Retirement Planning Insights

August 2022

In this issue:

Up Front

The first Q&A edition of my podcast and a family trip to Ocean City, MD

I started my podcast, Retirement Planning Education, over six months and 30 episodes ago. I'm happy to share that I decided to start doing a listener Q&A episode once a month. I did the first one in July (episode 32) and it was a lot of fun!

In this first Q&A edition I answered questions about spousal Roth IRAs, 401(k)-to-Roth IRA conversions, self-funding long term care expenses, splitting up IRAs by different beneficiaries and how I named my company, Tenon Financial.

If you haven't already, definitely give the podcast a listen and subscribe through your preferred podcast listening platform; Retirement Planning Education is on all major platforms. Thanks!

Also, if you'd like to submit a question to be answered on a future Q&A episode, send it to me at andypanko@gmail.com. Bonus points if you send me a question as a voice recording or audio file, so I can play your audio on the podcast!

In other news, my family and I recently spent a week in Ocean City, Maryland. My older daughter was invited to a dance convention there for the week, so we all decided to go and make a vacation out of it.

While my older daughter spent every day dancing, the rest of us did touristy vacation-type stuff. We ate a lot of high calorie foods, sat by the pool, went to the beach, played mini golf and bought some souvenirs.

The highlight of the trip, according to my younger daughter, was riding go carts. That was the ONE thing she wanted to do while we were there. We ended up going two different times, which she loved. And I had a good time too…

And just like that, summer is already halfway over. I hope you enjoy and make the most of your August!

-Andy

Retirement Planning News

Things to consider and plan for when retiring alone

On July 1, 2022, *U.S. News & World Report* published the article "How to Retire Alone."

The information in the article is helpful for those who are single and planning for retirement. Additionally, while not the specific focus of the article, some of the information also applies to those who retire married but end up single, whether through death or divorce.

The article gives the following recommendations for retiring single:

- **Structure your finances** – Make sure you have a good handle on your expenses, assets and sources of income. Be sure to save enough prior to retiring and, once in retirement, don't spend more than your finances can support throughout the rest of your life.
- **Consider a single-friendly retirement community** – It's great to be around folks in similar situations, with similar interests, etc. If you're single, it can be easier to build and maintain a social network when around other single folks.
- **Set up a health care plan** – Obviously it's important to make sure you have adequate health insurance. But when single, it's also important to think about the non-insurance aspects of health care, like who will take you to and from an appointment if you can't drive yourself, or who will stop by and check on you if you're recovering from a procedure.
- **Make new friends** – This is kind of related to considering a single-friendly retirement community. It's good to have like-minded friends who enjoy similar activities and interests. Having a network of good friends is important to good mental and emotional health.
- **Choose your region** – Figuring out where to live in retirement is a major decision. Do you want to be near family or friends, near the beach or mountains, in a cold or warm climate, near a city or rural area, etc.
- **Find a travel companion** – It's one thing to have a network of friends to regularly do local activities with. But when you're doing the occasional big trip, it's nice to have a reliable travel companion that you can spend multiple days with and not drive each other crazy!
- **Look for volunteer opportunities** – Having a sense of purpose and meaning in retirement is critically important. As is having something to fill your time. If you don't have a full roster of leisure activities, it could be a great idea to find a volunteer activity that you enjoy.
- **Plan for long-term needs** – For many married couples, when one spouse has long-term care needs, the other spouse often takes on a lot of the care giving. When single, it's important to have a plan for how you'll get the care you need in the event of a long-term care scenario. Will you have friends who can help, will you have long-term care insurance to pay for help, will you have enough assets to "self-fund" the costs of long-term care?
- **Bring a pet into your life** – Having a cat or dog can bring a sense of companionship. Maybe you don't buy or adopt a pet, but instead consider fostering pets. Having a pet (particularly a dog) can also help keep you physically active, such as by taking daily walks.
- **Keep a positive outlook** – While it may be mentally and emotionally challenging to face retirement alone, keep in mind that retirement is not an end, but a beginning. It's the beginning of a stage of life where you have more freedom of choice and time to do as you please. Your retirement can be whatever you want to make it!

Practical Retirement Planning

There is a lot of value in good retirement planning, but that value is impossible to put a number on

I know there is a lot of value in what I do. And I know many advisors similarly provide a lot of value, especially those who do detailed financial and tax planning and not just investment management. However, it's impossible to quantify that value.

It's intellectually dishonest to claim to be able to put a numeric value on retirement planning & investment management advice, most of which is hypothetical and based on educated guesses about what may happen decades into the future.

For example, virtually all advisors provide investment management; picking stocks, bonds, mutual funds, exchange traded funds, etc. for their clients. Yes, there is a lot of potential value to add in good investment management; using funds with low expense ratios, helping prevent clients from making irrational and emotional decisions with their investments, etc.

However, the actual value realized from professional investment management services can only be recognized years after the fact. It would require the advisor and client measuring the value of the client's portfolio under the advisor's guidance vs what the portfolio would have been had the client continued investing on his or her own. In reality, no one actually keeps track of the *what would have been* scenario. And even if they did, looking back, we can only make guesses about what the client would have actually done over the years.

Social Security claiming strategies is another area where there is a lot of potential value to be had, but we can't measure it today.

For example, if you're single and have a long life expectancy, chances are it would be best for you to delay starting Social Security as long as possible to get the maximum benefit when you do start.

If you live well past your 80s, that advice will have paid off and been worth a lot. If, however, you unexpectedly pass in your 60s before starting Social Security, that advice would have been wrong in hindsight as you would have left money on the table by not claiming your benefit sooner. That doesn't mean the recommendation to delay was bad. It just means it was the best educated guess that could have been made at that time. The point is, the actual dollar amount of value realized from the initial advice won't be known until years down the road.

The value of tax planning is similarly impossible to quantify. We know federal tax rates are currently the lowest they've been and are very likely to increase over the coming years. As such, doing things like Roth conversions now could help reduce your taxes over the long-term.

However, without fast forwarding decades into the future to see how tax legislation and your annual tax bill actually played out year-by-year, there is no way today to say exactly how much "value" there currently is in doing Roth conversions; it's all just projections and assumptions and educated guessing.

To be sure, there are definitely some things whose current value is clearly able to be measured. For example, in recently reviewing a client's tax return, I saw the tax return preparer misclassified municipal bond interest on the client's state tax return. And that misclassification meant the client paid about $1,000 more in state tax than was necessary. I pointed that out to the client who had the preparer amend the return and the client got that $1,000 back from the state. That was clearly $1,000 of value I provided that year. But most of the value I and other advisors provide isn't so obvious, definitive or able to be measured.

To sum up, there is definitely a lot of potential value to be had in working with a good retirement planner. As such, you may find it worth it to use professional help in planning your retirement.

But be wary of advisors who make claims or guarantee-like statements that they can provide you at least X dollars of value each year or that the value they provide will consistently exceed their fees. Such claims are disingenuous as there is no way to measure the value actually delivered each year.