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FINANCIALJOURNEYS

FINANCIAL & RETIREMENT PLANNING FOR LIFE

What time is the right time for retirement?

Age may just be a number, but when it comes to retirement, it matters

Retirement is a time meant for enjoying life without the pressure of work. For some, that means rediscovering life with their partner. For others, it means room to dig deeper into a neglected hobby (or find a new one), or traveling to places in your own backyard or abroad. Maybe it's a little bit of all these things.

A recent survey by the Employee Benefit Research Institute found that only 11% of workers plan to retire before the age of 60. But with the right preparation, you can create a retirement plan that will provide you with financial resources and the freedom to pursue your passions, whether you flip the switch at 65, 60 or sooner.

> Anything before the age of 60 is considered an "early" retirement

PREPARE FINANCIALLY

Meeting with your financial advisor can help you evaluate your situation and create a plan for managing your assets and liabilities. Your advisor can also help you understand your income sources in retirement – such as Social Security, pensions or investments – and help ensure you're on track to meet your retirement goals.

Getting clear on the kind of retirement you want helps create the groundwork for getting a financial plan that's aligned with your end goal. Do you envision traveling, pursuing hobbies or spending time with family? What kind of lifestyle do you want to maintain? If you plan to travel extensively or pursue expensive hobbies, for example, you may need to save more than someone who plans to live a more modest lifestyle.

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What time is the right time for retirement? (cont.)

GEAR UP EMOTIONALLY

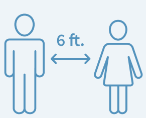
Not only does assessing your retirement readiness involve evaluating your financial situation, but also it requires an honest assessment of your emotional readiness to leave the workforce.

Retirement can be an emotional time, particularly for those who have spent their entire lives focused on their career or building a business. It's important to think about how you'll adjust to find fulfillment and fill your time in retirement. Will you miss the social interaction and sense of purpose that comes with work? What activities will you pursue?

FIND A SENSE OF PURPOSE

One of the keys to redefining retirement is to approach it with a sense of purpose. Retirement provides the freedom to explore new interests, take risks and make a difference in the world. Especially if you're retiring early, there's more opportunity and more time to try new things. By focusing on what matters most to you, you can create a retirement that's fulfilling and meaningful – which is important for overall happiness and well-being.

PRIORITIZE YOUR WELL-BEING



The COVID-19 pandemic and gradual labor market recovery has been accompanied by an increase in retirement among adults ages 55 and older.

Being proactive with your health through regular exercise, wise eating habits and getting enough sleep can help prevent the need for costly medical interventions down the road and help ensure you get the most out of your retirement. Retiring early if your situation allows may also give you more time to work with your healthcare providers to create a plan to improve or maintain your health.

While physical health is important, finding a creative outlet can help you support your mental health as well. Consider activities that you don't have as much time or energy for while working full-time. What do you wish you could do during your day?

Even better if one of your creative outlets includes social interaction. Research from the Yale Medical Group shows that social connections are correlated with improved immune system, lower risk of heart problems and high blood pressure, lead to fewer incidences of cancer, and deter osteoporosis and rheumatoid arthritis.

If you're not doing so already, create social connections by volunteering, joining groups or social clubs, or simply saying hello to your neighbors and those you interact with. Setting yourself up now to stay connected in retirement can benefit your mental and physical health and provide chances for personal growth and fulfillment well into your retirement years.

PLAN FOR HEALTHCARE COSTS

Once you reach the age of 65, Medicare becomes available to you. But if you retire sooner, healthcare insurance to tide you over to 65 can be quite expensive. Healthcare options for early retirees include COBRA, government health insurance marketplace plans, private policies and keeping some form of employment that offers health insurance. There are also services which can assist with finding a health insurance plan that is right for you. Each option comes with its own costs and benefits, so it's essential to weigh your options carefully. For example, if you opt for a private policy, you may have more from which to choose, but the costs can be high.

It's also important to consider the potential healthcare costs or insurance options associated with caring for an ill spouse or adult children.

ENJOY A GOLDEN OPPORTUNITY

By taking the time to rediscover yourself, assess your situation and plan accordingly, you can retire on your own terms whether you're at retirement age or not – and feel confident doing so.

When we retire from work, we don't retire from life – we're simply moving on to another phase. One with opportunities to redefine your purpose, find causes that light you up and embark on adventures that remind you age is indeed just a number. ■

NEXT STEPS

If you're planning to retire before 65, here are a few tips:

- Think about what you want to do with your time that you haven't been able to focus on.
- Find activities that align with your interests and skills, including volunteering, starting a new career, traveling or pursuing a hobby.
- Plan for health insurance and the associated costs.
- Keep physically active and mentally engaged by trying activities that challenge you and keep you motivated.

Sources: aarp.org; cnbc.com; raymondjames.com

Don't give in to inflation panic

Dealing with inflation and a bear market as you near retirement

It's hard to see your portfolio dip and not panic – especially as you near retirement. Coupled with record inflation, a dip might tempt you to sell your investments to drive cash flow. But long-term thinking even when nearing retirement is the key to preventing portfolio erosion, and to achieving much more.

