The CARES Connection

Our Process

The Retirement Mindgame

What kind of retirement do you think you'll have?

Qualitatively speaking, what if the success or failure of your retirement begins with your perception of retirement?

A whole field of study has emerged on the psychology of saving, spending, and investing: behavioral finance. Since retirement saving is a behavior (and since other behaviors influence it), it is worth considering ways to adjust behavior and presumptions to encourage a better retirement.

Delayed gratification or instant gratification? Financially speaking, retiring earlier has its drawbacks and may lead you into the next phase of your life with less income and savings.

If you don't love what you do for a living, you may see only the downside of working longer rather than the potential boost it could provide to your retirement planning (i.e., claiming Social Security later or tapping retirement account balances later and letting them compound more). If you see work as a daily set of unfulfilling tasks and retirement as an endless Saturday, Saturday will win out, and your mindset will lead you to retire earlier with less money.

On the other hand, if you change your outlook to associate working longer with retiring more comfortably, you may leave work later with a bigger retirement nest egg – and who wouldn't want that?

If you don't earmark 66 or 70 as your retirement year, you can become that much more susceptible to retiring as soon as possible. You're 62, you can get Social Security; who cares if you get less money than you get at 66 or 70 if it's available now?

Resist that temptation if you can. While some retirees claim Social Security at age 62 out of necessity, others do out of inclination, perhaps not realizing that inflation pressures and long-term care costs may render that a poor decision in the long run.

Social Security wants you to wait until you reach what it calls Full Retirement Age (FRA) to claim your benefits. For those born after 1942, FRA is 66, 67, or somewhere in between. When you take benefits earlier than that, your monthly benefit payments are reduced by as much as 25%. That reduction is permanent.[1]

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Why You Want a Retirement Plan in Writing

Many people save and invest vaguely for the future. They know they need to accumulate money for retirement, but when it comes to how much they will need or how they will do it, they are not quite sure. They will "wing it," hope for the best, and see how it goes. How do they know they are really contributing enough to their retirement accounts? Would they feel less anxious about the future if they had a written plan?

Make no mistake, a written retirement plan sharpens your focus. It can refine dreams into goals and express a strategy to pursue them. According to a Charles Schwab study, just 24% of Americans plan their financial futures according to a written strategy. Here is why you should join their ranks, if you are not yet among them.[1,2]

You can figure out the "when" of retirement planning. When do you think you will retire and start drawing income from your taxable and tax-advantaged accounts? At what age do you anticipate you will start to collect Social Security? How long do you think you will live? No, you cannot precisely know the answers to these questions at this point – but you can make reasonable assumptions. Your assumptions may be altered, it is true – but a good retirement plan is an evolving document, one that can be revised with changing times.

You can set a target monthly or annual savings rate. Once you have considered some of the "whens," you can move on to "how." Assuming a conservative rate of return on your invested assets, you can specify how much to defer into retirement accounts.

You can decide on a risk tolerance and an investment mix that agrees with it. Ultimately, you will invest in a way that a) makes sense for your objectives and b) makes you comfortable. The investment mix that you decide on today may not be the one you will favor ten years from now or even three years from now. Regular portfolio reviews should complement the stated investment approach.

You can think about ways to get more retirement income instead of less. Tax reduction should be part of your retirement strategy. Think about the possibility of part of your Social Security income being taxed. Think about tax on your Required Minimum Distributions (RMDs) from your IRAs and employee retirement plan. What could you do to manage, or even minimize, the income and capital gains taxes ahead of you?

You can tackle the medical expense question. That is, how will you fund the medical care that you will inevitably need to greater or lesser degree someday? Should you assign part of your savings to a special account or form of insurance for that purpose? Retiring before 65 may mean paying for some private health insurance in the years before Medicare eligibility.

You can think about your legacy. While a retirement plan should not be equated with an estate plan, the very fact of planning for your later years does make you think about some things: where you want your money to go when you are gone; your endgame for your company or professional practice; whether part of your accumulated wealth should go to causes or charities.

