Keys to Retirement Success
Components of Successful Retirement

Investment Income
- Pension
- Social Security

Taxes
- Health Insurance
- Estate Plan
- Long-term care
Health Insurance
Health Insurance before Medicare

- Retiree health insurance benefit from former employer
- COBRA (18 months)
- Short term health insurance
- Health insurance marketplace
- Off exchange health plan
- Health sharing plan
COBRA

- Up to 18 months
- You pay full premium for former employer insurance

Tip:
- Consider dropping and switch at yearend during open enrollment. Otherwise, could pay 2 deductibles in same year.
Short-Term Health Insurance

- Month to month coverage
- Limited to 12 months or 18 months if renewable
- May not cover pre-existing conditions
- Coverage may have limitations and exclude some essential benefits like prescriptions, mental health, and maternity care

Note:

- Although Medicare Supplement is guaranteed issue, it may impose waiting period for coverage if pre-existing condition is not covered by short-term insurance.
Health Insurance Marketplace

- Affordable Care Act (Obamacare)
- Plans listed at Healthcare.gov

- Subsidy (premium tax credits) available under 400% of poverty level in 2021.
  ◦ < $51,040 for 1 person household
  ◦ < $68,960 for 2 person household

- Subsidy plus cost sharing reductions for Silver Plans under 250% of poverty level in 2021.
  ◦ < $31,900 for 1 person household
  ◦ < $43,100 for 2 person household

Note: Many “wealthy” people qualify for subsidy because it’s based on household income, not net worth.
Off Exchange Health Plan

- For those who don’t qualify for a subsidy, additional plans at https://finder.healthcare.gov/
Health Sharing Plans

- Faith based
- Lower monthly cost than unsubsidized health insurance
- Can exclude pre-existing conditions
- Preventative care is not free like health insurance
- Qualifies as coverage for individual mandate, but not as medical expense deduction
- Examples: Christian Healthcare Ministries, Liberty HealthShare, and Medi-Share.
Medicare Parts and Paths

**Original Medicare**

Part A – Hospital Insurance

Part B – Services from Doctors and other providers, outpatient care, etc.

Part D – Drug coverage

Medicare Supplement (Medigap) – optional to cover out of pocket expenses with Medicare

**Medicare Advantage**

Part C - A Medicare approved plan from a private insurance company that covers Parts A, B, and usually D. May add coverage like vision, hearing, and dental.

# 2022 Medicare Part B Premium

<table>
<thead>
<tr>
<th>If your yearly income in 2020 (for what you pay in 2022) was</th>
<th>You pay each month (in 2022)</th>
</tr>
</thead>
<tbody>
<tr>
<td>File individual tax return</td>
<td>File joint tax return</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>$91,000 or less</th>
<th>$182,000 or less</th>
<th>$91,000 or less</th>
<th>$170.10</th>
</tr>
</thead>
<tbody>
<tr>
<td>above $91,000 up to $114,000</td>
<td>above $182,000 up to $228,000</td>
<td>Not applicable</td>
<td>$238.10</td>
</tr>
<tr>
<td>above $114,000 up to $142,000</td>
<td>above $228,000 up to $284,000</td>
<td>Not applicable</td>
<td>$340.20</td>
</tr>
<tr>
<td>above $142,000 up to $170,000</td>
<td>above $284,000 up to $340,000</td>
<td>Not applicable</td>
<td>$442.30</td>
</tr>
<tr>
<td>above $170,000 and less than $500,000</td>
<td>above $340,000 and less than $750,000</td>
<td>above $91,000 and less than $409,000</td>
<td>$544.30</td>
</tr>
<tr>
<td>$500,000 or above</td>
<td>$750,000 or above</td>
<td>$409,000 or above</td>
<td>$578.30</td>
</tr>
</tbody>
</table>

[https://www.medicare.gov/your-medicare-costs/part-b-costs](https://www.medicare.gov/your-medicare-costs/part-b-costs)
Investment Income
## How much will you spend?

