SPRING 2020

FINANCIAL JOURNEYS

FINANCIAL & RETIREMENT PLANNING FOR LIFE

The after-party

Don't let boredom in retirement get the best of you

You've made a financial plan for retirement, but what about a fun plan? According to an article by The Senior, "Your Retirement | Don't be a bored Baby Boomer," two in three people enter retirement with little or no thought about what they want to actually do in retirement. But professionals agree it's a key component to a satisfying "after-party."

It's not too soon to think through how you plan to keep yourself busy with all those extra hours in the day – and recognize the options are endless. Without a purpose, you may find yourself bored and unfulfilled. A little preparation will not only help you avoid this but also contribute to the happy retirement you've always envisioned.

These tips will help you explore the possibilities.

DIG DEEP

Many of us identify with our careers and titles, but how will we feel once those are part of our past? You're still the same person, after all. It may take some deep thought about your true passions and the legacy you want leave, but this preparation will lead you on a path to fill your time with things that mean the most to you.

Maybe these will get your juices flowing.

2 in 3 people

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The after-party (cont.)

What did you want to do as a child? Were there any missed opportunities in your career journey that you'd like to learn more about? Did you lack the time you wanted to volunteer when you had a career and young family to balance? Or maybe your friends are always telling you you're so good at [insert skill here] but you never harnessed it? These are all hints that'll steer you to a satisfactory retirement.

GET INSPIRED

There are some pretty incredible examples of those fully embracing their encore years by doing extraordinary things. There's nothing wrong with finally learning how to crochet, perhaps inspired by watching your grandma make intricate blankets while you were a kid. But there are other options, too. People in retirement are learning to surf, getting a doctorate, starting charitable organizations or traveling to new continents. Picture the possibilities. This is the time to think about trying something new and leaving regrets behind.

Case in point: Jimmy Carter. While he never intended to start an annual project, he and his wife helped Habitat for Humanity volunteers build and renovate homes for the less fortunate in 1984 – and have continued their efforts well into retirement. Want to set a Guinness World Record instead? An 83-year-old Japanese woman who goes by DJ Sumirock earned the title of oldest professional club DJ. She started DJ school at age 77, thinking it might be a fun endeavor. Does a physical endeavor suit you better? There's no shortage of boomer-aged skateboarders. Both Lena Salmi and Neal Unger have gained notoriety as beginners in their 60s.

You won't know if you don't try.

While keeping busy staves off issues retirees can encounter, like unhappiness and physical decline, it's also OK to decide you want to take this time to relax. Just do it purposely. According to U.S. News & World Report's "The Art of Doing Nothing in Retirement," there are a few steps to take to adjust to this new pace of life. First things first, let go of any guilt you may feel making yourself a priority. Realize you've already made your contributions to society and your family. But don't let go of a routine altogether. Create one that helps you appreciate your slower lifestyle, and enjoy being in the moment. Watch the sunset, listen to the ocean and observe wildlife.

IT'S AN EVOLUTION

Creating a so-called bucket list is a good start to having something to always look forward to. But your list should continue to grow, not dwindle. When you check off one thing, add another. It should be an evolution of your wants and wishes. Don't be afraid to reinvent yourself – then re-reinvent yourself. You may just surprise yourself with a new passion.

Say you decided to take some yoga classes – and now you love it so much you want to become an instructor. Let your level of enjoyment guide you to your next endeavor. You may also do so much traveling one year that staying closer to home the next is what you crave. The most important part is being honest with yourself and what's making you happy.

It's easy to slide into expectations from your family and retired peers – but it's your life. Of course, you should include your children and spouse in your plans, but don't let their wishes overrule yours. And be sure to include your financial advisor in retirement planning conversations. Not only will they be able to help you put together the financial pieces of the puzzle, but they will make sure you have adequate insurance should you take up one of the riskier hobbies.

Remember, this is your retirement. It's a chapter you won't get to rewrite, so do what you please – as wild or laid-back as it may seem. You won't regret listening to your heart and giving it a try. ■

NEXT STEPS

To avoid becoming a bored boomer:

- Ponder what you might want to do in retirement and jot down any idea (even the "crazy" ones) that comes to mind
- Talk to your advisor about your retirement aspirations to ensure your financial position matches your plans
- Recognize this is time you worked hard to get, and let go of any guilt for putting yourself first

Sources: Guinness World Records; hypebae.com; theseniorlist.com; usnews.com; thesenior.com.au; makeagingwork.com; habitat.org

Don't let "sequence of returns" risk ruin your plans

Consider preservative strategies well before you retire

You've saved diligently throughout your career, invested those savings prudently, and accumulated a nice nest egg. Now that retirement is within sight, you're set, right?

For most, the answer is yes. But every investor takes some risk that well-laid plans could go awry. Think about someone who retired in March 2000, at the start of the dot-com bubble burst. Or in October 2007, at the start of the Great Recession.

