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Retirement Income Withdrawal Strategies

Host: Welcome to today's presentation, Retirement Income Withdrawal Strategies, brought to you by CAPTRUST at Work, the independent financial advisory firm that works with your employer sponsored retirement plan. As an added benefit, you also have access to financial advisors who will give you unbiased and objective investment advice.

I would now like to introduce Deborah Gates, manager, CAPTRUST at Work team. Go ahead, Deborah.

Debra Gates: Hi, it's a pleasure to be here today to talk about your plan. And, today I'm not going to read through all of this, the disclaimers, but I do want to say that what we don't offer any legal Any tax advice or any accounting advice.

We are here to give you investment advice and today's presentation that we're looking at, we really want to look at your strategies and what you want to do when it gets to that time where you're going to retire. I'm so pleased today that I have some guests with me and I want to take some, a moment just to introduce them to you.

We have two people here today, and that is Nick DeCenso and Mandy Ritter that's here joining me today to have these conversations. And so what I want to say, I want to introduce Nick. Nick is a certified financial planner. He's been with the firm for 10 years. Outside of work, Nick is busy with his wife his two daughters and their five year old caca spaniel.

No, I'm sorry, their springer spaniel. Doodle so That I get that right And then mandy ritter, is a manager on the wealth planning team at CAPTRUST and she is a certified financial planner and she's been with the firm for three years. However, she has over over 20 years experience.

And outside of work, Mandy spends time with her husband and her daughter. All three of them are avid sports fans, and they enjoy attending games together in addition to playing with their dog, Merlin, and their two cats, Luna And Minerva. Did I get that right, Mindy? You did. That's a long name.

So yeah, we're really pleased to have you here to to talk to you about about these, about, the withdrawal strategies and all that is involved.

Mandy Ritter: Debra, I don't think the slide advanced. We're still on information about today's session, at least that's what I'm seeing.

Debra Gates: Okay, let's see here.

There we go. Now we're moving now. Is it moving?

Yes, it's a perfect place to be. Perfect. So with today's agenda, I want to talk about the importance of a retirement plan. And, today's presentation is really, it's the discussion is about, If you're 10 years out from your retirement is when you're really looking at your withdrawal strategies.

But for those of you who are not 10 years out, we still want to talk about what you need to do and the plan that you need to make and then developing a financial plan that will set you up for a for a great financial future. So today we're going to talk about the importance of a retirement plan.

I want to go through the withdrawal strategies. I want to talk about, whether you're deciding whether you want to roll your money into an IRA, leave it in your employer sponsored plan. And I also want to look at implementation and execution, and then we'll talk about next steps as we normally do.

And, there will be time for you to ask questions. We are going to. leave a lot of time for that. So before I get started, I wanted to look at at a stat. And, I've got just a little bit of a delay with going on to the next slide, but Nick, I wanted to look at a very interesting stat.

I found it from a study it was a study done by Transamerica, and I want you to tell me how this actually works real life in your experience, and what do you think about this? And it says 70 percent of Americans are concerned about having enough money to live comfortably in retirement. Tell me what you think.

Nick DeCenso: Thanks, Debra. First of all, thank you very much for having us. It is an honor to be with if y'all didn't know, Debra is a rock star, and so we're thrilled to, to be able to present with you, but look, This topic, retirement income and withdrawals is phenomenal. I'm thrilled that we're going to, we're going to cover a lot of ground with this today.

And look, these statistics I'd say for better or for worse, but I suppose for worse, prove that point out, right? We need to do a better job collectively, I think to prepare people for retirement. Not just about, oh, okay, we'll do this and do that, but it's also taking the next step. of getting people to feel confident about their retirement and their plan.

It's not enough just to, because some of the people in the statistic, they actually may be on their way on the exact right track to retirement, but I suspect some of them don't know that, right? So we need to do a better job. And the good news is that There's a lot of tools out there to increase our confidence level and to feel prepared for retirement, and there are a lot of professionals out there.

We'll talk a little bit about the service CAPTRUST at work today, but that's the good news is there's, there are resources.

Debra Gates: Yeah, and so this second statistic, Mandy, how concerning is it that 44 percent of people that took this study, That they're concerned about outliving their money. And so for the people on this call, what, I think we're going to talk about in the next slide or two or what about what that really means as far as outliving their money.

Mandy Ritter: It's like Nick said it's a little concerning and it makes us think that, we need to do a better job of helping people evaluate what their priorities are. What their goals are when it comes to retirement and how they're spending in retirement. We also need to do a better job of helping folks feel confident in what they have.

And again, there's so many tools out there. The longer you wait to start evaluating what your priorities and goals are and implementing plans to get there, the harder it is to get there. to feel confident about what you're doing. If we start early and have these conversations early we can have some good outcomes.