<table>
<thead>
<tr>
<th>Annual income at retirement</th>
<th>Estimated replacement percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$50,000</td>
<td>80%</td>
</tr>
<tr>
<td>$50,000-$80,000</td>
<td>75%</td>
</tr>
<tr>
<td>$80,000-$120,000</td>
<td>70%</td>
</tr>
<tr>
<td>&gt;$120,000</td>
<td>55%-65%</td>
</tr>
</tbody>
</table>

How much will you spend?

Use your monthly living expenses as a place to start and adjust for...

- Paid off mortgage
- Decrease life and disability insurance
- Increase for possible LTC insurance
- Health insurance costs before/after 65
- Changes to lifestyle
Sustainable Withdrawal Rates

Success of starting withdrawal rates at three equity percentages

Sample

EXAMPLE

Spend $100,000 net (approx. $120,000 gross) in retirement.

+$2,000 Social Security
+$1,500 Social Security
+$6,500 Investments

= $10,000 gross per month

PORTFOLIO SIZE

$6,500 x 12 mo’s = $78,000 per year

$78,000 / 4% = $1,950,000 starting portfolio
Spending Changes

Real Change in Retirement Spending by Age

60 65 70 75 80 85 90

Go-go  Slow-go  No-go

Spending Change

Ways to Increase Spending/Security

Assume Spending Will Decrease, Higher Initial Safe Withdrawal

Modified Initial Safe Withdrawal

Decrease 1% per Year

Decrease 1%, 2%, 1%

Base Amount  Additional Withdrawal
Ways to Increase Spending/Security

Flexible Spending and Guardrail Rules

Example: Initial portfolio spending of 5% ($5,000 from $100,000 portfolio)

Portfolio increases in value:
$5,000 spending is now 4% of $125,000.
Ratchet up spending amount.

Portfolio decreases in value:
$5,000 spending is now 6% of $83,333.
Reduce spending amount (skip increase).
Some of the Guardrail Rules

- Excess returns are sold to meet cash needs during rebalancing


- No withdrawals are taken from equities following a year of negative returns if cash or fixed income is sufficient to fund the withdrawal.

- Yearly withdrawals increase by inflation as measured by CPI, except when withdrawal rule freezes the withdrawal. Maximum inflation increase is capped at 6%.

- Withdrawals increase from year to year with inflation except when portfolio’s total return is negative and when withdrawal rate is greater than initial withdrawal rate.

- No “make-up” withdrawal for capped inflation or negative portfolio year.
Social Security
Social Security Estimator

www.ssa.gov/benefits/retirement/estimator.html

Retirement Benefits

How the Retirement Estimator Works

The Retirement Estimator gives you a benefit amount based on your actual Social Security earnings record. Please keep in mind that these are just estimates.

Estimate Your Retirement Benefits
Social Security Estimator

Social Security Timing

Top 3 amounts are benefits earned to date.

Bottom 3 amounts are projected benefits if work through stated ages.

Your Retirement Benefit Estimate

The age that you start your benefits determines how much you receive each month.

We created estimates for you at three common retirement ages using your earnings information. You can also add your own custom estimates by changing your stop work age and future earnings.

<table>
<thead>
<tr>
<th>If you start your benefits:</th>
<th>And you earn an average of:</th>
<th>Your benefit will be about:</th>
<th>Actions:</th>
</tr>
</thead>
<tbody>
<tr>
<td>At age 70</td>
<td>$0 a year (from now until age 70)</td>
<td>$2,272 a month</td>
<td>Edit</td>
</tr>
<tr>
<td>At age 67</td>
<td>$0 a year (from now until age 67)</td>
<td>$1,832 a month</td>
<td>Edit</td>
</tr>
<tr>
<td>At age 62</td>
<td>$0 a year (from now until age 62)</td>
<td>$1,290 a month</td>
<td>Edit</td>
</tr>
<tr>
<td>At full retirement (age 67)</td>
<td>$150,000 a year (from now until full retirement)</td>
<td>$3,180 a month</td>
<td>--</td>
</tr>
<tr>
<td>At age 70</td>
<td>$150,000 a year (from now until age 70)</td>
<td>$4,012 a month</td>
<td>--</td>
</tr>
<tr>
<td>At age 62</td>
<td>$150,000 a year (from now until age 62)</td>
<td>$2,139 a month</td>
<td>--</td>
</tr>
</tbody>
</table>
Social Security Estimator

Retirement Estimator

Create Your Retirement Benefit Estimate
Please provide some earnings information so that we can calculate your retirement estimate.

