Wealth Matters Newsletter

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Determining When to Retire

You love everything about being gainfully employed. But you're getting close to retirement. What do you do? Should you wait until you're 70? Retire at 62? Or continue working, but fewer hours, or maybe, in a different, less-demanding position?

In this article, we will explore some of your choices. We will take a look at some of the available options that may fit your circumstances and lifestyle, while also considering the condition of your health during your later working years.

Retiring Early

Retiring at 62 (or younger) has an obvious allure. You no longer have to report to work. You're no longer obligated to the confinements, time restrictions, and deadlines of a job.

What are the benefits of retiring at or before 62?

You're generally healthier, and you may have more energy to pursue your retirement dreams. You can participate in exercise classes to keep your health on the up and up. You won't be stuck behind a desk or in some sedentary position for large portions of your day. Suddenly, your weekdays are also open for scheduling. You may also decide to work part time.

Retiring at 62 gives you the obvious benefit of more free time. If you retire at 65 (or later), you'll have at least three fewer years of free time to spend with grandchildren, traveling, or pursuing other activities.

The Social Security Administration mandates that the earliest you can start collecting benefits is 62. Once you start receiving benefits, the amount remains fixed. Early retirees (62) get 73.3% of their monthly full retirement allowance.

Those collecting benefits at 62 would collect benefits for longer – 52 additional months, but while retiring at 62 may sound enticing, you're not eligible for Medicare until you're 65. So, you'll be in good shape if you have health insurance. But if not, you'll need to fill that financial gap with reliable coverage.

Full retirement age – when you receive 100% of your benefits – varies depending on your birth year. Americans born in 1960 and later get full-retirement-age benefits at 67.

If you were to max out FICA contributions and retire at 62 in 2019, you could expect $2,074 in Social Security.*

Can you afford to retire before you reach your full retirement age? How much money will you need to retire? Will you need $1.5 million to do it comfortably? Set numbers can be a bit misleading. A better formula might be to multiply your pre-retirement income by 70-80%. If your investments can generate that amount, go for the gold. If not, you may want to consider other options.

For example, you would need a portfolio value of approximately $4.6 million, split equally between qualified and nonqualified assets to generate $10,000 per month for living expenses, which would include a Social Security benefit of $2,074/month.**

Going for the Big 67

The average retirement age in the United States is 63, but waiting until you reach full retirement age means you'll receive Medicare benefits and 100% of your Social Security benefits. Your full retirement age is 66 if you were born between 1943 and 1954. Full retirement age increases by two months every year for birthdays between 1955 and 1960.

Retiring at your full retirement age (rather than waiting until you're 70) provides you with nearly the same health advantages as retiring young. Your health is reasonably good, and you can generally expect to live another two decades.

People who retire in their 60s are also allowed, but are not required, to tap into their 401(k) plans and Individual Retirement Accounts. The penalties for early withdrawals no longer apply after age 59½. Retirees, however, must take retirement account distributions after 70½. Many retirees with larger retirement accounts delay making withdrawals (or keep withdrawals at a minimum) to allow their accounts continued growth potential.

If you were to max out FICA contributions and retire at 66 in 2019, you could expect $2,861 in Social Security.* As an example, you would need a portfolio value of approximately $4.0 million, split equally between qualified and nonqualified assets to generate $10,000 per month for living expenses, which would include a Social Security benefit of $2,861/month.**

Sliding Successfully into 70

Are you thinking of retiring at 70? Despite the perception that 70 is old, many septuagenarians are living active lives. For starters, you'll get 135% of your Social Security benefits. The average monthly benefit is $1,461. If you wait until you're 70 before you collect benefits, you'll get $511.35 more per month, on average. If you were to max out FICA contributions and retire at 70 in 2019, you could expect $3,776 in Social Security.*

If you haven't collected any income from your retirement account, it'll have 8 additional years of potential growth over retiring at age 62. For people between the ages of 65 and 74 who have a retirement account, the average account size is $358,000. At a conservative annual growth rate of 5%, the average account may grow to nearly $530,000. That's more than $170,000 just for waiting.

(This is a hypothetical example for illustrative purposes and not representative of any specific situation. Your results may vary.)