So I think that's concerning but not something that's that we can, we certainly can overcome it.

Debra Gates: Yeah that's a very good point. So when we're looking at, so where do you start? What are some, I want you to talk about What are the components of a retirement plan?

Because we hear all the time, you just got to plan for it, have a plan. What does that mean? Have a plan, what are the components of that? And then what are some of the common misconceptions that people have about retirement planning? It's like we say, create a budget.

How do I create a budget? So it's the same premise. Yes, I need to have a retirement plan, but what does that actually mean?

Mandy Ritter: I'll start. One of the things and folks that have worked with me in the past know that I say this all the time, planning is a verb. It's, it is not have a plan have a plan.

It's a noun. Planning is a verb. So it's something that has to be done over and over again. And the first piece of it is and where you should be getting help is what are your priorities? What are things that are important to you? Set some smart, what we call smart goals, some specific, measurable, achievable, relevant, time bound goals so that you can track where you are in meeting those goals.

And then understand where what your resources are, how they're going to grow, how they're going to be used in the future. What are things that are going to derail your plan? What are some things that you might not think about that could blow everything up? And go ahead and stress test that plan.

And then this is the verb part, continue to monitor it. You're, you want to continue to look at based on what the current financial. what your current financial picture is and what the current financial environment is. How does that impact my plan? How do we monitor it every time? What changes do we need to make based on what's happening in the environment?

And then be able to make those changes and work with an advisor to pivot and make those changes and implement new strategies as they are warranted.

Nick DeCenso: Yeah, Deborah. So we, I love the way you phrase that. We are going to get to some of the specifics today. I think this is a great place to start. Let me be Captain Obvious for a second here.

99 percent plus of the folks joining us today are not financial planners. Not what they studied. It's not their profession. And and look, in retirement for a lot of people, it's only going to happen once, right? So here you go. So you've got this major thing, right? And people are, it's not, their profession.

They're not supposed to know how to do this in a professional manner, like the way Mandy just summarized. Not only that, but then we're telling people, guess what? It's really important because once you retire, for a lot of people, you can't take it back, potentially. So again, I know I already said this, but what I love about this conversation is that There are tools to do this.

There are services. There are employers that care about this. Clearly, we get to offer this webinars like this and advice like this, but there are tools and there are professionals that can help because again, You know what, we can't expect everyone to know exactly what to do and how to do it.

And so I'm excited to talk more about it.

Debra Gates: Yeah, you know what Mandy, I really like what you said. And I hadn't heard that before, that it's a verb, it's not plan, it's planning, and so you have to look at it so it's not a look at it one time and that's it, you've got to continue to look at that, and then to get to that point where you might have to pivot it, you might have to do something different because, your health may change or, Or something may change in your job status.

You might have to retire early or, I love that that portion of it. Yeah, what about the pivot? What, how do you know? I guess you'll know when you know that you need to pivot, but it's okay. I think sometimes, I think, what I think is that sometimes people need permission. To pivot.

Because they think that once they set that plan that, oh my gosh, I can't deviate from this plan. So what can you tell me about that?

Mandy Ritter: Yeah, no, that's a great point. I think and if you're engaging in it all the time you're gonna see how different things impact that plan, and you're gonna be able to see how making changes.

The positive or negative impact to that plan and the more you're familiar with it and the more you engage with it, the more you feel like making a change makes sense. And, we don't live in a static environment from a tax standpoint. We don't live in a static environment from, our just day to day things that happen in our lives.

Things happen and The idea of working with a financial professional and understanding what your current financial situation is, what your current goals are, and what the current environment is, and how that impacts those goals, then gives you the permission to make those changes. And looking at those changes ahead of time and saying, all right, here are three or four options that could impact my plan.

Let's see what makes the most sense and doing that ahead of time rather than being reactive. So try to be proactive to be prepared for changes that might need to be made.

Debra Gates: Yeah. And I think that's the beauty of having, just the beauty of the people that's on this call. So everybody on this call has access to a financial, an a financial advisor that they can speak to at captrust and talk about their situation.

And if there are changes, they can call and they can call as many times as they want, and set as many appointments as they want to talk about this and to talk about this. In length, in detail, and so it's not a, it's not a one and done. That one time you call CAPTRUST, that's it for the year. You can make several calls.

We talked about this income replacement, and I know sometimes that kind of gets a little confusing. Like what's realistic for what you should be thinking about and replacing and what factors are involved. And so how should you really be thinking, you think about your salary today, when you get, how much income will you need to replace when you're in your time of retirement and what factors are involved?

Nick DeCenso: Yeah, I can jump in here, Debra. So a lot going on with this slide. Let's start with your question. I think I heard you, you throw this out there in our prep session, Deborah, right? If you had to generalize it what you need to replace in, in retirement is 60, 80 percent to

80%.