Last Year's Earnings:
Only include wages or net self-employment income that is covered by Social Security.
$ 150000
Example: 40000 or 40,000 or 0

Next  Exit

Retirement Estimator

Add a New Estimate

What age do you plan to stop working?
If you select an age prior to 62, we will estimate your benefits starting at age 62.
62

What is your average future earnings (per year)?
Estimate your average yearly income between now and when you stop working.
$ 0
Example: 40000 or 40,000 or 0

Submit  Cancel
### Social Security Benefit % of FRA

<table>
<thead>
<tr>
<th>Year of birth</th>
<th>Full Retirement Age (FRA)</th>
<th>62</th>
<th>63</th>
<th>64</th>
<th>65</th>
<th>66</th>
<th>67</th>
<th>70</th>
</tr>
</thead>
<tbody>
<tr>
<td>1943-54</td>
<td>66</td>
<td>75</td>
<td>80</td>
<td>86 (\frac{2}{3})</td>
<td>93 (\frac{1}{3})</td>
<td>100</td>
<td>108</td>
<td>132</td>
</tr>
<tr>
<td>1955</td>
<td>66, 2 mo.</td>
<td>74 (\frac{1}{6})</td>
<td>79 (\frac{1}{6})</td>
<td>85 (\frac{5}{6})</td>
<td>92 (\frac{2}{3})</td>
<td>98 (\frac{8}{9})</td>
<td>106 (\frac{2}{3})</td>
<td>130 (\frac{2}{3})</td>
</tr>
<tr>
<td>1956</td>
<td>66, 4 mo.</td>
<td>73 (\frac{1}{3})</td>
<td>78 (\frac{1}{3})</td>
<td>84 (\frac{4}{9})</td>
<td>91 (\frac{1}{9})</td>
<td>97 (\frac{7}{9})</td>
<td>105 (\frac{1}{3})</td>
<td>129 (\frac{1}{3})</td>
</tr>
<tr>
<td>1957</td>
<td>66, 6 mo.</td>
<td>72 (\frac{1}{2})</td>
<td>77 (\frac{1}{2})</td>
<td>83 (\frac{1}{3})</td>
<td>90</td>
<td>96 (\frac{2}{3})</td>
<td>104</td>
<td>128</td>
</tr>
<tr>
<td>1958</td>
<td>66, 8 mo.</td>
<td>71 (\frac{2}{3})</td>
<td>76 (\frac{2}{3})</td>
<td>82 (\frac{2}{9})</td>
<td>88 (\frac{8}{9})</td>
<td>95 (\frac{5}{9})</td>
<td>102 (\frac{2}{3})</td>
<td>126 (\frac{2}{3})</td>
</tr>
<tr>
<td>1959</td>
<td>66, 10 mo.</td>
<td>70 (\frac{5}{6})</td>
<td>75 (\frac{5}{6})</td>
<td>81 (\frac{1}{9})</td>
<td>87 (\frac{7}{9})</td>
<td>94 (\frac{4}{9})</td>
<td>101 (\frac{1}{3})</td>
<td>125 (\frac{1}{3})</td>
</tr>
<tr>
<td>1960 and later</td>
<td>67</td>
<td>70</td>
<td>75</td>
<td>80</td>
<td>86 (\frac{2}{3})</td>
<td>93 (\frac{1}{3})</td>
<td>100</td>
<td>124</td>
</tr>
</tbody>
</table>

https://www.ssa.gov/oact/ProgData/ar_drc.html
Social Security and Net Worth

Social Security Timing

- Age 62 to 70.

- If retire at 62, should you start Social Security at 62 or live off portfolio and start at 70?