As an example, you would need a portfolio value of approximately $3.2 million, split equally between qualified and nonqualified assets to generate $10,000 per month for living expenses, which would include a Social Security benefit of $3,776/month.**

Going for the Gold

Deciding when to retire depends on many factors, including age, health, finances, and your vision of retirement. Some may decide to retire early because of poor health. Others may want to build their retirement savings and wait to retire later.

In the end, layout your priorities, paint your retirement vision, and proceed with gusto.

*Data Source: Social Security Administration with hypothetical inputs. These should not be taken as advice or accurate numbers for your specific situation.

**Illustration Assumptions: Retirement Ages: 62, 66, and 70; Inflation: 4%; ROR: 5%; Social Security Inflation: 2%; Living Expenses of $10,000/mo. (after-tax); $120,000/yr.; Kansas Income Tax Rate: 5.7%; Life Expectancy: Age 100

Additional Sources Available Upon Request

Critical Elements of an Estate Plan

We talk a lot about estate planning because taking steps to help protect your estate is a key financial choice. With proper strategies, you may be able to maximize your opportunities and help manage stress and confusion for your loved ones. Yet, approximately 50% of 50 year olds don't have a will in place — despite the fact that almost 60% of Americans plan to leave an inheritance.

Taking time to create estate strategies not only helps you put your financial house in order, but can also save you money. By documenting your wishes and goals, you create a legal framework that the courts, your executor, and your loved ones can follow when settling your estate. Without these strategies in place, your family risks going through a lengthy and expensive process — which could alter any wishes you had for your legacy.

You can help make sure that your executor respects and upholds your values, goals, and desires for your estate by taking some time to thoughtfully prepare, today. Here are critical details to address when creating your own estate strategies.

Key Elements of an Estate Strategy

1. Will

In its most recent survey, Gallup found 56% of Americans don't have a will in place — which is unfortunate, since a will really is the cornerstone of your estate.

This legal document is crucial for proving what you own, how you want to distribute your assets, and who cares for any minor children you have at the time of your death. A will can also help business owners successfully and efficiently transition their assets. If you don't have a will in place, then any questions connected to your estate will get resolved through the courts' probate process.

Wills Can Be Contested

Unfortunately, as important as they are, wills have shortcomings.

Even though they are a legally binding document, people can challenge them in court. In fact, the probate court will send out notice of the will to anyone who might have grounds to contest it. And if someone steps forward, the potential arises for a lengthy battle in probate court. Once estates go to probate, all details become public record — meaning anyone can find out how much you left and to whom.

WHAT DOES YOUR WILL DO?
• NAMES AN EXECUTOR
• NAMES GUARDIAN FOR MINOR CHILDREN
• DIRECTS HOW TO DISTRIBUTE YOUR PROPERTY
• GOES THROUGH PROBATE

2. Letter of Intent

With your will in place, another document that can help guide your estate is a letter of intent. While a will provides legal directives, you can provide a more personal voice by giving additional written instructions.

Your letter is not an official legal document, nor can it override your will. However, the letter can work in tandem with your other estate documents.

You'll want to update your letter of intent several times a year to reflect any details that have changed since your last check-in. Also, the more people involved in your estate that have copies of the letter, the better. Consider giving copies to your spouse, children, closest friends, or executor.

How Letters of Intent Help

Inform Probate Judges: This personal letter can help clarify to the judge what your intentions are should questions arise.

Back Up Invalid Wills: Sometimes, courts can find wills to be invalid. Should this happen, a letter of intent could help inform how you want to distribute your assets.

Help in a Medical Emergency: Should an accident or emergency leave you unable to express your wishes, your letter of intent can offer the answers and perspectives you need to share.

LETTER OF INTENT COMMON DETAILS TO INCLUDE

- COMPLETE LIST OF ALL ASSETS, INCLUDING ARTWORK AND INVESTMENTS
- ESTIMATES OF YOUR ASSETS' CURRENT MARKET VALUES
- WISHES FOR PASSING DOWN HEIRLOOMS
- INSTRUCTIONS FOR FUNERAL DESIRES
- LOCATION OF TITLES/DEEDS FOR ANY REAL ESTATE
- CHARITIES YOU WANT TO SUPPORT

3. Power of Attorney

Typically, a power of attorney document authorizes someone to handle financial and some legal decisions when you become incapacitated. The person you designate as a power of attorney doesn't have to be an attorney. Anyone you trust, such as a family member or friend, can serve in this role for you. You can even designate more than one person, assigning different responsibilities to each.

