February 2020

Retirement Planning Insights

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Up Front

Tax return season is upon us

There are multiple reasons for people to dislike February; cold temperatures, minimal daylight and having to do tax returns!

If you are the beneficiary of a trust or a partner in a company, you generally will not have all your necessary tax return info until mid-March. Otherwise, you should normally have all the needed information by mid-February. It's important to file your tax return as soon as reasonably possible. Filing early helps prevent a would-be fraudster from beating you to it and maliciously filing on your behalf.

In addition to Tenon Financial, I also have a tax return preparation business, Tenon Tax Preparation LLC (**www.tenontaxprep.com**). As you know, I'm an IRS Enrolled Agent. Furthermore, Tenon Tax Preparation LLC is an authorized IRS e-file provider. If you're interested in learning more about the services offered by Tenon Tax Preparation, please e-mail **andy@tenontaxprep.com**.

Back to financial planning & investment management… January was an active month for Tenon Financial media contributions. I'm proud to share I was recently quoted in the following articles:

- **LegalZoom - "Certified Financial Planner vs. Financial Planner: What's the Difference?"**
- **U.S. News & World Report - "How to Apply for Social Security"**
- **U.S. News & World Report** - **"7 Best Vanguard Funds for Retirement"**
- **Magnify Money by lendingtree - "What is a Backdoor Roth IRA"**

As always, don't hesitate to reach out if you'd like to learn more about something I said in an article, on social media or in one of these newsletters. And don't forget to tackle your tax returns as soon as you can…don't wait for the April 15th deadline!

-Andy

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Retirement Planning News

9 ways advisers can add value

On January 14, 2020, *InvestmentNews* published an article titled "9 ways advisers can add value for clients," by Jamie Hopkins. Mr. Hopkins is a thought leader in the retirement planning industry. I respect his work and especially like this article because its message very closely aligns with Tenon Financial's philosophy and services.

Mr. Hopkins summarized nine ways - above and beyond just providing investment management - advisers can add value for clients:

1. **Financial Planning** – Learning clients' goals and determining how best to solve them by integrated planning of all aspects of the clients' financial lives. Financial planning involves cohesive recommendations across investments, taxes, household budgeting and spending patters, retirement planning, insurance, education funding and estate planning.
2. **Account Consolidation** – Helping clients condense and streamline their various accounts held across different brokers, banks and account types into only the minimum number necessary. This results in clients having less statements, logins and potential required minimum distributions to manage.
3. **Cost Reduction** – Many investments and account types have more cost-effective alternatives. By helping reduce underlying costs and expenses, advisers can help clients ultimately keep more of their assets.
4. **Access to Products** – Clients may not be aware of the array of banking, brokerage and insurance products and strategies available in the marketplace. Advisers can help educate and inform clients of the various options.
5. **Behavioral Coaching** – Personal finance is often more "personal" than it is "finance." Advisers can help prevent clients from making irrational or emotionally driven decisions which may not be in their best interests.
6. **Tax Planning** – It's not what you get, it's what you keep. Virtually every aspect of personal finance has tax implications. An adviser with strong tax knowledge can help clients minimize taxes thereby allowing them to keep more of what would otherwise be given to Uncle Sam.
7. **Investment Allocation** – It's common for clients to be invested in positions which are either too risky or too conservative for their financial goals and risk tolerance. Advisers can help ensure clients' investments are properly allocated and rebalanced as necessary.
8. **Risk Mitigation** – A fancy term for making sure insurance coverages are appropriate. Advisers can assist in assessing clients' insurance needs, or lack thereof.
9. **Estate Planning** – Without proper planning, death or incapacitation could lead to clients financially burdening their relatives or imposing upon them difficulties in carrying out wishes or transferring estates.

While many advisers may find these nine services to be novel ideas, Tenon Financial already provides them ALL - in addition to investment management - as part of our ongoing retirement planning & investment management service.

Practical Retirement Planning

Spending during the three stages of retirement

Depending when you retire and how long you live, your retirement could potentially last 30 or more years. Most retirements consist of three stages, each of which is typically 5-10 years in length. Furthermore, each stage has its own spending characteristics. Understanding these stages can help you feel more comfortable in knowing what your spending in retirement may look like.

The three stages of retirement and their typical spending patterns are:

1. **“Go-Go” years** (the first 5-10 years of retirement) - Physical and mental health are strong so it’s common to be active with travel, hobbies, leisure activities and visiting family. Discretionary spending is often high as time and money are spent on taking large trips which weren’t able to be taken during working years, frequent travel to visit relatives and friends, dining out, partaking in physical hobbies, using and maintaining vacation properties, etc.
2. **“Slow-Go” years** (the next 5-10 years) - Physical health is still generally good but frequent or strenuous activity starts to become difficult. Mental acuity could still be sharp but cognitive decline often begins. Extended duration or physically demanding travel is no longer likely. Highly physical hobbies and activities may not be feasible. Time is spent predominantly on lower-key endeavors such as indoor activities, social gatherings, etc. Discretionary spending usually declines without significant increases in other expenses.
3. **“No-Go” years** (the final 5-10 years) – Physical and/or mental health are significantly degraded. Activities outside of the house are limited. Travel and physical leisure activities are no longer possible. Full-time living or medical assistance may be required. Discretionary spending is minimal but medical expenses increase substantially.

In many cases, total spending declines throughout retirement. Discretionary spending is largest in the go-go years but often decreases significantly during retirement. However, medical expenses may markedly increase over time.

What does this mean for you and your retirement??? Understanding how your retirement spending needs may change can help ease the concern and fear of the unknown when creating a multi-decade retirement plan.

With a proper retirement plan in place, it’s okay to give yourself permission to spend on travel, experiences and other “fun” things during your go-go years. However, a good retirement plan should also address what expenses could look like in your no-go years as major medical issues may arise.

If you would like to learn more about creating a spending plan to help you live your best retirement, we’d be glad to assist. You can always contact us at **hello@tenonfinancial.com**.