I hope.

Okay. There's a little bit going on there. And so that's what this. This visual is trying to depict for us. I can't tell you how many people, right? This is a natural thought, right? Okay. I make this much money. I need to replace this much money to live the same lifestyle

in

retirement.

And,

And that is extremely logical. But what we're showing here is okay. A couple of things to be aware of there. Number one. You're not paying as much income tax. In fact, a lot of people I think would be surprised to see how dramatically their federal and state income taxes go down in retirement.

And it's big. A lot of times they're questioning, okay, is this right? So that's number one. Number two you've been saving. Most folks with encouragement have been saving for retirement. Okay presumably you're not saving for retirement anymore when you cross over the threshold. And then spending, is spending going to go up or down in retirement?

And that's we're going to talk about this a few times today, but and a duration of retirement, right? 20, 30 years for certain people, sometimes even longer. That's a long time to plan. Spent, things are going to change. Mandy was saying that, right? Spending is going to change. A lot of folks actually might even see a peak or an increase in spending in their early retirement years.

Putting

off some things they meant to do. Some don't. So anyway, I think what we're getting at here is You know, to be thoughtful about what this means to replace our income. It's not a one for one thing. I missed social security in there. We'll talk about that today, but clearly that'll be a part of the income replacement.

So ultimately, what you need to replace from other sources is far less than 100%. Maybe even half of that is what we're showing. What'd you add, Mindy?

Mandy Ritter: No, that's a great point, right? If you look at at taxes and we do exercises with folks about this all the time where they do question it, is that right?

But if you think about it from a tax standpoint, everything that you're getting your paycheck, right? Everything that's coming in, income taxes coming out. And when you don't have that income source coming in, you don't have that paycheck coming in. There's actually a little bit more control that you have over your taxes, right?

One of the things to think about is not a hundred percent of your social security is taxed, right? So that's automatically bringing your taxes down only up to eighty five percent, depending on how much the security you get is taxable. So that's automatically bringing what you're paying in taxes down.

And then if you're pulling from cash or other sources to make up that difference It could be little to no tax, right? Or more capital gains type taxes as opposed to regular ordinary income tax. So those are the things that, you know, when we talk with clients about preparing for retirement and we're preparing them for the types of income taxes they might see that it actually creates some opportunities to do some other tax planning in there as well.

So that's the only other thing I'd add about taxes. And then the other piece that I would add. About Social Security is, and you can see on the slide the lower income more, the more Social Security is replacing your income, the higher income you have, the less that's covered from Social Security, but it's just because Social Security is maxed out right at a certain point.

Again, as you're. As you're working with a financial planner and as you're looking at where am I, where are my sources of income going to be in retirement? We can certainly help you project, project out what social security going to look like, what portion of your income is going to be replaced by social security versus what needs to be replaced by other sources, whether it's a pension or 401k or cash or whatever else whatever other resources that you have.

Debra Gates: So Nick and Mandy, I need you to save me because I know when we get the surveys back and I know that people are going to be concerned about those numbers at the bottom when they see a hundred thousand, a hundred fifty thousand and they're saying I'm not near that. The concept Is the same, right?

Mandy Ritter: Correct.

Yes, the concept is the same. Doesn't matter what that number is at the bottom. We would, put your income on that bar chart and space it out accordingly. But those are just some ballparks just to give you an idea for how this might work.

Debra Gates: Great. I'm just wanting to be able to walk down the street and not be recognizable and not get talked about for these salaries.

All right. We've talked about getting this income and how much we need and having a financial plan. And so how do we look at these withdrawal strategies? Now I know that I have, and it's going to come here just a second. I've listed, we've listed about six of them and this isn't an exhaustive list.

I know that we want to just take about three or four of them that we're going to talk about today. Like the strategies, the pros and cons of each one. Trying to determine what might be right for you. Can that change? If you start one way, can you change? It goes back to that pivot.

And should people be afraid of making a change because, you've never retired before. We retire every day. You might have to have some bumps. You might have to make some changes in your decision. And here again, knowing how to go back to that pivot.

So don't be afraid to make that change if this would, if a particular withdrawal strategy is not working for you. Would that be fair to say?

Mandy Ritter: Absolutely. Absolutely.

Nick DeCenso: Yeah. And I, what I, this to me is if we're fortunate enough to work with folks on their retirement plan that's great. That's a great first step.

And what we do is we spend so much time talking about saving. How do you save enough to take advantage of the company match and, make sure, just, there's a lot we want to be ready to retire with enough money and we focus so much on that. I do find that as a profession, we don't spend enough time educating, advising on how is this money going to, how am I going to spend this money in a tax efficient manner within my budget to meet my goals?

