McCarthy Asset Management, Inc.
Personalized Wealth Management

PREPARING FOR RETIREMENT IN 10 YEARS

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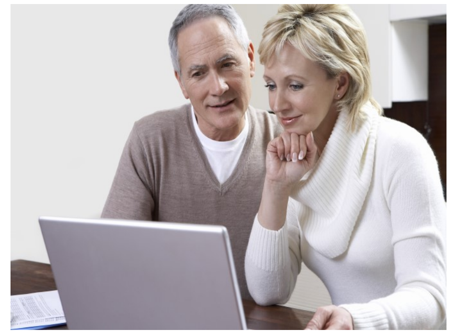
"This article discusses important financial areas to address if you are within ten years of retirement."

McCarthy Asset Management, Inc. is an independent, fee-only investment advisory firm that has been helping people invest wisely for over fifteen years. Our mission is to help you better understand and improve your financial situation. We specialize in Retirement Planning, Portfolio Management and Tax Planning.



A number of MAM clients are approaching the age when they could retire from their work. Like a lot of things in life, making that transition smoothly and successfully is more likely if you take the time to prepare for it. The purpose of this article is to suggest areas to contemplate once you are within ten years of retiring.

How Will You Spend Your Time and Where Will You Live? Will you travel, volunteer or work part-time? Will you move out of state, or will you stay in the same town but downsize to a smaller place? Envisioning retirement may even help you reach your retirement financial goals quicker. A recent survey by the investment manager Capital Group found that workers envisioning retirement were motivated to save nearly one-third more than they might otherwise.

Run the Numbers. Are you on target for a financially-secure retirement? The tool we have for this is called the Retirement Analysis. Ideally, we create this when a client still has some years left before retirement, in case they may need time to accelerate their saving efforts or make other adjustments. We have prepared a Retirement Analysis for over 125 MAM clients. Questions it can help answer include: when you can afford to retire, how much you can safely spend and whether you should sell your home. In those cases where we found clients have more than enough assets to satisfy their spending goals, we create an alternative scenario to determine how much more they can safely spend without endangering their financial security.

Accelerate Savings. If you are in your 50's, you are likely entering your peak earnings years. In addition, expenditures may have fallen if you become an empty-nester or finish paying for college for your kids. The additional disposable income provides a great opportunity to accelerate your savings. As discussed in the article "The Power of Working Longer" from our March 2019 Monthly Commentary, while accelerating savings will help, delaying the start of retirement is likely to provide a greater financial benefit.

Adjust Your Investments. As you get closer to when you will need to tap into your investments to finance your living costs, it would be prudent to increase the downside protection in your portfolios. Hopefully this was done for those who took untimely retirement at either the start of the dot.com crash (2000) or financial crisis (2008). We have heard stories of individuals who did not do this, and for financial reasons had to go back to work. To avoid the risk of retiring at the outset of a bear market, our strategy is to set aside up to 3 years of portfolio withdrawals in a bond bucket within a client's portfolio(s). We like to start building this safety bucket once a client is within three years of retirement.

Our Services

Investment Management Services:

- MAM creates and manages customized investment portfolios based on each client's investment objectives, timeframe and risk tolerance.

Financial Planning Services:

- The Net Worth Analysis (NWA) tracks the accumulation of Invested Assets for pre-retirees and the retention of Invested Assets for retirees. Updated annually.
- "Retirement Analysis" a comprehensive analysis of your retirement goals, which produces easy-to-read, interactive working plan, stored in the cloud. Updated as needed for life events.

Tax Services:

- Clients have the option of utilizing the income tax services provided through the firm Stephen P. McCarthy, CPA. These services are offered at an hourly rate and may include:
    - Tax Return Preparation
    - Income Tax Projections
    - Tax Minimization Ideas
    - Tax Authority Representation

Other Services:

- MAM has retained several outside experts, whose services are available at no cost to our clients:
    - Medicare Planning– Eileen Hamm of Superior LTC Planning Services, Inc.
    - Long Term Care Planning– Allen Hamm of Superior LTC Planning Services, Inc.

Pay Down Debt. Our philosophy is retirement is the time to simplify your financial life. One way to do that is to have all your debts paid off. Doing so will allow you to live on less income.

Open a Health Savings Account. We are big fans of HSA accounts. Creating one will effectively allow you to pay your out-of-pocket medical expenses with pre-tax dollars. Furthermore, building up a sizable balance in your HSA account by the time you retire will provide a reserve to cover medical expenses. The sooner you establish an HSA the better, because once you sign up for Medicare, you are no longer eligible to contribute to one. Distributions from an HSA are allowed, though, during retirement.

Consider Long-Term Care. Long-term care costs aren't covered by Medicare and are very expensive. For those with significant assets, they may be able to self -insure this cost. But for others, long-term care insurance should be considered. A good time to buy long-term care insurance is when you are in your mid-50's. This is when you're still young and healthy enough that the premiums are more affordable. If you want to purchase a policy, we recommend choosing one with a three-year benefit period with inflation protection. Depending on your savings, there may only be a need to purchase a policy that covers part of your potential long-term care costs.

We have engaged the services of Allen Hamm, who will prepare at no cost to clients, a Long-Term Care Plan. The Plan addresses how you expect to cover the need for long-term care. While Allen does sell long-term care insurance, there is no obligation to buy a policy from him.

MAM Comments: These are all important issues to address as you plan for retirement. Please let us know if you would like to discuss how they pertain to your situation.

This article was written based on an article in Kiplinger's Personal Finance magazine's February 2019 edition.