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During his 35 year career with Foresters Financial Services, Paul has focused on retirement plans. In his current role, Paul provides our branches and Representatives with support and training related to retirement to better serve their existing clients as well as developing new markets.

## Five Commonly Overlooked Questions About Retirement Income Planning

Well before you reach retirement age you need to start thinking about how you'll generate income in retirement. How much savings will you need? How much can you safely withdraw each year?

While many people make these basic considerations, they often overlook some of the more nuanced—yet critical—concerns of retirement income generation that can have dramatic effects on their financial security both early in retirement and decades down the road. What if you have a major health issue and face thousands of dollars in healthcare bills? What if the markets underperform and your savings are dropping more than expected?

That's why getting professional guidance from a trusted financial adviser is so important. Unlike a computer-generated financial plan ("robo-advisers," as they're sometimes called) a human adviser can guide you through many of the complexities of retirement income planning and help you address issues that are unique and personal to you and your loved ones. Every person has different concerns—and an adviser can help you uncover those concerns and address them in your plan.

Here are five commonly overlooked retirement income planning concerns that your Foresters Financial Representative can help you with:

### 1. How will taxes affect your retirement income?

Many soon-to-be retirees overlook the impact taxes will have on their income. You will owe ordinary income tax on any distributions you take from tax-deductible retirement accounts such as your traditional individual retirement account (IRA), 401(k) or 403(b), as well as capital gains taxes when you sell appreciated investments in your taxable investment accounts. If you claim Social Security benefits before full retirement age and are still working, your benefit amount will be reduced by 50 percent for every dollar you earn above \$15,720 (in 2016). In essence, taxes and Social Security penalties can take a significant bite out of your income, if you're not careful. And you may discover you may need to make larger distributions than you thought to cover the consequences.

Your financial adviser can help you forecast the impact taxes will have on your retirement income and help you find tax-efficient withdrawal strategies that fit your personal situation and goals. He or she can also help you decide whether converting a portion of your tax-deferred savings to a tax-free Roth IRA makes sense.

### 2. How do you allocate assets effectively for retirement?

Inflation should be a main consideration during retirement. Inflation has averaged about 3% per year and could deteriorate your savings, income and assets if you are not keeping pace. Remember, retirement can last 20, 30, even 40 years.

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Instead, your adviser can help you set up a “bucket approach” to investing and taking income that helps you to have the savings you will need in the short-term, while promoting longer-term growth for future income. For example, savings you expect to need in the next few years for, say, healthcare costs or travel plans should be put in low-risk investments, so you know that money will be there when you need it. Money you’re saving for the future—say things you expect to need in 10 years or farther out—can be invested more aggressively, so that it has the ability to grow and potentially even produce investment returns far greater than inflation.

### 3. How can you make sure you’re ready for unexpected expenses?

Even the best-laid plans can go south. Imagine if you suffered a major health event and suddenly owed thousands of dollars in unplanned bills? It’s important to consider. Making sure you have good supplemental Medicare coverage and perhaps long-term care insurance can shield you against some of the financial risks associated with retirement income planning.

Your adviser can help you project some of the risks associated with retirement income planning and present options for how to protect yourself against those risks. Foresters Financial advisers also have access to sophisticated retirement income planning calculators and tools that can forecast your expenses in retirement to help you better visualize your income needs.

### 4. How much guaranteed income do you need?

Retirement income planning is very much a longevity game. How much you can withdraw each year depends on how long you will live—and nobody knows that for sure. For this reason, many people convert a portion of their retirement savings into a guaranteed income stream. Especially now that traditional pensions are no longer very common, annuitizing some of your savings can be a reliable way to ensure you have enough income to last throughout your lifetime.

The question for many people is, how much should you annuitize? Your adviser can help you evaluate your retirement income picture and forecast your expenses throughout retirement, so you have a better idea of how much you’ll need each month and each year.

### 5. How do you claim Social Security and defined-benefit pension benefits most effectively?

For many people, figuring out the right age to claim Social Security retirement benefits is essential—and, if you’re married, it’s even more important because your spouse could be relying on that benefit over his or her lifetime as well. Too many people start taking benefits at the earliest possible age (62 currently) but they miss out on the potential to get a benefit that’s about 50 percent larger by just waiting until full retirement age (66 currently). The monthly benefit would be even larger by waiting until age 70 to claim it.

Claiming benefits from a defined-benefits pension can also be challenging. Many pensions offer their beneficiaries a number of payout options, whether a lump-sum or “single life” and “joint survivor.” If you have a pension, choosing the wrong payout option can mean the difference of tens of thousands of dollars over your retirement.

Foresters Financial Representatives have access to a program called TRAK that helps soon-to-be retirees evaluate state pensions, as well as some private company pensions and figure out the best payout option based on your personal situation.

While it’s important to address these questions and concerns as you design your retirement income plan, you will need to continually re-evaluate your plan over the course of retirement. At a minimum, you should speak with your adviser at least once a year to re-evaluate your income plan and particularly whenever you experience a life-changing event that could affect your income situation.

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