A written plan promotes confidence and a degree of control. A 2017 Wells Fargo/Gallup survey determined that those with written retirement plans were nearly twice as confident of having sufficient retirement income in the future, compared to those with no written plan.[3]

If you lack a written retirement plan, talk to the financial professional you know and trust about one. Writing it all down may make a difference in planning for your second act.

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Some people are misinformed about this. In a 2017 Fidelity Investments poll, 38% of respondents thought the reduction was temporary and that their monthly benefits would suddenly increase when they reached their FRA.[2]

Setting a target age for retirement – say, 65, 66, or even 70 – before you turn 60 can help mentally encourage you to keep working to that age. Providing your health and employment hold up and you can work longer, patience can lead you to have more Social Security income rather than less.

Take a step back from your own experience. For some perspective on what your retirement might be like, consider the lives of others. You undoubtedly know some retirees; think about how their retirements have gone. Who planned well, and who didn't? What happened that was unexpected? Financial professionals and other consultants to retirees can also share input, as they have seen numerous retirements unfold.

Reduce your debt. Rather than assume new consumer debts, which advertisers encourage us to take on, commensurate with salary and career growth, pay down your debts as best you can with the outlook that you are leaving yourself more money for the future (or for unexpected situations).

Save and invest consistently. See if you can increase your savings rate on the way toward retirement. Don't look at it as stripping money out of your present. Look at it as paying yourself first on behalf of your future.

THE QUARTER IN BRIEF

Stocks rallied in January, corrected in February, and slumped in March as volatility and economic policy changes took some of the enthusiasm out of the market. The Trump administration announced tariffs on foreign steel, aluminum, and assorted products from China; China soon said that it would reciprocate with excise taxes of its own. The Federal Reserve adjusted the federal funds rate upward and welcomed a new chair; the White House appointed a new chief economic advisor. An orderly process was outlined for the Brexit. The Nasdaq Composite advanced for the first quarter, but the Dow 30 and S&P 500 did not; most major Asian and European benchmarks also retreated. Among commodities, bitcoin declined notably, while oil and gold improved. The placid market climate of 2017 vanished, giving way to trading sessions marked by significant ups and downs.[1]

DOMESTIC ECONOMIC HEALTH

A protectionist trade strategy emerged from the nation's capital in March. The Trump administration declared that a 25% tariff would be instituted on imported steel and a 10% tariff on imported aluminum. Some countries were given short-term exemptions from these excise taxes: Argentina, Australia, Brazil, Canada, Mexico, South Korea, and members of the European Union. Additionally, up to $60 billion in Chinese imports would soon face excise taxes. China retaliated at the end of the quarter, imposing import charges of either 15% or 25% on 128 U.S. products, including pork and fruits.[2]

Elsewhere in Washington, the Janet Yellen era gave way to the Jerome Powell era at the Federal Reserve. Weeks after Powell took over as Fed chair, the central bank made its first interest rate adjustment of the year, a 0.25% hike that set the target range for the federal funds rate at 1.50%-1.75%. The Fed's updated dot-plot forecast, reflecting the consensus opinion of its policymakers, projected two more hikes this year: three in 2019 and two in 2020. All that would leave the benchmark interest rate around 3.4%, according to the dot-plot. The Trump administration hired former Reagan administration official and CNBC commentator Larry Kudlow as its new chief economic advisor, following the resignation of Gary Cohn.[3,4]

Business growth looked good in the first quarter; correspondingly, so did hiring. The Institute for Supply Management's factory PMI went from 59.1 to 60.8 to 59.3 across three months; ISM's service sector gauge was also very high at readings of 59.9 in January and 59.5 in February. January saw a net job gain of 239,000 hires by the Department of Labor's estimation, and February brought an even more impressive net gain of 313,000. The headline jobless rate stayed at 4.1% in January and February, and the U-6 rate, counting the underemployed, remained at 8.2% in both those months.[5]

