $10,000. And then qualified plans, your 401 , 403 , TSA, 457 allow you to access your money. It's a rule of 55. If you are separated from service, you quit or you're laid off, fired, whatever, hopefully not fired. But if you leave your job at 55 or older, you can access without penalty. So, keep in mind when you withdraw money, it's to supplement your floor income. So consider your lifestyle expenses minus your floor income, which would be pension, Social Security annuity income. The difference is the gap that you would fill with your investment money. So try to stay within the 4% withdrawal as long as your investment return plus inflation is greater than 4%. So if inflation is running at 2%, and you're getting a 5% return, then you're ahead of the 4% withdrawal 'cause you have a 7% rate of return. So, let's see. So you'd factor in the withdrawal rate, inflation and the investment return in that regard. So RMDs are part of tax deferred accounts. The new tax law, the Secure Act, moved the age up to 72, that we're required to start taking money out based on the IRS formula. So, again, tax consideration's there. Right now, asset values maybe down in your account, is it a good time to convert? Again, maybe worthwhile to have a conversation about that because your taxes would be lower if you convert now, when your values are down.

- Excellent, great points, nice summary, Constance, thank you. Now everything we've just said for the last 30 minutes is pretty much worthless unless you take action. Now many of you are doing a lot of the things we've already talked about, but hopefully, we have shared something with you that you weren't already doing, around the tax ramifications, around looking at your floor income, around understanding how pension maximization works, and all of those types of things. And so our suggestion is this, complete retirement assets and income worksheet if you're five, 10, 15 years away from retirement, or if you're one year away from retirement, even more critical, but the idea is to say, okay, here's where I am now, here's what things cost now, and here's what I think things will cost in the future. And the needs I'll have in the future and couple that with my income in the future, put it on paper. It's a flexible document, yes, it will be updated, but at least it's on paper and have a feel for it. And then assess your floor or base income, what is the guaranteed amount of money you receive, you expect to receive? And consider speaking with a money coach or a financial advisor. We don't stand in the place of a financial advisor. We're money coaches. We provide wisdom, insight, guidance, we don't make hard formal recommendations. We have retirement, we have investment. We have budget credit, debt management CPAs, even real estate folks who can help you craft your financial next steps. So the action plan is to get started. So talk to a coach, whether you have access to this program through your EAP or directly through your employer, you can have a consultation with a money coach. And we've found them to be invaluable. We've done over a million consultations, Constance has probably done, what would you say? 10,000, I've done about 2,500. These are 30-minute consultations and at the end of the story, it's not, so buy my annuity or open an account or send money. It is, hopefully we've provided information that allows you to take the next steps.

- Yeah, hopefully it's clarity, right.

- Clarity, there you go. What is it annuity? Let's talk about it. Should I get one? Well, let's look at the pros and cons so you can make an intelligent decision. All right, good stuff. Now a recording of what we've covered will be sent to you, a link will be sent to you in the next 24 hours, so you can go back and review. We've talked about a lot of things. And some of these are pretty heady topics, but we can break them apart. But it's always great to look at them a second time. So I'd suggest you do that. And your opinion truly matters. Let us know what you think, was this good information? Could we have done this or that better? What did you like, what didn't you like? And then lastly, I'll hand it to Constance now 'cause we are gonna take questions.

- Okay, all right, so let's see here. Oh, okay, Natasha asks, is it really a good idea to let your retirement be used in the stock market? She says, I don't understand 401 logic at all. Okay, I understand where you're coming from too, Natasha, because it's risk, right. You're putting your money at risk that you're gonna hopefully wanna have, at the end of your life when you're not working. And in your income stream, you know, your way of generating income is gonna be decreased. So the idea behind investing in the stock market is to stay ahead of inflation, it's the only way to do it. We have very low inflation rates right now, two two to 3%. And so, if you earn four or 5%, you're staying ahead of inflation. And that's generally not a lot of risk. But it's important to understand what your tolerances for risk and if you can check your employer plan, if it's Fidelity, Vanguard, TIAA CREF, one of the platforms that are common, they typically have an investor questionnaire or risk tolerance questionnaire. It's about 10 questions. It'll survey, how long can you invest? When would you need the money? What's your timeframe? 20, 30 years, five years, whatever it is, and then also how comfortable are you with risk. So when you take that, that will point you in the right direction to an asset allocation mix that will be conservative, moderate, aggressive, whatever your temperament is for risk. And then hopefully, you can monitor that and feel more comfortable. But I would have conversations with an advisor or money coach about your feelings, and see if you can find a comfort level there. It's very important to be in the market so you can stay ahead of inflation and have a nest egg that will really make an impact when you retire.

