Ultimate Retirement Planning Checklist

The Encore Retirement Planning checklist is the real-world tool used with our planning clients to ensure nothing is overlooked. For the DIY-er a measured approach is recommended. Visit a few items at a time to increase the likelihood of completing them all. In some cases, additional education will be necessary. Don't let the perfect be the enemy of the good. You've got this! 💪

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ENCORE
RETIREMENT PLANNING

Assess your financial situation for retirement.

- ☐ Decide on a retirement income style.
  - Safety first, probability-based, front-loading, back-loading, etc.).
  - If you have not taken a style assessment, you can complete one here.
- ☐ Get longevity estimates
  - www.longevityillustrator.org
  - Those with a front-loading preference may prefer to use numbers closer to the 25th percentile.
  - Those with a back-loading preference consider numbers closer to the 10th percentile.
- ☐ Market and sequence of return risk
  - Understand your comfort level with market risk as it relates to your retirement income style.
  - Decide on reasonable net-return assumptions for your retirement portfolio using long-term TIPS yields as a starting point.
- ☐ Assess exposures to various retirement spending shocks and other surprises.
  - Consider the costs or impacts they could create.
- ☐ Identify the long-term care options and costs in your community.
- ☐ Consider if long-term care might cut other budgeted expenses, like travel.
- ☐ Decide where you would like to receive care.
  - Are Continuous Care Residential Communities a consideration?
- ☐ Understand what your default plan of care will be if you do not take further action.
  - Traditional long-term care insurance policies
  - Permanent life insurance with LTC benefits.
  - Family members and friends who may be willing and able to help without creating too much of a burden.
  - Reserves earmarked to cover long-term care expenses

- The level of countable assets that would be spent before reaching Medicaid eligibility in your state.

☐ Identify the potential to self-fund long-term care expenses.
  - What impacts could self-funding have on the other family members?

☐ Identify a reasonable amount of reserve assets to set aside as a funding source for long-term care.
  - Is this amount realistic?
  - How will it be invested?
  - Do family members understand and accept the obligation if you are expecting them to provide care?

☐ Determine whether Medicaid may be unavoidable as part of your long-term care plan.
  - Consult an elder law attorney to assist with Medicaid planning as needed.

☐ If interested in offsetting some risk in self-funding, explore options.
  - These include traditional long-term care insurance or hybrid approaches.
    - Will your health allow you to qualify for coverage?
    - How much of the long-term care spending risk would you like to offset through insurance?
    - How much of the risk can you afford to offset?
    - Will you pay for coverage with investment assets or through the exchange of existing insurance policies?
    - How much would the coverage lower your need to hold reserves for self-funding while still feeling comfortable?

☐ When considering insurance, weigh the tradeoffs
  - Between premiums and:
    - Benefit amounts,
    - Total coverage,
    - Inflation adjustments, and
    - The elimination period.

Note: **Traditional long-term care insurance** may appeal to those who can deduct premiums on their taxes. It may also attract those who want a partnership plan for better Medicaid asset protection and inflation protection riders.

Note: **Hybrid policies** may appeal to those seeking stability for their premium amounts. They protect against the use-it-or-lose-it aspect. They suit those with health issues that make it hard to qualify for traditional insurance. They also suit those with existing insurance they could exchange for these policies.

- ☐ Give family members your written long-term care plan.
    - It will help them implement it if you are cognitively impaired. The plan should includes details about:
        - Sources of care
        - Sources of funds
        - Insurance policies
        - Lists professionals who can answer questions, like a care coordinator from an insurance company.
- ☐ Estimate a baseline health care budget.
    - Include growth and possible cost shifts from other categories. Budget for dental, vision, hearing, and other health needs not covered by your insurance.
- ☐ Reserve strategy
    - Decide how much in reserves you want to set aside to help with higher-than-anticipated expenses.

Determine Funded Ratio

- ☐ Estimate the Four L's of retirement: Longevity, Lifestyle, Legacy, and Liquidity.
    - Collect data on spending over the previous few years.
    - Use past spending and analyze what will change in retirement to develop a baseline retirement budget.
    - Organize the retirement budget as essential longevity expenses and discretionary lifestyle expenses.
    - Project how spending needs may evolve.
    - Determine legacy goals.
    - Assess exposure to spending shocks to determine a target for reserves.

- ☐ Create a retirement balance sheet.
    - Collect household finances.
    - Determine all assets and liabilities.
    - Find the present value of future income and expenses.
- ☐ Age & Rate Selection
    - Choose a planning age and a conservative discount rate. Then, calculate the funded ratio.
- ☐ Check the funded ratio and reliable income for longevity goals.
    - Do this along with the other categories of the Retirement Income Optimization Map. For styles other than total return, fill gaps in reliable income. Use annuities or bond ladders.
- ☐ Underfunded? Consider these steps.
    - If a plan is underfunded, consider these steps to ensure a reasonable funded ratio:
        - Delay retirement or otherwise add a greater role for work.
        - Reduce projected future spending goals.
        - Those with styles that rely less on market growth and use more conservative assumptions will generally find an improved funded ratio with annuities.
        - Reassess the role of home equity in the plan.
        - Assume a higher discount rate (with caveats about risk).

