Investment Solutions, Inc.

The Long Run
Newsletter

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Navigating Retirement Pitfalls

Much is written about the classic financial mistakes that plague start-ups, family businesses, corporations, and charities. Some classic financial missteps have been known to plague retirees, too.

Calling them "missteps" may be a bit harsh, as not all of them represent errors in judgment. Either way, becoming aware of these potential pitfalls may help you to avoid falling into them in the future.

Managing Social Security. Social Security benefits are structured to rise about 8% for every year you delay receiving them after your full retirement age. Is waiting a few years to apply for benefits an idea you might consider? Filing for your monthly benefits before you reach your full retirement age can mean comparatively smaller monthly payments.[1]

Managing medical costs. One report estimates that the average couple retiring at age 65 can expect to need $315,000 to cover health care expenses during the course of their retirement, even with additional coverage such as Medicare Part D, Medigap, and dental insurance. Having a strategy can help you be better prepared for medical costs.[2]

Understanding longevity. Actuaries at the Social Security Administration project that a 65-year-old man has a 34% chance and a 65-year-old woman has a 45% chance to live to age 90.

The prospect of a 20- or 30-year retirement is not only reasonable, but it should be expected.[3]

Managing withdrawals. You may have heard of the "4% rule," a guideline stating that you should take out only about 4% of your retirement savings annually. Each person's situation is unique but having some guidelines can help you prepare.

Managing taxes. Some people enter retirement with investments in both taxable and tax-advantaged accounts. Which accounts should you draw money from first? To answer the question, a qualified financial professional would need to review your financial situation so they can better understand your goals and risk tolerance.

This article is for informational purposes only and is not a replacement for real-life advice, so make sure to consult your tax, legal, and accounting professionals before modifying your investment strategy for tax considerations.

Managing other costs, like college. There is no “financial aid” program for retirement. There are no “retirement loans.” A financial professional can help you review your anticipated income and costs before you commit to a long-term strategy, and help you make a balanced decision between retirement and helping with the cost of college for your children or grandchildren.

Citations:

1. SSSA.gov, 2023
2. Fidelity.com, 2023
3. LongevityIllustrator.org, 2023

3 Estate Challenges for Blended Families

Preparing your estate can be complicated, and if you’re a part of a blended family, estate decisions can be even more complex and nuanced. Blended families take on many forms but typically consist of couples with children from previous relationships. Here are a few case studies to help illustrate some of the challenges.

Case Study #1: Children From Previous Marriages

Simple wills often are structured to leave all assets to the surviving spouse. If your estate strategy relies on this type of will, you could risk overlooking children from previous marriages. Also, while it’s unsettling to consider, the surviving spouse can end up changing a will without proper measures put in place.[1]

When new children join a blended family, estate strategies can get even more complicated. But with a well-structured approach, you can direct how to distribute your assets.

Case Study #2: When One Partner Has Significantly More Assets

While the divorce rate has been trending lower, the number of remarriages (2nd or more marriages) has increased. One person entering into a new marriage may have more assets than their spouse, given that 40% of all new marriages are remarriages for one or both spouses. An estate strategy can help ensure that your assets pass down according to your wishes.[2]

Case Study #3: Traditional Trusts May Not Be Enough

In blended families, a traditional trust is a good start, but it may not go far enough. One possible solution is to create three trusts (one for each spouse, in addition to a joint trust) to help address different scenarios.[3]

Using a trust involves a complex set of tax rules and regulations. Before moving forward with a trust, consider working with a professional familiar with the rules and regulations.

Starting the Process

Blended families are pretty common these days. If you're in that position, it's important to remember that you can create an estate strategy to address your specific situation. The first step may be an estate document review.

Citations:

1. Investopedia.com, April 30, 2023
2. Forbes.com, August 8, 2023
3. Investopedia.com, March 31, 2023

For Your Information

- We are open from 9:00 a.m. – 5:00 p.m. Monday through Thursday, and 9:00 a.m. – noon on Fridays.
- We are open during the lunch hour.
- We have a mail drop on the far north door of the building. If you have any information you would like to deliver after normal business hours please drop it off there.
- We will be closed Friday, May 24th and Monday, May 27th for Memorial Day.

"May is the month of promise and the sweet beginnings of summer."

"Where flowers bloom so does hope."
— Lady Bird Johnson

Long & Associates, P.C.

Assisting you with accounting, tax preparation, and tax planning

Investment Solutions, Inc.

Advising you and creating strategies for investment and retirement planning

Benefit Resource Group, Inc.

Handling employee benefits and other business services

Whether you need one of these services, or all three, you'll work with the same professional, knowledgeable staff with our Comprehensive Solutions Program

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