- Good stuff. Al says or asks, what is the current recommended withdrawal percentage, since 4% may not work to preserve principle in a low interest rate environment. And again, 4% is a, I won't say it's a hard and fast rule, but it's a general rule, and that rule is based on the long term return of the stock market. And for 100 years of stock market, if we look at the broad market, the S&P 500, is averaged a little bit under 10%. Now if we give that a haircut and say, okay, can we get six or seven. Long term that's a real possibility. But the other key thing, in a little interest rate environment, yes, you'll get low interest rates on CDs and savings accounts and bank account. But there's still a stock market and long term, the stock market still delivers substantially more than 4%. So depending on my timeline, depending on my being you, your risk tolerance and all of that. So if you're 15, 20 years away from retirement, your portfolio will probably be allocated where it can deliver more than 4%. When you hit retirement, your portfolio should still be set to be able to deliver 4% or more. So we're not saying change the recommended amount, we're saying now and then if you're referring to what's happening now and that is the market is down, interest rates are low, yes, that happens. But we also know long term the market goes up. We also know, we've just come out of the biggest boom market in history, almost 12 years, and the stock market went from 6,300 to 29,000 in roughly a 12 year period. And history tells us long term, when COVID is over, we get back on the horse and then something else will happen. And then we'll get, right, but the highs tend to be higher, long term. So the suggestion is look at your situation, do your risk tolerance questionnaire, do your asset and income projection and then craft your allocation around that.

- Okay, Corinne asks, I'm in my mid 40s, does it makes sense for me to be putting retirement funds into a Roth or traditional IRA. Okay, well, I understand your question, it's what's gonna make the most money for you. And it really, they're accounts only and it's really, the progress of the account will depend on what you're investing in. So, it's really not the account per se. It's the investments that you're in. Also, the tax implications are important. If you're in a very high tax bracket right now, and anticipate being in a slightly lower bracket in retirement, then you probably wanna go for the tax deferred option. If instead you feel like what you make now is probably what you wanna have available for income later, and you'll probably be in the same tax bracket. And that's assuming if tax rates stay the same. We don't know if they're gonna go up or not. And I would suggest that they probably will. So a Roth makes sense if you feel that tax rates are gonna go up between now and when you retire, and also that you don't need the tax advantage of today's tax deduction with the traditional plan. So a Roth is a windfall in my estimation for most people, 'cause by the time you have the account and it's grown for 20 or so years, 25 years, all that money is tax free. So that gives you tax diversity, it gives you free rein to take money out and not have to worry about getting a partner involved. And for every $1,000, you might have to take 250 and send it off to the IRS.

- Good point.

- So that's a big relief, in my estimation,

- Yeah, good stuff. And my position in terms of Roths is essentially the same. There are two stories in terms of retirement planning, either you pay the tax now or you pay the tax later. And when we don't know, no one can predict the actual future tax rate. What we can predict is this, income coming out of a Roth is tax free, and nothing beats zero. So, in the pantheon of things to do, I would always contribute some in Roth place, some, and some, if I need the tax deduction in that year, probably some in traditional. But I wanna put some in that clear, zero tax channel, it may be 3%, it may be 5%, whatever. I may start at one and get to 10, but I want to send some and you will not regret having tax free money. Okay, Cathy asks if you convert your portfolio to an annuity, does your monthly income guarantee change if the market goes up and down? Now, once you turn it on, it now becomes a function of the insurance company who is guaranteed to give you this amount, and they are on the hook to give you that exact amount, come heck or high water, they will pay you the money they're obligated to pay you.

- Okay, yeah, and then Matt asks, any advice for those starting late in retirement planning? So first of all, don't let that stop you from feeling like you have time because I think people get the impression that they're investing, investing, investing up until retirement and then, there's a switch that just turns off and you're just kind of coasting. But seriously, you're you're gonna be investing and managing your money all the way, up until and through retirement. So consider doing some retirement planning. You wanna start now, and review your expenses currently to see if there's any way you can reduce those so you can put more towards savings. Figure out what are the income streams you can generate? There are a lot of opportunities as we talked about with real estate and part time work and sharing expenses with family or renting out a room or rental real estate as a portfolio investment. So many opportunities, please don't feel that, you know, that you have no way to make up the difference. With collaboration and help from a personal financial advisor or money coach, you can reach your goal and it's just gonna take some specific planning which is good to start now.