Avoid this pitfall by taking a holistic approach to your finances and enlisting help from your advisor. Here are some dos and don'ts for dealing with inflation and a bear market as you near retirement.

Do get a clear picture of where you stand. First and foremost, it's important to tune out the panic-inducing headlines and revisit your personal situation and current position. This is best done with your advisor, who can hear your concerns and offer a level-headed approach and make necessary adjustments if needed.

Don't bail out at the bottom of a dip. Realize selling everything now would cement a loss and wouldn't allow you the opportunity to recover when the market picks back up again. While there may be some instances where it makes sense to cut your losses (probably fewer than you think), this should not be a widespread strategy in a downturn.

Do consider using cash from other sources if you're able. It's wise to have cash to cover up to 12 months of expenses in retirement, and while this doesn't always provide enough time for your portfolio to fully bounce back, it provides a cushion and gives you time to determine the best next steps. One strategy involves selling less volatile bonds in order to generate cash, even though it might seem counterintuitive. It will buy time for more active investments to come back.

Don't write off working a little longer. Whether full-time or part-time, working longer can give your investments time to recover. (Bonus: Working part-time may make for an easier emotional transition into retirement.) If you're already retired, going back to work might not sound so appealing. Instead, consider reducing expenses and sticking to a stricter budget for now.

Do speak to your advisor about your concerns. Trust the relationship you've built with your advisor. They have your best interest at heart. You may consider rebalancing your portfolio a bit, but only after taking a holistic look and conducting your due diligence. Remember, you diversified accordingly as you were saving for retirement, and while the market has shifted, you don't need to overhaul your portfolio to account for these changes.

Take your emotions out of the equation when it comes to investment decisions in a fluctuating market. This will help you fare better as you near your retirement date. A long-term lens will keep market ups and downs in perspective and let you focus on the exciting time retirement should be. ■

Past performance may not be indicative of future results. There is no assurance any investment strategy will be successful. Investing involves risk including the possible loss of capital. Diversification does not guarantee a profit nor protect against loss. The process of rebalancing may result in tax consequences.

NEXT STEPS

If you're retiring in this market:

- Avoid making any emotional, rash decisions regarding your investments.
- Discuss concerns with your advisor, who can make recommendations based on your situation.

Sources: cnbc.com; cnbc.com; fidelity.com; nytimes.com; assetmark.com; nerdwallet.com; forbes.com

Estate planning: Your loved one's long-term care

Ensure your family member with special needs is cared for after you're gone

As a caregiver of a loved one with special needs, you may be concerned about how they'll be cared for after you're gone. If you know your loved one will need long-term care due to a physical or mental impairment, that care should be a central topic in your estate planning.

You can set up your estate to ensure not only that your loved ones' needs will be taken care of to your specifications, but also that your own wishes will be carried out as you envision. Planning considerations will take some extra attention, especially if your loved one is receiving needs-based benefits, but you'll be able to rest easy knowing that their well-being will be in the right hands. Here are two key components to a comprehensive plan.

SPECIAL NEEDS TRUST

A special needs trust is a legal arrangement wherein a person or entity – the trustee – is charged with protecting the interest and assets for the benefit of another – the beneficiary. The trust allows an individual with a disability or special needs to benefit from the income and principal of the trust without reducing their eligibility for government assistance such as Supplemental Security Income (SSI) or Medicaid.

Given the longevity of administering a special needs trust, it's important to consider the best-qualified person or corporate trust company to serve as trustee. Properly managing a special needs trust means understanding the needs of your loved one and communicating effectively with caregivers or guardians. The trustee must be able to prudently manage the assets held for the loved one's benefit and understand the governmental regulations and how to work within them.

While government support is designed to provide for the basic necessities such as food and shelter, the funds in a special needs trust are more flexible. Common uses include personal care attendants, home furnishings, out-of-pocket medical and dental expenses, education, recreation, accessible vehicles and physical rehabilitation.

LETTER OF INTENT

An important companion piece to the special needs trust is a letter of intent. While the special needs trust holds the power and funds to carry out care for your heir, the letter of intent provides detailed instructions on how to do so.

This letter should include everything your trustee needs to know about your loved one – from likes and dislikes to functional abilities and daily routines. It should describe special diets, include doctors' names and share plans for your family member's future.

While this can seem daunting, it's essential to equip a future caregiver with the knowledge they need to continue providing the lifestyle you desire for your spouse or child. It will serve as the foundation for a comprehensive life-plan and aim to maximize their quality of life after you're gone.

Because conditions can change, you should re-evaluate your estate planning regularly to ensure it still meets the needs of you and your loved one. Speak to your advisor about how to make considerations for your loved ones' specific circumstances in the estate planning process.

NEXT STEPS

If you are concerned about the long-term care of a loved one after you're gone:

- Speak to your advisor about your specific situation.
- Consider a special needs trust to continue providing for your family member.
- Always include a letter of intent with detailed instructions for future caregivers.

Sources: specialneedsalliance.org; specialneedsalliance.org; cnbc.com; dandblaw.com