And it's not obvious, right? It's obvious when we're working, how we get paid. Money shows up usually in our bank account direct deposit and maybe some something's been withheld for savings and maybe we kind of auto save in other places. So that's easy that goes away with retirement how are we going to?

Withdrawal we're going to go into detail on the bucket strategy here in a second My comment here would be that there is going to be Look, I know there's a lot of technical reasons why you might pick one versus another. I think what I might suggest here is that there's also just some kind of behavioral reasons why you might pick one of these options.

Hey, that's my number. I just know that I need this amount of money to show up in my bank account every month and I'm good. And then some people will say the same thing, but they worry about inflation. And then there's other folks who might not be wired the same way. Maybe they've saved their portfolio or their retirement.

Nest egg is something different. Maybe it's real estate or other ways that they've saved for retirement. So you're going to have to Employed maybe one of these different strategies to use. But the good news is again there are options here. It's not a one size fits all strategy. I had a neighbor of mine just over the weekend, asked me about, he threw out a number and he said, Hey, you think this is enough for retirement?

Yeah, I said, man, I wish. I could give you a black and white answer, but of course I can't. It just depends on so many different things. It depends where the money is, and it depends what your expenses are, and your goals, and how are we going to withdraw the money from what you've saved. Anyway I smirked because I knew we had this coming up too, and I encouraged him to attend.

Debra Gates: So tell me this. So I know that, people hear different things and you're looking, you're listening to the news and you hear reports and you hear someone who is an acclaimed financial advisor and they might say everybody should do 4%. The 4 percent rule, where does that fall in this?

Mandy Ritter: That is a great question and something that we talk about a lot with clients and, that 4 percent probably falls really within that kind of light blue percentage of portfolio strategy that, that's that, that are the fixed percentage, right? So probably more of a fixed percentage, if you're going to say 4.

For historically is the number that, I'll say they whoever they are, came up with and really that's that one size fits all approach that Nick was saying, it's really not that right. So we really do have to factor in a bunch of different things, and there are new tools available now to help us evaluate, right?

What is that appropriate? Dollar amount or percentage. How do we account for inflation? And so what I would encourage you to think about as you're working with your advisor and what we will be talking about here if you work with us here at CAPTRUST, is not necessarily am I doing that 4%, but how are my behaviors?

How are the things that I'm doing impacting my overall goals because your overall goals are going to include, being able to maintain the lifestyle that you want to maintain in retirement, but there also may be some additional goals on top of that, which dictates. How much you need to be withdrawing from your portfolio.

If there's a certain dollar amount that you want to leave to the next generation or to your community. So those are all things that we want to incorporate into that conversation to determine what's the appropriate amount to withdraw.

Nick DeCenso: Let me just put a final point on that because that's a great point, Mandy, and then we got to move on, Debra, but, some people we meet with, they want to take care of all their goals in their lifetime, and they would love to pass on with almost nothing left in the bank, right?

And that's an interesting way to do it. That's going to be tough to get.

Debra Gates: Let's say they have no family.

Nick DeCenso: Or maybe they're giving to family during their lifetime, but some people, for others that's not their intention. They had different legacy goals or that, that makes them feel really, uncomfortable to know that they're spending down towards zero.

So it just really does depend. I know you're going to hear it from us a lot that you deserve to have a plan that's customized to you.

Debra Gates: So let's talk about this. Let's talk about this strategy. I know that we talk about this a lot around, around CAPTRUST around, about the three bucket strategy.

So can you help us understand this a little bit better? Because this is a busy slide.

Mandy Ritter: It is a very busy slide. And, we do talk about this at CAPTRUST, and we do talk about this with clients all the time. And, when I think about this bucket strategy it really is how do I position the assets that I'm going to need?

So we remember the bar chart, right? We've got, a portion of that's come coming from a fixed income source, a social security type source, or maybe even a pension or some sort of combination. So that's out of the picture. Those are our guaranteed income sources that are, so this is really what's coming from my bucket, from my portfolio, right?

And what we try to help clients think about is what am I going to need within the next, depending on the situation, 6, 12, 18 months, 18 months, maybe really max, right? And that's going to be something that you want. You're going to need it. You're going to be spending it immediately.

You're not wanting to lock it up for an extended period of time. So that money you want, it's not going to earn a lot of there's not going to be a lot of growth in those funds because those are funds you're using like, like a checking account. Like those are the funds you're going to need immediately.

Those need to be, something that's very safe, that's very liquid that you can get to it at any time that you need it knowing that you'll replace it from another bucket as you use those funds, right? Just like a paycheck replaces your checking account in retirement. And then you go middle of the road.