These are examples of what's called "sequence of returns" or SOR risk – the possibility that a market downturn occurring near your retirement date could affect your retirement plans.

BUILD A BUFFER

While declines can be nerve-wracking, they're not that unusual – the S&P 500 fell 33% in 1987 and 48% between January 1973 and October 1974. Historically, investors who stay the course and don't sell at a loss have a greater chance of recovering.

Eventually. Those who can't stay the course – and it happens – may have to sell at inopportune times, depleting the remaining value of their portfolio and limiting the portfolio's potential to recover.

The good news: You can reduce SOR risk with a well-thought-out plan. What's right for you will depend on personal factors best discussed with your advisor. Here are three strategies that can serve as a starting point for the conversation.

"De-risk" leading up to retirement: While it may seem counterintuitive, keeping a smaller percentage in stocks during the decade leading up to retirement and the decade after – and increasing that percentage as you age – will help reduce SOR risk. Market declines in the years preceding and following retirement potentially can do the most harm, so that may be a good time to "de-risk" your portfolio with a greater allocation to bonds and cash.

Set a fixed withdrawal amount: Retirees often assume they can withdraw a certain percentage of their total portfolio, increasing that amount every year to account for inflation. Instead, set a fixed amount for your withdrawals in each coming year based on the year-end value of your portfolio. You can establish a "floor" – an amount that can be withdrawn in any market environment to cover your basic needs – and adjust discretionary spending according to your portfolio's performance.

Create a liability-matching portfolio: It's possible to practically eliminate SOR risk by determining how much you need in retirement and creating a portfolio of fixed-income assets and/or annuities that will reliably produce that amount annually. This approach creates what's known as a liability-matching portfolio – the income generated by your fixed-income holdings equals (after taxes) your liabilities (expenses). ■

NEXT STEPS

Talk to your advisor about potential retirement risks, and:

- Ask him or her to run stress tests to see how your portfolio may react given a downturn or a change in your planned retirement date
- Determine which SOR de-risk approach is within your comfort level
- Execute your strategy

Past performance may not be indicative of future results. There is no assurance that any investment strategy will be successful. Portfolio withdrawals may require adjustments based on market performance. Annuity guarantees are based on the claims paying ability of the insurer. The market value of fixed income securities may be affected by several risks including interest rate risk, default or credit risk, and liquidity risk. The S&P 500 is an unmanaged index of 500 widely held stocks listed on U.S. market exchanges. An investment cannot be made directly in the index. The performance mentioned does not include fees and commissions which would reduce an investor's performance.

The upside of upsizing

A larger home makes sense to retirees open to multigenerational living

Retirees often choose to simplify life by downsizing to a space with minimal upkeep. But what if the opposite – a bigger place, with room for multiple generations under one roof – really suits you? A 2019 survey of 50-year-olds conducted by Del Webb, a builder of active adult communities, found that 65% of those planning to move prefer their next home be the same size or bigger than their current one. There are myriad reasons why, from the prestige of a big house and room for people to visit to saving money on shared utilities and joint caregiving responsibilities for children and elderly family members.

FAMILY MATTERS AND FINANCES

A record 64 million Americans live in a multigenerational household, a Pew Research Center review of 2016 census data shows. That's 20% of the U.S. population.

But before you move more people under one roof, a thorough discussion of what each can contribute and what they hope to get out of it is in order. The simple luxury of more time with loved ones is an obvious benefit, but other perks can add up.

Grandparents who aren't working outside the home might help with childcare and meal preparation, easing the burden for their adult children. And older people who had trouble making ends meet can find the arrangement less costly than traditional senior housing.

The key to making it work for everyone is in the details – and setting clear boundaries ahead of time. What will each person pay for? How will the chores be split? How will the communal spaces be used?

You'll also want to make sure upsizing doesn't disrupt your long-term financial plan. Your advisor can investigate scenarios for you and guide you on how to balance helping others and making strides toward your personal goals.

A HOUSE BUILT ON MEMORIES

Once you're on the hunt for a house, you'll no doubt have a long list of desires from everyone involved. You may want a property with an attached apartment or a second master suite with its own bathroom. If you're building a new house, consider accessibility – with doorways and hallways wide enough for someone to use with a wheelchair, or a zero-step entrance, for example. This will make it compatible with aging.

Buying a larger home to share with generations of your family has its tradeoffs. You'll have to deal with other people's schedules, needs and pet peeves, but in return there will be shared meals, shared laughter and the satisfaction of spending time with your loved ones. ■

NEXT STEPS

As you plot your next move:

- Consider whether upsizing makes sense for your family
- Hold discovery conversations with family members
- Consider desired location and amenities
- Review finances with your advisor

Sources: Consumer Reports; Forbes; Wired magazine

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