It depends.

Starting early provides a higher net worth for most of retirement but delaying provides higher guaranteed income after age 70.

<table>
<thead>
<tr>
<th>Age</th>
<th>Net Worth SS at 62</th>
<th>Net Worth SS at 70</th>
</tr>
</thead>
<tbody>
<tr>
<td>61</td>
<td>$1,804,196.00</td>
<td>$1,804,196.00</td>
</tr>
<tr>
<td>62</td>
<td>$1,942,451.00</td>
<td>$1,910,990.00</td>
</tr>
<tr>
<td>70</td>
<td>$2,472,578.00</td>
<td>$1,754,928.00</td>
</tr>
<tr>
<td>80</td>
<td>$2,647,125.00</td>
<td>$2,128,797.00</td>
</tr>
<tr>
<td>87</td>
<td>$2,129,690.00</td>
<td>$2,071,932.00</td>
</tr>
<tr>
<td>88</td>
<td>$1,997,874.00</td>
<td>$2,029,389.00</td>
</tr>
</tbody>
</table>
Social Security – Spouse Benefit

Non-working or lower earning spouse receives higher of own benefit or 50% of higher earning spouse’s benefit at full retirement age (FRA), if higher earning spouse is receiving benefit. No spousal increase after full retirement age.

<table>
<thead>
<tr>
<th>If you start your benefits:</th>
<th>And you earn an average of:</th>
<th>Your benefit will be about:</th>
</tr>
</thead>
<tbody>
<tr>
<td>At full retirement (age 66 and 8 months)</td>
<td>$400,000 a year (from now until full retirement)</td>
<td>$3,209 a month</td>
</tr>
<tr>
<td>At age 70</td>
<td>$400,000 a year (from now until age 70)</td>
<td>$4,099 a month</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>If you start your benefits:</th>
<th>And you earn an average of:</th>
<th>Your benefit will be about:</th>
</tr>
</thead>
<tbody>
<tr>
<td>At full retirement (age 66 and 6 months)</td>
<td>$0 a year (from now until full retirement)</td>
<td>$858 a month</td>
</tr>
</tbody>
</table>

$1,604.50 spousal benefit
Ways to Increase Spending/Security

Social Security Timing

Delaying the larger Social Security benefit among spouses may be beneficial since the surviving spouse keeps the larger of the two benefit amounts.
Estate Documents

If there’s a will, there’s a way.
If there is not a will, there are many relatives.

The information provided does not, and is not intended to, constitute legal advice; instead, all information, content, and materials are for general informational purposes only. Information is intended to be but may not constitute the most up-to-date legal or other information.
Typical WI Estate Planning Documents

Will – transfers assets with probate

Financial (durable) power of attorney – someone makes financial decision for you during life

Healthcare power of attorney – someone makes healthcare decisions for you during life

Trust – transfers assets without probate, may also hold and protect assets for minor or adult beneficiaries

Marital property agreement with Washington Will – transfers assets to trust without probate
Not All Assets Transfer by Will or Trust

Joint with Right of Survivorship – survivor receives 100% ownership after first death

Beneficiary designation – IRAs, 401(k), life insurance

Transfer on death (TOD) – naming a beneficiary for investments or property, not in a retirement account

Payable on death (POD) similar to TOD but for bank accounts

Per stirpes – Often included on beneficiary designation. Children per stirpes means assets are left equally to children, but if a child is already deceased, that child’s share goes to their child(ren) i.e. down the bloodline to the grandchildren.
Long-Term Care Plan
Long-Term Care Plan

- 70% of those turning 65 will require some type of care.
  ◦ Home modifications
  ◦ Home care service – groceries, taking meds, housework
  ◦ Assisted living
  ◦ Nursing home
Long-Term Care Plan

<table>
<thead>
<tr>
<th>Service</th>
<th>Median Monthly Cost for WI in 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homemaker or Home Health Aid</td>
<td>$4,957</td>
</tr>
<tr>
<td>Adult Day Health Care</td>
<td>$1,322</td>
</tr>
<tr>
<td>Assisted Living Facility</td>
<td>$4,400</td>
</tr>
<tr>
<td>Semi-Private Nursing Home Room</td>
<td>$8,684</td>
</tr>
<tr>
<td>Private Nursing Home Room</td>
<td>$9,429</td>
</tr>
</tbody>
</table>