Choose your SS claiming strategy

- ☐ Get an updated SS benefits statement.
- ☐ Check your statement for accuracy and understand the assumptions used in estimating benefits.
    - future covered earnings
    - wage growth and inflation
- ☐ Familiarize yourself with the basic claiming philosophies.
- ☐ Collect relevant information to make an informed decision.
    - Benefits from your earnings record: suppose and dependents.

- Your eligibility for benefits from others' earnings records: spouse, ex, survivor.
    - Role of the earnings test, windfall elimination provision, government pension offset, and disability benefits.
    - Availability of resources to support delayed claiming.
    - Dependence on Social Security as reliable income
    - Risk tolerance
    - If already claimed & regret the decision, identify possible benefits of suspension.
- [ ] Use software to calculate the optimal claiming strategy and compare it with other options.
- [ ] Build a strategy to support deferring benefits when applicable.
    - Plan how to meet spending goals before benefits begin. Use a mix of portfolio distribution, part-time work, a reverse mortgage, life insurance, a period-certain annuity, and a bond ladder.
    - Consider tax planning opportunities while deferring.

Retirement Housing Decision

- [ ] Identify aspects of retirement housing that are most important.
- [ ] Consider housing options before retirement. Determine if you will move.
- [ ] Conduct trials in any new area to make sure it's the right decision.
- [ ] Consider the impact of physical and mental impairments associated with aging.
- [ ] Consider how housing decisions could be impacted by long-term care needs and how moving becomes more difficult with age.
- [ ] Consider how frequently you want to move and at what point you will need to settle permanently.
    - affordability of home
    - need for maintenance
    - near family, friends, and social network to avoid isolation in later years

- Good climate with the right blend of activities and opportunities for an enjoyable lifestyle.
- location, sports, desired work, or volunteer opportunities
- availability of diverse transportation options
- renovations to support aging in place
- whether a HECM early on is part of an overall strategy instead of a last-resort option

Tax Planning Steps

- [ ] Know the basics of the tax code.
    - This includes: marginal rates, tax brackets, how to determine taxable income, and the difference between ordinary tax rates and preferential rates for long-term gains and qualified dividends.
- [ ] Build tax diversification with taxable, tax-deferred, and tax-exempt accounts.
- [ ] Learn about tax treatment of different account types.
    - Understand how to choose between saving in tax-deferred and tax-exempt accounts based on marginal tax rates now and in the future, and consider the advantages of having some assets in tax-exempt accounts.
- [ ] Decide where to place assets.
    - It should be based on their tax efficiency and growth potential.
- [ ] Determine the utility of other ways to get tax advantages.
    - 529 plans, HSAs, tax-advantaged bonds, non-qualified annuities, and life insurance.

Estate & Incapacity

- [ ] Collect personal information for family members
- [ ] Create an inventory of household assets & liabilities
    - Account Numbers
    - Values
    - Ownership Details

- Beneficiary Designation
- Whether assets will be part of the probate estate.

- [ ] Assemble information on all insurance policies.
  - Check if each policy is still needed.
  - Identify any gaps (life, health, LTC, disability, homeowner, vehicle, umbrella).
- [ ] Sign a durable financial power of attorney.
- [ ] Create advanced healthcare directives.
  - Living will
  - Health care power of attorney
  - HIPAA releases
- [ ] Decide how to distribute assets.
  - What, to whom (family, friends, charity, others), and when.
- [ ] Write a will.
  - Identify an executor.
  - Put in place an asset distribution plan.
  - Identify a guardian for the minors in your care.
- [ ] Create and find trusts to meet goals
  - Such as: incapacity planning, avoiding probate, managing property at death, providing asset protection, and reducing estate taxes.
  - identify trustees
  - Update ownership and beneficiaries on all accounts.
- [ ] Check ownership titles and beneficiary designations.
  - They should align with your goals and estate plan.
- [ ] Decide and share final wishes.
- [ ] Create a letter to instruct...
  - the family, the executor, and the attorneys. This will help simplify their process.
- [ ] Store documents safely;
  - let the relevant individuals know how to access them.
- [ ] Discuss your plans with family to set expectations.
  - Ensure everyone knows your intentions and their responsibilities.

Planning for the Non-Financial Aspects of Retirement

- ☐ Find purpose and passion to guide your retirement.
  - Identify expectations for a good retirement life.
  - Retire to something, not from something.
  - Identify fulfilling activities to replace work identity.
  - Develop leisurely interests while still working.
  - Rank activities to do what is most important.
  - Consider your legacy beyond financial gifts.
- ☐ Strike the right balance with work.
  - Understand the importance of your work identity.
  - Buy into retirement as a new lifestyle and a new identity.
  - Maintain your skills and network to create flexibility.
  - Will work play a role in your retirement? Options include phased retirement, consulting, a part-time job, a new business, or an encore career.
  - Prepare for an unexpected jolt into an early retirement.
- ☐ Strengthen your relationships with others.
  - Reconnect with your spouse and identify retirement dreams.
  - Focus on friendships and other relationships.
  - Engage in activities to maintain social ties.
- ☐ Promote an active and healthy lifestyle.
  - Develop exercise routines and a healthy diet.
  - Keep your body and mind active.
  - Take care of physical and mental health.
  - Have appropriate expectations for gradual decline.
  - Focus on spiritual and religious needs.

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