Inflation became a worry during the quarter, but fears that it was running away subsided. There was a half-percent spike in the headline Consumer Price Index in January, plus a 0.3% gain for the core CPI. A month later, both the headline and core CPI moved but 0.2%. By February, annualized consumer inflation was running at 2.2%, core inflation at 1.8%. Wholesale inflation pressure was greater: the year-over-year advance in the Producer Price Index through February was 2.8%. Speaking of production, industrial output was up 4.4% in the 12 months ending in February; durable goods orders rose 3.1% in February after a 3.5% January decline.[5]

Consumer incomes rose 0.4% in both January and February, paralleled by consecutive 0.2% gains in consumer spending. Another indicator from the Department of Commerce seemed to show consumers were saving rather than buying: overall retail sales fell 0.1% in February following a 0.1% January increase. The Bureau of Economic Analysis showed real consumer spending at 4.0% in the fourth quarter, a major factor in the 2.9% expansion of the economy. (That number was an upgrade from the BEA's second estimate of Q4 GDP, which was 2.5%.)[5]

Consumer confidence indices posted very high readings. The successive marks for the University of Michigan's monthly index in the quarter: 95.7; 99.7; 101.4. The Conference Board's index hit an 18-year peak of 130.0 in February before dipping slightly to 127.7 a month later.[6,7]

GLOBAL ECONOMIC HEALTH

Things looked better for China's economy as the quarter ended. The nation's official manufacturing PMI rose 1.2 points to 51.5, marking the twentieth straight month of expansion for the P.R.C.'s factory sector. That reading was a point higher than the consensus in a Reuters survey. Economists polled by Reuters forecast China's growth rate to decline slightly to 6.6% in the quarter; the Chinese government projected GDP of 6.8%. Vietnam looked like the star of Asian economies in the quarter; its GDP reached 7.4%, and its exports were up 22% year-over-year.[8,9]

The European Central Bank shifted policy slightly in the quarter. In its March policy statement, it removed references to the possibility of increasing its €30 billion-per-month bond purchase program if the global economic outlook worsened. It forecast euro area growth of 2.4% in 2018, 1.9% in 2019, and 1.7% in 2020. In January, the Markit manufacturing PMI for the eurozone reached a 12-year peak of 58.8. Economists worried about Italy's sharp swing toward nationalism, as voters embraced two radical-right parties, the Five-Star Movement and the League, in its latest national election. The fear was that renewed populist sentiment might build and lead Italy to vote to abandon the euro and head back to the lira.[10,11]

Good Reasons to Retire Later

Are you in your fifties and unsure if you have enough retirement savings? Then you have two basic financial choices. You could start saving and investing more of your pay than you currently do, or you could work longer so you have fewer years of retirement to fund.

That second choice might be more manageable, and it may also work out better financially.

Research suggests that working longer might be a good way to address this shortfall. Last month, the National Bureau of Economic Research (NBER) published a paper on this very topic, and its conclusions are significant. The four economists writing the report maintain that when you reach your mid-sixties, staying on the job just one more year could help you greatly. Waiting a little longer to file for Social Security also becomes a plus.[1]

What was the most noteworthy finding? By the time you are 66, staying on the job just an additional three to six months will do as much for your standard of living in retirement as if you had contrib-

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How to Clean Up Financial Clutter

Financial clutter has a way of piling up, except in this case, it's worth something to sort it out.

Here 's how to take charge and create a fresh financial strategy.

Unless you're Jay Leno, your garage is probably a mess.

From sports equipment to gardening supplies, clutter has a way of filling up the space where a car should be. The same goes for financial clutter, which is just as easy to lose control of. Except in this case, it's worth something to sort it out. So if you're ready to roll up your sleeves and clean house — financial or otherwise, here's how:

1. Take a look at your financial plan

Many financial advisors recommend starting here first. At a minimum, the plan should review your retirement, education funding, estate planning, risk management, asset management and emergency fund strategies, according to Lawrence Sprung, president of

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Quote

"March on. Do not tarry. To go forward is to move toward perfection. March on, and fear not the thorns, or the sharp stones on life's path."