The power of attorney can go into effect upon your incapacity or any other trigger event you specify. A power of attorney does not need to go through any additional legal proceedings. Individual states can have various power of attorney laws. So, consider becoming familiar with your state's specific regulations in order to make a more informed decision.

Power of Attorney Designations

General Power of Attorney: An agent under this agreement can serve any and all needs, as your state allows. They can do things like sign checks, sell property, and more.

Limited Power of Attorney: You can designate an agent under this agreement to support specific legal needs for limited timeframes. For example, you may choose to designate a loved one to manage only your retirement accounts for a few years.

4. Health Care

Sound estate strategy should address your health needs because medical emergencies can happen at any point. If you could not care for your estate as a result, you may need to have people designated beforehand who can manage responsibilities for you.

To include medical care planning in your estate strategies, start by organizing a variety of legal needs and documents, including:

Living Will: A living will provides specific instructions about your medical care if you become incapacitated and unable to communicate. It goes into effect immediately upon your incapacity and doesn't need to go through any additional legal proceedings.

Durable Medical Power of Attorney: A durable medical power of attorney for health care agreement authorizes someone to make medical decisions on your behalf. And, like the living will and the power of attorney, it does not need to go through any additional legal proceedings.

HIPAA Release Clause: The federal Health Insurance Portability and Accountability Act (HIPAA) of 1996 protects the confidentiality of your medical information. By signing a release approval, you'll permit hospitals and medical facilities to release your details to your designated health care proxy, such as your durable medical power of attorney agent.

5. 2nd & 3rd Marriages

Forty percent of new marriages in the U.S. include a spouse who's been married at least once before. As a result, a large swath of Americans must plan for 2nd (and 3rd) marriages in their estate strategies.

Whereas a 1st marriage typically builds a new foundation for your estate needs, subsequent marriages create additional layers of complexity. You may have children from your 1st or 2nd marriage and new assets to manage. Not building the estate strategies you need to protect your family and estate could leave you in a legal bind should something happen.

Here are Common Estate Needs to Consider When Remarrying:

Prenuptial Agreements: Prenuptial agreements may get a bad rap, but these legal documents are actually a critical estate strategy for remarriages. In fact, they are the only way you can prove who owns certain assets within a marriage. A prenuptial agreement can also help you put financial protections in place for your children, should a spouse die. State laws can vary on how to address prenuptial agreements, so be sure to check your own state's requirements.

Updated Legal Documents: Once you remarry, your estate documents may need updating to align with your new life stage. You'll want to look over your will, powers of attorney, trusts, and health care directives, and revise them to include your new spouse, as needed.

Beneficiary Considerations: You may need to update your beneficiary listings for your accounts to include your new spouse, if you want them to inherit the assets. Just note: Your beneficiaries can also list their own beneficiaries after you die. This detail could mean excluding your children if your spouse designates other people — even if you told your children otherwise. So, you may want to consider this detail carefully as you create strategies that reflect your estate wishes.

6. Guardianship Designations

Having children means including their needs in your estate strategies. One common area people should prepare for is legally naming guardians for their children. If something happened and you and your spouse could no longer care for them, a guardianship designation helps ensure you can choose who raises your children. You may also want to consider naming a back-up guardian as an additional safeguard.

Difference Between Guardian and Trustee

While a guardian and trustee can both help provide care for your children, they aren't one and the same. A guardian specifically serves in a custodial role, providing the ongoing care and guidance for them, such as where they go to school and what they eat for dinner. Meanwhile, a trustee is their financial guardian who helps them with money matters, like receiving their beneficiary payments and paying any bills for them.

7. Trusts

Trusts can be another powerful estate management tool.

A trust is a legal entity that can own property. Properly structured trusts completely avoid probate and avoid the delays and expenses that often accompany probate. Trusts are not a matter of public record; they're a tool for maintaining privacy.

Trusts can provide very effective management of your assets and their distribution to your heirs.

And, even after your death, trusts can provide some measure of control over how assets distribute to children and other beneficiaries. In addition, trusts are much more difficult to contest than a will.

