APD Wealth Management, LLC
Accumulate • Preserve • Distribute

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What's Inside:

Gregory M. Hanson, President

Your Estate Plan: Time for a Check-up

COVID 19 has brought tragedy to many families and businessess and impacted personal finances. It has also rendered many an estate plan inaccurate and unrepresentative of current circumstances.

If you, your family or your beneficiaries have been affected by the virus, you may need to review and make changes to your plan. Consider the following questions in your review.

Are your beneficiary designations still accurate?

If you have lost someone named in your estate plan, you'll need to make the appropriate changes. This could include changing beneficiaries, trustees, executors, healthcare decision-makers, your legal power of attorney or any other parties named in the plan.

You'll also want to ensure that your beneficiary designations are up-to-date for your retirement accounts, such as an IRA or 401(k), where beneficiaries are designated directly, rather than through your will.

Has the size of your estate changed?

If you have taken a financial hit as a result of the pandemic, then you may need to adjust some aspects of your estate plan. Adjustments may also be needed if the size of your estate has increased significantly. A large change in the total value of your assets could affect the distribution of your assets, particularly if you have made specific bequests to individuals or charities rather than dividing your estate proportionally. If you own a business, you may also need to consider how its value may have changed and how that might impact your plans to pass on control.

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Should You Take an Early Retirement?

The story is a common one these days. You have been furloughed or laid off, just a few years before you plan to retire. Or, your work-from-home, arrangement is ending and you're not keen on resuming the commute or going back to a crowded workspace. So why not retire now, since fate has presented the opportunity?

Many 50 and 60 somethings are asking themselves this very question. In fact, the average American retires at age 61[1]. But that's at least five years away from collecting full Social Security retirement benefits, not to mention pensions, which typically begin at age 65, when available. What's more, Medicare coverage does not begin until age 65, leaving early retirees with potentially hefty health insurance premiums until Medicare kicks in.

Anyone contemplating an early retirement will want to plan carefully and ask several important questions.

When should you begin collecting Social Security?

You can begin collecting Social Security retirement benefits as early as age 62. But you will face a significant reduction if you start before your normal retirement age: from 66 to 67, depending upon when you were born. Those choosing to collect before that age face a reduction in monthly payments by as much as 30%. Also, there is a stiff penalty for anyone who collects early and earns wages in excess of an annual earnings limit ($18,240 in 2020).

What age is best for you will ultimately depend upon your financial situation as well as your anticipated life expectancy. For most people, holding off until normal retirement age is worth the wait. But you may want to consider taking your benefits earlier if:

- You are in poor health.
- You are no longer working and need the benefit to help make ends meet.
- You earn less than your spouse and your spouse has decided to continue working to help earn a better benefit.

How will you fund health care costs?

A big obstacle to early retirement is health insurance. If you are working for a company that pays all or most of your health insurance, you could face hundreds of dollars in added monthly expenses if you retire before age 65. Plus, most companies no longer offer retiree health benefits, and if they do, the premiums can be high or the coverage low. In addition to health insurance premiums, there are also co-pays, annual out-of-pocket deductibles, uncovered procedures and out-of-network costs to consider - not to mention dental and vision care costs.

On the positive side, the Affordable Care Act (ACA) prohibits insurance companies from discriminating because of preexisting illnesses and limits how much they can charge based on age. And for those with lower incomes, government subsidies may be available.

What will early retirement mean for your investing and withdrawal strategies?

Perhaps the most significant concern for early retirees - one that is ofter overlooked - is how retiring early will impact their investing and withdrawal strategies. Retiring early means taking larger distributons from your retirement savings in the early years until Social Security and pension payments begin. This can have a significant impact on how long your savings last, perhaps more so than if larger distributions are taken later in retirement. Consider the following:

- Delay withdrawals from tax-favored retirement accounts, such as individual retirement accounts (IRAs) or 401(k) plans. The longer you wait to withdraw this money, the more you can potentially benefit from tax-deferred compounding. Instead, consider tapping into taxable accounts first.
- Adjust your withdrawal rate to help ensure that your savings will last throughout a lengthened retirement. Financial planners typically recommend a 4%-5% annual withdrawal rate at retirement, but you may want to lower this since you will need your savings to last longer.

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Greg's Corner

Money produces many different emotions, and we all have had changing emotions about the election and which party will be in the White House. Keep in mind that markets historically have had no clear preference for one party or the other. Pulling out of the stock market when either former President Barack Obama or President Trump was elected because of political concerns was, in hindsight, a big mistake - markets favored both.

I've worked with you to constuct a plan that can help you work toward your goals over the long-term. It's important that you try to keep your eyes on the future and not what's in the news day-to-day.

I hope you all are doing okay, staying healthy and keeping your sanity during these crazy times. It's mid-September and it has been about 6 months since we had to change our lifestyle. Our family has struggled with new technologies, adjusted to working mostly from home and become empty nesters after 20 years!

Greg and Tyler

Our oldest Cal is turning 21 in October and is in his junior year at Gustavus College. So far all his classes have been online, it's working, but he is hoping they allow in person classes soon. Cal worked for the city of Maple Grove this summer.

Tyler is 19 and is a freshman at St John's University in Collegeville. So far this year his classes are half in person and half online. Tyler worked for the city of Champlin this summer.

Lisa and Tyler

Lisa is back working at school 3 days a week. Our school district is trying to have the elementary students in school, and so far, so good. She really enjoys working with the kids.

I have been coming into the office a little bit, but meetings and reviews are still over the phone or online. I was able to play more golf this summer than I have in a long time, but my age is showing - I replaced my 2 and 3 irons with 5 and 7 woods. My golf buddies call that "old man golf"!

All in all things are very good with us. I hope you can all say the same. As always if you have questions or concerns please call or email. 952-541-0020, gregh@apdwealth.com

Early Retirement cont...

- Consider structuring your investments to include a significant growth element. Since your money will have to last longer, you may want to consider including stocks or other assets that carry high growth potential. Stocks are typically more volatile than bonds or other fixed-income investments but have a better long-term record of outpacing inflation.

So, if the coronavirus pandemic has left you contemplating early retirement, make sure you are prepared. The first place to start is with a detailed plan that includes estimated income and expenses. Work with your financial professional to put in place a plan that factors in all of the necessary elements you will want to consider.

1. Source: Gallup, Snapshot: Average American Predicts Retirement Age of 66, May 10, 2018

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11140 Hwy 55, Suite D
Plymouth, MN 55441
952-541-0020
apdwealth.com

Estate Plan cont....

Are your minor children still protected?
If you have named a guardian for your minor children, check to ensure that person is still willing and able to serve in that roll. A different job, a move, or other changed circumstances may make your original choice no longer optimal.

In addition, it may make sense to keep the financial responsibilities of guardianship separate from the actual care of the minor children. You could choose a professional fiduciary to provide financial management on behalf of the minor children and name a family member to provide their actual day-to-day care.

Is your life insurance coverage still appropriate?
If your circumstances have altered materially as a result of the pandemic, you may also want to take a look at your life insurance coverage. Any significant changes to your life - births, deaths, marriages, or divorces - could affect your life insurance needs. It's important to ensure that you have adequate coverage for you and your loved ones.

Do you have up-to-date documents?
Any updates neeeded as a result of your review will need to be reflected in your estate documents. These typically include a will, healthcare proxy and power of attorney. They may also include a living will or trust documents. Keep in mind that estate planning can be a complex endeavor. Therefore, any estate planning decisions or changes are best made with the help of a qualified legal professional and the rest of your professional team.