

Retirement Planning Insights

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Up Front

The pandemic (and a woodworking show)

March was a very interesting month, but not in a good way. Obviously, the coronavirus pandemic is a significant global event. While most of the world was late to realize how serious the health impacts would become, the severity of the situation is now clear to everyone.

I'm in no position to comment on the health aspects of the pandemic, but I feel I can add some insight on its financial aspects. You can read my thoughts on this matter in our **Special Edition COVID-19 Newsletter** from March 20th. Furthermore, you can read my summary of the recently enacted coronavirus stimulus laws in our **Special Edition CARES Act Newsletter** from March 30th.

I realize it's trivial in comparison to what's currently going on in the world, but I'm proud to share I was an exhibitor at The Woodworking Shows in Secaucus, NJ on the weekend of March 6th. I met some great people and had some very engaging conversations about retirement planning and investments.



There's a lot of uncertainty in the world right now; both medically and economically. If you have any retirement planning or investing questions or concerns you'd like to discuss, don't hesitate to reach out.

-Andy



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Retirement Planning News

Tenon Financial's pandemic-related news quotes

While the coronavirus pandemic is first and foremost a global health crisis, it's also causing a global economic crisis. In just the last month, the U.S. stock markets gave back their last three years of gains, the unemployment rate is expected to spike to 10% (or more) from its February 2020 historic low of 3.5% and a recession is no longer a possibility but a foregone conclusion.

There are plenty of doom-and-gloom stories in the financial media. However, with regards to long-term financial planning and investing, it's important to not let fear or uncertainty lead to any knee-jerk reactions.

I know it's hard to do in times of turmoil, but sometimes the best action is taking no action at all. Furthermore, there are even some long-term financial opportunities to proactively take advantage of during these challenging times.

In March, I was quoted in a few articles pertaining to potential actions to take (or not take) during the crisis:

- **Yahoo!money** – “**How to Protect Retirement Savings as Stocks Plunge on Coronavirus Fears**”
- **InvestmentNews** – “**Advisers Get Bullish in a Bear Market**”
- **The Penny Hoarder** – “**Dear Penny: I Just Retired. What Does Coronavirus Mean for My Savings?**”
- **Business Insider** – “**5 Ways to Use Your Money to Build Wealth and Help Others While the Coronavirus Disrupts Normal Life**”

Practical Retirement Planning

Estate planning is more than just having a will

Even though I've been diligently following the coronavirus health experts' stay-in-place recommendations and have no reason to believe I'm an at-risk person, the current events have nonetheless led me to revisit my estate plan.

Many people think an estate plan is simply having a will, which is more formally known as a “last will and testament” and is a legal document that dictates what you want to happen with your dependents and assets after you die. While having a will is important, it's only one of multiple pieces of a complete estate plan.

Estate planning not only addresses what happens after you die but also addresses many important matters while you're still alive. For example, what happens if you develop dementia and can no longer make legal or financial decisions for yourself? Or what if you develop a major medical condition and are literally unable to communicate your healthcare wishes to your doctor?

A proper estate plan will include, at a minimum, the following legal documents:

- **Last Will and Testament** – States your wishes of what you'd like to happen to your belongings after you die. Your Will should contain as much detail as possible about what assets you have and to whom you'd like to leave those assets. Furthermore, if you have minor children or other dependents, your Will should clearly express who you'd like to be responsible for them after you pass.
- **Power of Attorney** – Details who you appoint to make legal or financial decisions on your behalf if you're no longer capable of doing so or are otherwise not available to make a decision when necessary. A

Power of Attorney can be **Limited** to a specific activity or can be **General** to allow for all necessary decision making.

Furthermore, a Power of Attorney can be **Durable** so that it's effective immediately upon execution or can be **Springing** so that it only comes into effect upon the occurrence of some specified event(s), such as your mental incapacitation.

- **Advance Medical or Health Care Directive** – Also known as a Medical Power of Attorney or Health Care Proxy. Expresses who you appoint to make medical decisions on your behalf if you're no longer able to do so. This document does not typically address matters relating to end-of-life decision making. Instead, you generally make such decisions in a specific type of Advance Medical Directive called a Living Will...
- **Living Will** – Contains written instructions to medical providers regarding what treatment or support you want (or DON'T want) in end-of-life conditions such as a terminal illness or permanent vegetative state. For example, a Living Will can instruct doctors to NOT put you on life support or NOT resuscitate you.

Certain assets pass to your heirs without going through a Will. For these assets, it's critically important to properly designate beneficiaries or structure the ownership of the asset accordingly. Common examples are:

- **Life Insurance** – Upon your death, your life insurance policy will pay the benefit amount to whomever you designated as the policy's beneficiary.
- **Retirement Accounts** – If you have a 401(k), 403(b), IRA, etc., the account will automatically go to your account's designated beneficiary upon your death.
- **Houses and Non-Retirement Financial Accounts** – If you're married, you can typically own these assets as **Joint Tenants with Rights of Survivorship**. This form of ownership inherently defines each owner as the other's beneficiary; if you die, your spouse will automatically own 100% of the asset.

Even if you're not married, you still may be able to structure your ownership of certain assets to avoid Probate. For example, you may be able to set up certain bank or brokerage accounts as being **Payable on Death** or **Transfer on Death** to a designated beneficiary.

Estate planning is exceptionally important but unfortunately more complicated than most people should handle on their own. Also, many aspects of estate planning differ state-to-state. Therefore, it's important to work with an experienced estate planning attorney who is licensed to practice in your state.

Many estate planning attorneys focus only on creating the four legal documents summarized above; they may not take a comprehensive approach in helping you also address your insurance and retirement account beneficiary forms or other asset ownership structures. Therefore, it's often best to also work with a knowledgeable financial planner when creating your estate plan.

If you'd like to learn more about how to appropriately structure your estate plan, we'd be glad to assist. You can contact us at hello@tenonfinancial.com.

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