Paying for Long-Term Care

1. Medicaid – only if you financially qualify
2. Medicare – only for first 100 days, if have a qualifying hospital stay first
3. Out of pocket
4. Insurance policy – either traditional long-term care or hybrid life/LTC or annuity/LTC
5. Rely on family

Projected net worth at age 95 for a couple considering a LTC policy.

<table>
<thead>
<tr>
<th></th>
<th>Care Not Needed</th>
<th>Care Needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance</td>
<td>$4,083,000</td>
<td>$4,083,000</td>
</tr>
<tr>
<td>No Insurance</td>
<td>$4,634,000</td>
<td>$3,296,000</td>
</tr>
</tbody>
</table>
Taxes During Retirement
Why do Taxes Drop then Rise?

Tax planning with Roth conversions after retirement, before age 72.

Retirement at 67 with $2.94MM tax deferred portfolio.
## Required Minimum Distributions

<table>
<thead>
<tr>
<th>Age</th>
<th>Life Expectancy*</th>
<th>Equivalent % of Account**</th>
</tr>
</thead>
<tbody>
<tr>
<td>72</td>
<td>27.4</td>
<td>3.65</td>
</tr>
<tr>
<td>73</td>
<td>26.5</td>
<td>3.78</td>
</tr>
<tr>
<td>74</td>
<td>25.5</td>
<td>3.93</td>
</tr>
<tr>
<td>75</td>
<td>24.6</td>
<td>4.07</td>
</tr>
<tr>
<td>76</td>
<td>23.7</td>
<td>4.22</td>
</tr>
</tbody>
</table>

Use to calculate Required Minimum Distributions from IRAs and qualified plans during owner's life. Do not use this table if owner has spousal beneficiary more than 10 years younger. Instead use Joint Life Table from IRS Pub. 590.

*RMD table starting 1/1/2022
**Rounded to nearest 0.01%

$2,000,000 portfolio at age 72 = $72,993 distribution
$3,000,000 portfolio at age 72 = $109,489 distribution
# Federal Tax Brackets

<table>
<thead>
<tr>
<th>Rate</th>
<th>For Unmarried Individuals</th>
<th>For Married Individuals Filing Joint Returns</th>
<th>For Heads of Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>$0 to $10,275</td>
<td>$0 to $20,550</td>
<td>$0 to $14,650</td>
</tr>
<tr>
<td>12%</td>
<td>$10,275 to $41,775</td>
<td>$20,550 to $83,550</td>
<td>$14,650 to $55,900</td>
</tr>
<tr>
<td>22%</td>
<td>$41,775 to $89,075</td>
<td>$83,550 to $178,150</td>
<td>$55,900 to $89,050</td>
</tr>
<tr>
<td>24%</td>
<td>$89,075 to $170,050</td>
<td>$178,150 to $340,100</td>
<td>$89,050 to $170,050</td>
</tr>
<tr>
<td>32%</td>
<td>$170,050 to $215,950</td>
<td>$340,100 to $431,900</td>
<td>$170,050 to $215,950</td>
</tr>
<tr>
<td>35%</td>
<td>$215,950 to $539,900</td>
<td>$431,900 to $647,850</td>
<td>$215,950 to $539,900</td>
</tr>
<tr>
<td>37%</td>
<td>$539,900 or more</td>
<td>$647,850 or more</td>
<td>$539,900 or more</td>
</tr>
</tbody>
</table>

Source: Internal Revenue Service. Tables from https://taxfoundation.org/2022-tax-brackets
Why do Taxes Drop then Rise?

Tax planning with Roth conversions after retirement, before age 72.

Adjusted taxable income and tax bracket

Proposed Strategy

$1,667,459 more tax adjusted ending portfolio than a pro-rata withdrawal strategy w/o conversion