What are some things that I'm going to be needing 2 to 2 to 5 years from now? What am I going to be using to replace this bucket that I'm pulling money from on a monthly or. Or however it is that you pay your bills, right? And that's going to, allow you to have some intermediate growth on some of those funds.

And then you've got your long term money. That's this is money that I'm not going to need for quite some time. I can have it grow. It can take on a little bit more risk. And then the pivoting of the plan, the managing of the plan is how do I. Move money from these buckets to make sure that I've got what I need for the next 6 to 18 months in my capital checking account type of it.

And so that's how do we design right? Where your paycheck that you're going to be getting in retirement comes from? How do we design your portfolios to move the money along the. along the way to make sure it gets to the checking account when you need it, while being both tax efficient and taking advantage of growth opportunities where we can.

Nick DeCenso: And take a look at that bar chart. There's bar charts there. I actually missed those in our prep session, Debra. Those are cool. So those illustrate, you don't need to worry too much about, what percentages those might represent, but what it's indicating. A couple things.

One is if we're way off, if retirement's way off, we can afford to take some risks because that money has got time to grow. It's a whole other webinar that Debra probably runs around time in the market and your investment portfolio and how to think about risk. But when you're that far off in retirement, you can afford to take risks.

As

you move towards retirement your buckets may shift a little bit. The second thing I would point out is on the far right hand side, Even in retirement, most people still going to need that growth bucket. Not everybody but most will, because again, retirement lasts a long time for many, and you should still have a bucket, not your whole portfolio, but a portion of your portfolio as Mandy was describing, still in that growth

Debra Gates: Okay, Nick, tell me a little, tell me a little bit about risk. What do you mean by that? I know that we, we talk about this all the time, but for our audience, what do you mean when you say risk?

Nick DeCenso: When I'm talking about investments investment risk,

Then

we're going to be talking about things like stocks versus bonds versus cash a lot of ways to invest in stocks and bonds in cash for that matter, but stocks tend to have a higher risk profile, right?

We just saw the folks that follow the market solve it. There was a pullback in the last couple weeks. It bounced right back. That's actually pretty normal, but it feels risky. It feels much more risky than with cash sitting in my bank or if I own some fixed income or bonds.

Debra Gates: Yeah, just those fluctuations.

Can sometimes get a little scary. And all of these things that we're talking about, it really just drives the point home as to how important it is to get a professional to help you with these life changing decisions. Because Retirement is, that is life changing. You remember, you've been working for 25, 30 years and used to having a paycheck coming to you either every other week or every two weeks, and so to really have someone to help you navigate through that is really very important.

And then the question becomes, should you move your money, or should you move it to an IRA, should you keep it in your employer plan? What factors should be considered when making that decision?

Nick DeCenso: Yeah one more plug for our CAPTRUST at work team here. This is right here, man.

This is the question, one great question to be asking. And Debra, your question is, you phrased it well, like what factors should you consider, right? Because it's not, there are benefits and you've got some of them here to each option. I think for a lot of folks what is saved in their retirement plan represents the bulk of their retirement assets.

So it's

a big deal. Good. The good news there. is you don't typically, you don't have to make a decision right away. This is not like an end all be all decision. You got to make it the day before or the day after you retire in most cases. Leaving your assets in the plan has a lot of benefits. There and there's a lot of oversight there.

Typically fees are great. They're low. investment options are monitored. It's safe. What I see in practice is that retirement savers have other accounts. Maybe they've changed jobs and so they have a rollover IRA it's called. Maybe their spouse does. Maybe they have other accounts. So ultimately they do want to consolidate.

And I think there is some kind of as much as I hope most folks enjoyed working for their employer, I do think when you retire you're, you feel that, that separation. And there is a desire to, okay, all right, I need to, I want that big account that I've been saving to be combined with all my other accounts.

I don't want to see it in one spot. You do tend to have a little bit more bigger investment universe when you move. Maybe you already have a financial advisor as you go into retirement. So your financial advisor can help you with that account. So I'll stop there but clearly there's a lot to consider.

Mandy Ritter: Absolutely. And the only other thing I'd add to that is, Nick, you mentioned The employer plan, likely or is limited to whatever the investment choices are in that plan. And, if you do consolidate and roll over to an IRA, it does expand your choices. And it also expands your.

Flexibility and how you take withdrawals. It can be a little bit more customized. Sometimes withdrawal strategies within a plan are limited to whatever the plan says you can do. And if it says you can only take out monthly, then you can only take out monthly. Whereas if you have a a rollover IRA, and you want money weekly, you can do that.

So there's some, a little bit more flexibility at times with the rollover IRA.

Debra Gates: Yeah, it's all about, it's all about choices. And so the one thing that I've, as I'm listening, as we're talking about retirement for sure is not one size that fits all. It is very individualized and very personalized as to how you want to retire and what you want to have in your time of retirement.