- Good stuff, Mike asks, in what circumstances would you not recommend an annuity? Well, we don't make recommendations, in general, we provide information. But some of the things that person would probably look at would be the cost of the annuity. They tend to have a higher cost than most other investments, some are 4%, some maybe 10%. They also tend to have a early withdrawal penalty that may range from anywhere from five to even 10 years I've seen, and that is, a percentage of their money will be taken from your balance if you get out in the first or second or third year. And that's a declining percentage. So for some folks, that cost is prohibitive. So it's a function of looking at what's important to you, and what has value to you and how much you're willing to pay for that value, and in this case, the value is a lifetime stream of income. So for some folks, they do that Ben Franklin, right, pros, cons and decide, you know what? That's money well spent, I'm in. Or, you know what? I don't wanna do that, it doesn't line up for me and I'm out. Or coaches can help you do the Ben Franklin, right? We'll look at the pros, look at the cons, so you can make an intelligent decision.

- Okay, Natasha asks, is your Social Security amount, I assume you mean monthly benefit, determined by the amount of income you get from your 401 ? So I think you're saying, if you get more money from your 401 , do you get less money from Social Security? It's actually, the benefit you get with Social Security is based on what you contributed based on your income throughout your career, the top 35 years of income is factored into the equation of what your benefit will be. Now, where your 401 money can impact is the tax bracket that you'll be, not the tax bracket, but the amount of Social Security income that's taxed.

- Right.

- Okay. So you get between 50 and 85% of your Social Security income could be taxed, based on other income that you have, along with Social Security. So, if you get more money from investments, then you're gonna be taxed more on Social Security. So that's where it makes a difference how much 401 money you're pulling.

- Okay, Cory asks, can you explain how the tax benefit for Roth IRA and 401 works when you draw or withdraw from it? Is it tax free on the contributions and earnings or only the amount you contributed? Well with the Roth, and that can be a Roth IRA or a Roth 401 , Cory, the money that comes out a couple of conditions, one, after being in it at least five years. Two, begin to take the full thing after age 59 and a half. So let's assume that's what we're talking about. Now, I have a Roth, either a Roth IRA or Roth 401 . And I'm taking money out of that and I'm over 59 and a half. All of the money, first of all, the principal I put in I was already taxed on. Secondly, all the profit is tax free. So there's no, if I get $1,000 I pay nothing. And of that $1,000, I might have put $400 in there. I've already paid tax on that, so that $600 is tax free. So yes, tax free on the earnings. Now, your question also says tax free on contributions. For the Roth, it's not tax free on the contribution. So let's take an example that you make $50,000, and you're putting $5,000 into a Roth. For tax purposes you still made 50. So when you get your W-2 at the end of the year, you made 50, because you're paying tax on that five, as opposed to if I'm in a regular 401 or a regular IRA and I made $50,000, when I get my W-2 at the end of the year, with the regular 401 it's gonna say I made 45. I did not pay tax on that 5,000. Now, when I go to take it out, so this is the regular 401 at the end of the road, I'm after 59 and a half, and I've contributed this money, and I've received a tax deduction each year, and I did not pay any tax on the money I made each year. So now I get to the end, and I started taking the money. I'm now subject to tax on my contribution and subject to tax on my earnings. I hope that helps, so there are two columns here. One is that tax free column where I didn't put anything, I received no, I didn't pay any tax on it. And when I take it out, I pay tax. The other is I paid tax, that's the Roth column. And so when I take it out, I don't pay any tax on the contribution and the profit.

- Yeah, it's really, it's almost like, what? Right.

- It sounds too good to be true, doesn't it? Okay.

- It's rainbows and unicorns, waterfalls.

- I know. The IRS just, we had a crazy time for a moment there. And we're gonna enjoy it while it lasts.

- Absolutely.

- So Kevin asked when you convert 401 to a Roth IRA, don't you have to pay taxes at the time of deposit? Yes, Kevin, you do. So, for example, if I have 100,000 in my 401 , and I wanna move it over to my Roth 401 , then that 100, if I'm in the, let's say, hypothetical 22%, 22% bracket is not hypothetical. But if that's where you are, at 22%, then 22% of that 100,000 is exposed to tax and I'll have to pay that, that'll appear as reported by my employer that I moved from a traditional to a Roth, exposing it now to tax. And so that's, it's gonna be a higher tax bill unless adjust your withholding or do quarterly estimates for that year to compensate for it. Now, you can strategize that. You can convert a portion every year to kind of move it over gradually. You'll have to check with your employer plan to see how they work that out for you, and if they allow that. If it's all or nothing or strategically, incrementally. But you will have to pay tax. Now, at that point then that money is, you paid tax on it, and then any earnings on that continue to grow tax free. So you take the hit now, but if you have some time, you're gonna compensate for the tax and the earnings will be tax free. The money coming out will be tax free in retirement.