-Khalil Gibran

Interesting Facts

-Movie trailers were originally shown after the movie, which is why they are called 'trailers'

-The voice of Mickey Mouse and the voice of Minnie Mouse got married in real life

-A group of owls is also know as a parliament

-There are no bridges over the Amazon river

Joke of the Day

Why couldn't 8 get up?

Because when it fell over it was forever

How Can I help You?

Please give me a call and let me assist you and your family!

(Good Reasons to Retire Later continued...)

uted 1% more to your retirement plan for 30 years.[1]

Here is an example from the report, with an asterisk attached. A 66-year-old who has directed 9% of their earnings into an employee retirement plan during the length of their career retires. Had they simply put 10% of their pay per year into that retirement plan rather than 9%, they would have retired with 11.11% more money in that account.[1]

If they work for another year, retire at 67 and file for Social Security benefits at 67, they may put themselves in a better financial position. In this simple example, Social Security benefits would constitute the other 81% of their retirement income. They are just slightly past their Full Retirement Age as defined by Social Security, so by retiring at 67, they receive 108% of the monthly Social Security benefit they would have received at 66.[1,2]

The asterisk in this scenario is the outlook for Social Security. In the future, will Social Security benefits be reduced? That possibility exists.

Working full time until age 67 may be a tall order for some of us. Right now, only about a third of American workers retire after age 65; about a fifth retire at age 60 or younger. Perhaps the ambitious, energetic baby boom generation will alter those percentages.[3]

Working one or two more years may be worthwhile for several reasons. Your invested assets have one or two more years to compound before potentially being drawn down – and when assets have grown for decades, even a year of compounding is highly significant. If you have $350,000 growing at 6% annually in a retirement fund, waiting just a year will enlarge that sum by $21,000 and waiting five more years will leave it $118,000 larger – and this is without any inflows.[3]

Spending another year on the job may help you become fully vested in a pension plan, and it also positions you to receive greater Social Security payments (assuming you are currently 62 or older). Wait until age 65 to retire, and you can leave work without having to worry about buying health insurance – Medicare is right there for you. You also keep your mind active by working longer, and you maintain the friendships you have made through your career or workplace.[3]

(Cleaning up Financial Clutter Continued...)

Mitlin Financial in Hauppauge, New York.
Yet no matter how cohesive, these plans don't function well on cruise control. Revisiting your plan is vital to keeping it viable, including updating your financial status and whom you've designated as beneficiaries of assets such as IRAs.

2. Review old investments — and look for missing money
After the dramatic market run-up and turbulence that followed, there's no better time to rebalance portfolios and reassess risk.

Advisors with clients who are near retirement or who have short-term goals are recommending that they keep a chunk of their savings in cash, certificates of deposit and high-quality short-term bond funds.

Otherwise, stay invested in stocks for the long term and diversify the mix of stocks and stock funds in your retirement, college savings plans and other accounts.

Speaking of other accounts, check on any (possibly forgotten) 401(k)sfrom previous jobs. More than 27 percent of employees leave money in their old qualified retirement plans, according to data from the Employee Benefit Research Institute.

3. Revaluate your insurance coverage
Even if you already have a life insurance policy, it could be a fraction of what you need to protect children or other dependents.
Consider what's the right amount for you, given your current circumstances, then weigh whether you want to buy additional coverage through work or shop for your own individual term life insurance, a move many advisors recommend. And while you are cleaning out the garage, so to speak, check your auto insurance policy as well, particularly if you're an empty nester and your kids no longer drive your car.

4. Update your estate plan
Anyone with assets, including a 401(k) or savings account, and that home with its garage and all its contents, should think about how those possessions will be distributed one day.
Nearly three-quarters of all Americans said estate planning is confusing. Only 40 percent have a will and just 17 percent have a trust in place, according to the WealthCounsel's estate planning awareness survey, which means that many are not properly protecting themselves and their families.

CITATIONS

The Retirement Mindgame This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. This information has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results.

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Why You Want a Retirement Plan in Writing This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. This information has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results

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Good Reasons to Retire Later This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates.

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Disclosures