But these dates that I'm showing here, they're pretty much set. Can we talk about these milestones? I love this slide because it just really puts into perspective what those milestones are.

Mandy Ritter: Yeah, that's a great point. And I would say yes, these are age ranges, right? That are set in stone, set by the government, by the IRS.

But it's not necessarily, you have to take action, right? These are times when We want to prepare to make decisions, right? So at age 55, for example, you can begin withdrawing from a 401k without penalty. If it was at your most recent job and you've left that employer and retired and you leave it at that job, but that doesn't mean you have to.

It's just a point in time where you can make a decision. I think that age 59 and a half again, that's where you can withdraw from your IRA without penalty. Okay. But it doesn't mean you have to, right? It just gives you the option. And here's a time, a place in time where we can make a decision.

Social Security, again, you can start as early as 62, but is that the most effective time to start for your plan? It depends is always the answer, right? And it's going to depend on what the. What the goals and priorities are of your plan and what your resources are and, what your longevity risk is, et cetera.

So we need to go ahead and have a plan in place for when does that start in the earliest? We could start at 62. We have to do it by 70. And the question is, what's that most optimal time, right? Medicare, that, that is a set in stone. If you're still working the Part B coverage is a little more negotiable.

Part A is automatically enrolled. And the other one that's really a big non negotiable is when those required minimum distribution starts. From those retirement accounts, if you were born Prior to 1950 or 1950 or earlier, those required minimum distributions started for you at age 72. If you're in the age range of being born between 51 and 1960, that required minimum distribution age is 73.

And then if you're born 1960 or later, that required minimum distribution age is 75. So that's a little bit of a range right now until a few years pass and then everybody's going to be on that. On the same start date that is a non negotiable. That's gonna have to happen. If you don't do it, there's a big penalty for not doing it.

The question prior to that, right? Is can I take it? Can I start taking some of that earlier? So that I'm not forced to take a certain amount out at that time. If I don't need all of that. Are there ways? to accelerate that and do it a little bit earlier so that what I'm left with for the requirement of distribution age is not such a large amount that I don't need it all now.

I don't know what to do with it. Maybe we do take and start taking things a little bit earlier, and there's some other techniques that we can use, but it's all part of that building that paycheck strategy and understanding at what age do these things start being able to be available for you to use.

Yeah,

Nick DeCenso: can I add one more thing to that slide, Debra, if you don't mind? Sure. That stood out to me, that normal retirement age you have there in the middle. I think it's 65 to 67. That's that's interesting to talk about. Because there's a couple things there I'll point out to folks and number one is that I'm always surprised by when you look at the percentage of people that retire, actual retirees, how many of those were forced into retirement, right?

So that could be medical. That could be just a situation with their employer. It's a substantial number. A lot of those retirements are planned. Some are not. Some people retire early because they've got a great retirement plan in place. Some realize that for one reason or another, they have to work longer.

That's the first thing I want to plan. The second thing would be, because we haven't mentioned it yet, or maybe we alluded to it a little bit. is that retirement, especially today more than ever, is less like it was a couple generations ago. You work work, and then you retire, right?

I think we see it every day now. We see this generation of retirees and certainly the ones Follow them where retirement looks different. They're paring back. They're working longer, but they're working part time. Or they retire and they take a part time job. There's that's exciting.

I think for frankly, for us as a, as an economy, I think it's exciting for us as financial planners as well. It's a good thing. Great. All right. Sorry. Paychecks.

Debra Gates: Yeah, go ahead, Nick. We have time. We have a few more minutes. We're going to get to questions and we'll try to get to as many questions as we possibly can.

Of course, we can get all of the questions. We have over 2, 500 people on this call, so I, we can't get to all of the questions, but you are welcome to make an appointment and speak to one of our financial consultants and they can help you with any other questions that you might have that we might not be able to get to today.

But go ahead and talk about this, about getting, Creating that paycheck in retirement.

Nick DeCenso: This is a fun one. We've alluded to it, so I'm glad we've got this. It's included in our presentation so for a lot of folks that Mandy and I and others talked to again this concept of, I know where my money comes from while I'm working, where does the money come that I spend and I'm going to spend in retirement?

How does it get into my bank account? That's a great question. And I think as planners, we're like, what do you mean? We'll figure that out. Of course, but no, let's tell me, where's it going to come from? So maybe you said this earlier, you're going to have a few, one or two or maybe more kind of permanent sources.

They're just going to happen almost automatically once you turn on that social security switch. That's going to land in your account if you're fortunate enough to have a pension or a new one or something like that. Those are fixed income sources stack, stack on top of social security and then that's really where you're, Financial plan can kick in, so to speak and your retirement plan of, okay, now I've got all these other assets that I've saved.