Using a trust involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional who is familiar with these dynamics.

ESTATE BENEFITS OF TRUSTS

- AVOID PROBATE
- ARE NOT PUBLIC RECORD
- SUPPORT EFFECTIVE MANAGEMENT & DISTRIBUTION
- PROVIDE SOME CONTROL OF BENEFICIARIES
- ARE DIFFICULT TO CONTEST

8. List of Accounts and Passwords

If you were to pass away suddenly, do your executor and loved ones know how to access all your accounts? Do they even know all the accounts you own?

Chances are, probably not. Considering that 86% of Americans store their online passwords in their heads, the vast majority of people aren't preparing their executors to access their account details.

Consider Tracking the Following Categories:

Employment Benefits: If you receive health care or retirement accounts through your employer, then you'll want to capture these details for your estate executor. Also, include your HR contact for this benefit.

Financial Accounts: Gather all the account details that connect to your assets. This information could include investment accounts, credit cards, safety deposit boxes, and other financial items.

Online Accounts: Your life online may need management from your executor and loved ones in order to settle your estate. Be sure to list your account login credentials for everything, from your social media accounts to online streaming channels and more.

We are happy to answer any of your questions about estate strategies. If you have questions about the information or need an introduction to an estate planning attorney, contact us at 913.814.3800.

Sources Available Upon Request

Keep Up with Good Recordkeeping

Maintaining a sound financial life also means taking steps to help protect your important records. Was tax season a paperwork mess for you? Have you struggled with finding important documents when you need them? Below are three questions to consider as you prepare your organization system for tax and legal documents for the upcoming year and beyond:

1. What records should you keep?

You'll want to consider storing any documents that serve as proof of important financial and legal details in your life. These documents can include tax returns, investment records, and mortgage documents. You may also want to keep simpler paperwork, like pay stubs and receipts, for home improvement or business-related purchases.

2. How can you store them?

You have a variety of ways to store important documents, including:

- Paper based: Store printed files in a cabinet; however, this method offers no back-up system for destroyed or damaged files.
- Computer based: Digitize documents to keep on your computer. Consider backing up files and hosting them offsite.

- Cloud computing: Store files online, which can give you access to them from anywhere, while reducing the risk of lost data.

3. How long should you store them?

The types of documents you're saving can help determine the amount of time you should keep them. The following timelines may be helpful:

- 1 year or less: Receipts from credit cards, ATMs, and bank deposits; insurance policies (until new paperwork arrives); investment statements
- 1 year or longer: Loan documents (until you pay said loans off), investment purchase confirmations (until you sell them), car titles (until you sell the vehicle)
- 7 years: Tax paperwork and supporting documents
- Forever: Marriage certificates, divorce papers, birth and death certificates, estate documents, military discharge papers

Your personal situation will determine how to best store your records. Consult your legal and tax professionals for guidance on your unique needs. And if you have questions about your financial records, we're happy to help!

Bowling for Kids' Sake
Once again, our team will be fundraising with the Big Brothers Big Sisters Summer Bowl for Kids' Sake. 100% of the money raised through Bowl for Kids' Sake stays in the local community. It helps Big Brothers Big Sisters carry out the work of carefully matching children with caring adult mentors and providing ongoing support to the child.

Volunteering with Giving the Basics
Giving the Basics provides the necessities of life, not covered by government assistance programs, that most people take for granted such as laundry soap, shampoo, deodorant, toilet paper and other personal care hygiene products. We had the opportunity to help sort, count and package 10,201 hygiene items and household products. Volunteers help Giving the Basics provide these items to 250,000 members of the Kansas City community each month. To learn more about getting involved, visit https://www.givingthebasics.org/

Stems: A Garden Soiree
We were happy to sponsor Stems this year on behalf of The Arts & Recreation Foundation of Overland Park. The funds raised from the event allow the foundation to support and develop the Deanna Rose Children's Farmstead, the Overland Park Arboretum & Botanical Gardens, and city art installations.

Congratulating Our Centurions Graduate
For two years, Marc Shaffer has been of member of Centurions Leadership Program through The Greater Kansas City Chamber of Commerce. We would like to congratulate Marc and the entire group on a successful program and their recent graduation!

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