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## EVERYTHING YOU NEED TO KNOW ABOUT A WILL, BUT HAVE NOT ASKED

Everyone knows the importance of preparing and maintaining a will, yet many people have never written one. To those who haven't, take note: If you die intestate (without a will), the intestacy laws of the state where you reside will determine how your assets will be distributed. And if minor children are involved, a judge may decide with whom they will live.

On the other hand, if you take the time to prepare a will, you'll be the one who determines how your property is distributed and who will care for your minor children when you're gone. Simply put, a will is one way that provides peace of mind and the immense satisfaction of knowing that you have taken the necessary steps to pass on the fruits of your life's labor to your loved ones.

### **What is a Will?**

A will is a legal declaration that enables you to direct the disposition of your assets upon your death. You can divide your assets any way you want, as long as guidelines are presented clearly in writing. While wills generally address the bulk of your assets, there are a variety of items that are not covered by the instructions in a will. These items include community property, proceeds from life insurance policies, retirement assets, assets owned as joint tenants with rights of survivorship and investment accounts that are designated as "transfer on death."

### **Types of Wills**

- 1) A **simple will** provides for the outright distribution of assets to beneficiaries. This type of will is best for individuals with smaller, uncomplicated estates.
- 2) A **pour-over will** passes assets into an existing trust or trusts.
- 3) A **living will** expresses an individual's last wishes regarding whether and how

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## COUNTDOWN TO RETIREMENT: TAKE CONTROL OF YOUR ASSETS

After years of saving and investing, you can finally see the big day - retirement. But before kicking back and relaxing you still need to address a few matters. Chief among them is assessing how much retirement income you may need. To do this, you'll need to consider your major costs in retirement, such as housing and health care, the estimated length of your retirement, whether you will have earned income, your desired retirement lifestyle and the rate of inflation. Next, you'll need to identify all of your potential retirement income sources and review your asset allocation.

### Calculating Your Retirement Needs

When retirement was years away, determining how much income you would need to sustain you in your golden years may have involved a lot of estimates. Now, you can likely be more accurate in your calculations. Consider the following factors.

**Your home base** - do you intend to remain in your current home? If so, when will your mortgage be paid in full? Will you sell your current home and downsize to one of lesser value, or do you intend to "trade up"?

**The length of your retirement** - The average 65-year-old man can now expect to live about 22 more years, the average 65-year-old woman, about 24 more years., according to research conducted by the Society of Actuaries.<sup>1</sup>

**Earned Income** - According to the Pew Research Center more older Americans, those 65 and older, are working than at any time since the turn of the century, and today's older workers are spending more time on the job than did their peers in previous years.<sup>2</sup>

**Your retirement lifestyle** - Your lifestyle will help determine how much preretirement income you'll need to support

yourself. A typical guideline is approximately 60% - 80%, but if you want to take luxury cruises or start a business, you may well need 100% or more.

**Health care costs and insurance** - Many retirees underestimate health care costs. Most Americans are not eligible for Medicare until age 65 and Medicare doesn't cover everything. You can purchase Medigap supplemental health insurance to cover some of the extras, but even Medigap insurance does not pay for long-term care, eyeglasses, hearing aids, dental care or private-duty nursing.

**Inflation** - Although the inflation rate can be relatively tame, it can also surge. It's a good idea to tack on an additional 3% each year to help compensate for inflation.

### Running the Numbers

The next step is to identify all of your potential income sources, including Social Security, pensions, employer-sponsored retirement accounts and other personal investments. Don't overlook cash-value life insurance policies, income from trusts, real estate and any equity in your home.

### A New Phase of Financial Planning

Once you've assessed your needs and income sources, it's time to look at cracking that nest egg you've built up. Your first step is to determine a prudent withdrawal rate.

Next, you'll need to decide when to tap into tax-deferred and taxable investments. Some say that it may be better to liquidate assets in taxable accounts first, allowing any earnings on assets in traditional IRAs and other qualified retirement vehicles to potentially compound under the tax-deferred umbrella. However, keep in mind that earnings and deductible contributions in tax-deferred accounts are generally subject to

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## GREG'S CORNER

We're enjoyed a couple of 60+ degree days here and it feels like spring is right around the corner! I hope you have all been able to get out and enjoy some nice weather too.

Cal (17) is a junior this year. I can't believe how fast time flies. We are visiting colleges and he has been preparing to take the ACT test soon. It is very fun watching him grow-up and we can't believe it is only about one year before he's off to college. Cal is playing baseball now, the season started on April 8th. The team has high hopes after finishing second in the state tournament last year.

Tyler (15) is also playing baseball this year. He was on the basketball team and that just finished a couple of weeks ago.



Ernie, Lisa and a house guest

It was a great season as the varsity team finished 2nd in the state again. They lost the championship game to Apple Valley.

The kids were down in the dumps about the loss, but Lisa and I reminded them that when we were in high school, we never made it to any

state tournament in any sport. For their high school to make it to 4 tournaments in the same year, is a great accomplishment that they will look back on happily years from now.

All is about the same with Lisa and I. We are taking a trip to California in June to attend her niece Nicole's wedding. It is near Sonoma. We have never been to that part of California so it will be a fun weekend. We may even have to visit a winery or two!

I hope all is well with you and your families. Our family is looking forward to seeing a lot of baseball games this spring!



Tyler with his cousin Zach at Spring Training in Florida

## RETIREMENT CONT...

income tax upon withdrawal at then-current ordinary income tax rates, and that withdrawals prior to age 59 1/2 are generally subject to a 10% additional federal tax - on top of any regular income taxes owed.

Also remember that, with some exceptions, the IRS mandates individuals to begin taking required minimum distributions (RMDs) based on IRS life expectancy tables, after you turn age 70 1/2 . Failure to take the RMD can result in a penalty equal to 50% of the required withdrawal amount.

It's easy to become overwhelmed by all the financial decisions

you must make at retirement. The most important part of the process is to work with your financial advisor and a tax advisor to make sure you are prepared for the new stage of your life.

<sup>1</sup> Society of Actuaries, press release "Society of Actuaries Releases New Mortality Tables and an Updated Mortality Improvement Scale to Improve Accuracy of Private Pension Plan Estimates." October 27, 2014.

<sup>2</sup> Pew Research Center, "More older Americans are working, and working more than they used to." June 20, 2016.

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## WILLS CONTINUED....

the person wishes his or her life to be sustained under specific circumstances.

### Drafting a Will

Ideally your will should be drawn up by a lawyer, and you should be familiar with its general form and contents. Although it's your legal right to do so, it's usually not a good idea to draft your own will. You may not be aware of the statutory requirements that exist in your particular state for establishing a valid will. State requirements vary and some states may have different standards for witnessing a will, or require specific language that must be included for the will to be considered valid. Having your will at least reviewed by a lawyer can safeguard against potential problems down the road.

When meeting with a lawyer to draft your will, bring the proper information: Proof of your property, such as your home, and bring a list of intangible property such as your bank and investment accounts, a copy of any life insurance policies and a list of your debts.

### Key Decision Points

Husbands and wives can write their wills jointly but most legal professionals recommend writing it separately. Also, if you have young children, an important provision is the selection of a guardian who would raise your children in the event of your death.

### The Post-Will Process

Once your will is completed, keep an original copy on hand, although it's fine to make photocopies for family members and friends. Keep the original in a secure place. If that can't be arranged, keep it in your lawyer's office or with the clerk at your local probate court. Wherever you decide to keep it, make sure that its location is known by family members or close friends.