It could be some combination of these accounts on the slide, pre tax retirement accounts or Roth accounts or investments. How do I create this paycheck in a tax efficient manner?

Mandy Ritter: Exactly. And that's where, again Taking into account some of the things that you don't think about, like what your tax bracket might be and what your other priorities and goals are can dictate, right? Which, which bucket we pull from first or how we combine those three types of tax type of accounts to create that paycheck.

So again, that's going to be customized to whatever Your goals and priorities are and what your tax bracket is and what your current situation is. And it's going to change on an annual potentially on an annual basis based on what your needs are.

Nick DeCenso: And on top of that, right? Everybody's going to want to have a certain amount of that liquidity.

The man who's talking about the buckets at their bank, right? We don't want this plan. To be like just in time funding for our retirees, right? So I want to make sure that we've got that six months to 12 months, readily accessible, whether it's in the bank or somewhere else for retirees to use.

Debra Gates: Yeah. So now there's some, so after we've done all of this today, Just to implementing your plan, I think, you try to start gathering some of those documents and of course making use of all of your available resources including your employer programs, and then marking your calendar for those significant milestones.

What would you add to that? Mandy or Nick?

Mandy Ritter: Yeah, I think the thing I'd add to that is, start working with your financial professional now, right? Create your current financial picture now, start understanding what your priorities and goals are now so that you can work towards them.

Debra Gates: Yeah, and that, that kind of lends itself to both tips for implementing it and also some of the common mistakes that we want to avoid. So that is, of course, just the very opposite of what we've been saying that you should do if you haven't looked at your plan. And, how early should you start doing that?

Realistically, how early should you start really looking at your plan?

Mandy Ritter: It's never too early to start. It's really, when you start having income and having priorities and goals is when we should start looking at putting a plan in place for you and monitoring that plan and working with you throughout all those all those changes that, that happen in your life.

Debra Gates: Yeah, what would you say about some of these common mistakes? How often do you see that?

Nick DeCenso: Yeah, these, like you said, these are common. And look, we I should also share that we do see both sides. So each one of these, the middle one, failure to diversify your investment portfolio.

Look we see folks that are don't have enough risk, right? So I think you're implying there that you're too, maybe too much risk and that can happen. And certainly we talked about as you approach retirement, you're going to want to relook at your investment portfolio, but we also see the opposite.

See folks that got conservative way, way too soon for no maybe for the wrong reason. I do the one you have here, Debra, about taking on too much debt before during retirement. That's an interesting one. That's worth talking about with a financial advisor. I don't know.

The answer might have been different. Not that long ago with rates so low it is harder to actually get a loan in retirement. Your W 2 income goes away. Depending on your situation, having some debt is not necessarily a bad thing going into retirement, but it's worth, as Mandy said, planning is a verb, so it's worth revisiting.

Debra Gates: Yeah, just like budgeting. Budgeting is a verb, so a lot of this can, budgeting can help with a lot of this and not be afraid of that. That five letter word I mean that six letter word for budget. I think you really need to make sure you're budgeting and you want to start doing that as soon as possible.

Oh my gosh! We're coming up really close, and so I want to see so I know, Sarah, you're in the background, and you're looking at questions, because I'm seeing this little orange button pop up. I know that there are several questions, so could you Anit, just, throw some questions at what we can to Nick and Mandy, please.

Host: Yes, we have gotten quite a bit of questions coming through. I'm trying to filter through a lot of these. I do just want to start with some level setting. So a question that we got was what does it mean to replace income? In one of the charts it talked about replacing 50 percent of our income.

What does that mean?

Mandy Ritter: Yeah, that's a great question. Like we've said a couple of different times your income is that paycheck, is that's what we're talking about is how do I replace that paycheck so that I can pay my bills? So when we're talking about replacing my income, it's where is that going to come from?

That's going to come from multiple sources. It's going to come from A natural decrease in what I'm spending because I'm no longer saving for retirement because I'm in retirement. So that's replacing some of that income. It's something that would normally go to a retirement account that I'm not now having to put in, some of it is going to come from those guaranteed income sources like social security. So that's going to be a portion of my income in retirement. And some of it's going to be money I'm actually pulling out of my retirement accounts, investment accounts, cash accounts, et cetera. Replacing income is, how do I make sure that I've got money in my checking account to pay my bills?

And typically when you're working, that's coming from your checking account or coming from your paycheck. And it's how do I replace that, and it's going to come from different sources. Hopefully that makes sense.

Host: Yes. Thank you, Mandy. Another clarifying question here.

When we discuss withdrawal strategies as we did today, does the conversation about savings go away at that point when we're talking about withdrawing? Is that tied to spending only? Yes. Okay.