- Good stuff, Steven asks, if you don't need your Social Security income at age 65, is there a rule of thumb when it is best to claim Social Security? You're mentioning 65. Normally 65 is maybe when you retire but that's not when the key rule kicks in. And the first key rule is, at minimum, if you can afford to, you wanna take your Social Security at your FRA. And your FRA is your full retirement age. That means get 100% of what your Social Security benefit is. The earliest you can take it is 62 and the FRA for most people. Now, if you were born in the 40s, your FRA may be 65. But for most people now, you know, trudging down the road towards retirement, the FRA is gonna be 67. So that's where I get, let's say, I'm getting scheduled to receive $2,000 a month. If I take it at 62, I'll get about 14, 1,500 dollars a month. If I take it at 55, I'm sorry, 67, then I get the entire 2,000. But if I can afford to wait even longer, like Constance mentioned earlier, what if I wait to age 70? Well, it's 8% a year that begins to accumulate. So now I may be receiving 3,000 or so if I take it at age 70. So the rule of thumb in general is to try to take it at least, or should I say at minimum, at your FRA, the full retirement age, where you get 100% of your benefit.

- Okay, Tyler asks, can you explain rollover IRAs a little more? Do you always want to rollover to an IRA? What are some considerations to take before rolling it over? So good question, Tyler. There's some things to really look at here. A couple of things would be that, that rule of 55. If you're 55 or older and you're separated from service, either laid off or you quit, then you can take money out of your 401 plan without penalty. Now, if you had rolled it over, you left the employer and you rolled it over into an IRA. Now, your 59 and a half is your age requirement and restriction. So while you're still contemplating your next steps, if you wanna take money out at 55 or older, you do it from your 401 plan or 403 plan, you roll it over, you'll be subject to the 59 and a half restriction. So that 55, rule of 55 applies to just that employer's plan that you're separated from service. If you have a previous employer plan, it doesn't apply, the rule of 55 would not apply. You could roll that previous employer plan into your current 401 . And then you'd have the rule of 55 apply to the whole amount. So some considerations there if you feel possibly that you'll leave the employer prior to 55 or later, or maybe have a layoff, unfortunately, I hope not. But those are some considerations that you'd really want to talk with a tax advisor and strategize your retirement plan.

- Good stuff, and Britt asks, I'm 26 years old, taking advantage of my employer 6% match on my 401 and have a fully funded one year emergency fund. Congratulations Britt, among others. Should I max out my 401 , I'm sorry, max out my Roth IRA I contributed just under the max last year, or should I up my 401 percentage? Well, it's a function of where you are in terms of taxes primarily, right? If you can afford to, some folks up their 401 percentage because that reduces their taxable income. And they need that write off, maybe they don't have real estate or whatever. If you have enough write offs, if you've got the emergency fund flowing, and you want to increase the pot of money that hits down the road with you to your age 59 and a half and make that pot of money tax free, then the IRA is the way to go. But if you need a tax deduction, now, in terms of whatever is going on with you and your tax status, then perhaps the deduction that you'll receive from the 401 makes more sense. You can talk to one of our coaches or a financial advisor, or coaches, we have CPAs, who could sort of walk through your scenario and see what makes the most sense. We can't give you specific recommendations. Of course, in this format, we just give you the overview of some of the details.

- Right.

- I hope that helps.

- Yeah, we give the questions. We don't always give the answers but we give you the next step, which you'll be asked questions. And so we're going to be wrapping it up. Now, William is gonna give us our final remarks.

- All right, we wanna thank you for, those again, who've been with us over the last 10 weeks, we hope we also added something that you found helpful for you and your family and your friends. This is not a one off, you come up with a good idea, let's share it. And for those who came for the first time, hopefully based on those questions, you've got some information that you can now use. And as Constance just mentioned, sometimes those questions just lead to other questions, but that's intelligence. That's getting the information that you need. I'm William Wesley, this has been My Secure Advantage. This is the COVID edition of 10 weeks' work and we are signing off, Constance.

- Thanks for having me, it's been a pleasure being with you today

- Indeed.

- And stay well everyone.

- Bye bye.