Nick DeCenso: That's a great question. I don't think the concept of savings necessarily goes away. I'm going to go back to where Mandy started the whole process around defining goals.

You can still have some financial goals in retirement. Easy, easy one to think of is perhaps helping grandkids in one way or another, maybe with education. And so there may be savings you want to accumulate there. But that goal setting process can clearly continue into retirement, charitable interests, things like that may just not have been satisfied pre retirement.

Debra Gates: And another thing with with savings, you want to make sure that even in your time of retirement, you still want to have that emergency savings account. So if something comes out, comes up out of the norm, you'll have money that you can access to go toward an emergency or to cover that emergency.

So still with that same concept of. Definitely having an emergency savings account.

Host: Great. We did have a few questions come through regarding those required minimum distributions. Let's say someone continues to work past the age of 73. Do they still need to take RMDs starting when they turn 73?

Also,

Mandy Ritter: yeah, that's a great question. And the answer is it depends. So if you are if you are working and your only source of retirement savings is in your current employers 401k, and you are not more than a 5 percent owner of that company. Then you are not going to have to take those required minimum distributions at 73 or 75 if you're still working and you don't have any other outside retirement accounts and your only account is that current employer's 401k.

So that's really the caveat there. If you are currently working and have a current 401k and also have an outside IRA, maybe you had a previous employer and you rolled it to an outside IRA, That portion is going to be subject to required minimum distributions, but your 401k, your current employer's not.

So those are great questions and things like, situational things that you'll want to make sure that you understand what your full financial picture looks like, and you understand, and your advisor understands what your full financial picture looks like, so they can help plan for that for you.

Debra Gates: And so Mandy, we have a huge 403b audience as well, so would that be applicable for 403b plans as well?

Mandy Ritter: It would so there's going to be there, and depending on, some of those might be some deferred compensation where there's going to be different rules about how often, when you have to take those out, but in general if you are still working and your retirement savings is at your current employer then that is not going to be subject to those requirement of distributions until you retire.

Debra Gates: Great. Thank you, Mindy.

Host: Along the same lines how are those RMDs determined? Is it always the same amount, or what do those kind of look like?

Mandy Ritter: That, that is there, it's not always the same amount in general, right? The concept is they look at your, Account balances of 1231. So if you're looking for requirement distributions for 2025, they're going to look at 1231

2024 balances. And depending on what age you are, there's a table. The IRS provides a table.

And you do the multiplication and it gives you what your requirement distribution is. So the custodian of your retirement account and your financial advisor can help you calculate that.

Host: Thank you, Mandy. So many great questions. Great question.

Debra Gates: A couple more. Come on. We have until two o'clock.

Let's do a lightning round.

Host: Let's see. Okay. Another great question asking about, how, if my partner and I are retiring at different ages, for example, maybe I'm planning to retire at 65, but my partner is going to wait until 70. How do we plan for that?

Nick DeCenso: Yeah, great question. See that all the time. I think everything that we talked about today you'd want to address in that scenario, right? When it takes us security, that'll matter. There's spousal benefit rules to, to consider. Income replacement who's going to retire, based on which, who's the higher earner, who's the lower earner, who could continue to do this part time in retirement, who couldn't.

There's a lot, and I, and. And I think this is an opportunity to drive home again, Captain Obvious, but when you choose to stop making money is the biggest part of your retirement plan, right? And so that is one reason why I think we're seeing, among other reasons, why we're seeing a lot of folks work part time and post retirement.

I think there's other reasons as well for that. But That wasn't a lightning answer. Sorry, Debra.

Debra Gates: That's okay. This is, this is great conversation, and trying to get as many questions as possible. And, what we're talking about here, this is applicable if you're single, if you're married, if you're divorced, if you're a widow, if you're a widower.

All of these concepts can be applied. And reaching out to a financial advisor and reaching out to, to CAPTRUST. Did you have any more pressing questions? Sarah, we're really bumping up against one minute and I want to know if Nick and Mandy has, if they have any closing thoughts before we go.

And just as a reminder, this has been recorded. You will receive this in one to two business days. Via via email that we'll receive the recording. And here again, this is just how you can contact us. You can go online and schedule an appointment at CAPTRUSTEDWORK. COM or you can call us 967 9948 directly.

We are available and we're available and we can work with several languages. So please don't hesitate to call us. But before we go, what are any closing thoughts

Mandy Ritter: Yeah, I would just say, favorite phrase planning is a verb. Work on it, understand what it is and keep monitoring and keep revisiting it.

Yes.

Nick DeCenso: Thank you, Debra. I really appreciate this. Please tune in to future sessions like this. I really enjoyed it. Thank you.

Debra Gates: Great. Thank you, everybody. Have a great day. Stay safe and expect the recording in one to two business days. Have a great

day.