



# Am I Ready To Retire?

## Strategies for Retirement

Presented by Rocky Pratt  
Retirement Plan Consultant | Advisor  
*GBS Retire*



# What we do & why we do it

At GBS Retire, our goal is to help you replace – for life – the income you made while working.

## As partners, we're here to:

- > Help you reach your financial goals.
- > Give you a better view of your financial picture.
- > Offer ongoing support and guidance.
- > Help you plan for the retirement you imagine.



Preparing for Retirement

# Key Takeaways

- › Income in Retirement
- › Rebalancing Your Investment Portfolio
- › Social Security
- › Tax Considerations at Retirement



# Circle Back to Your Goals

“Discipline is the bridge between goals and accomplishment” - Jim Rohn







# What Are Your Goals for Retirement?

## Specific!

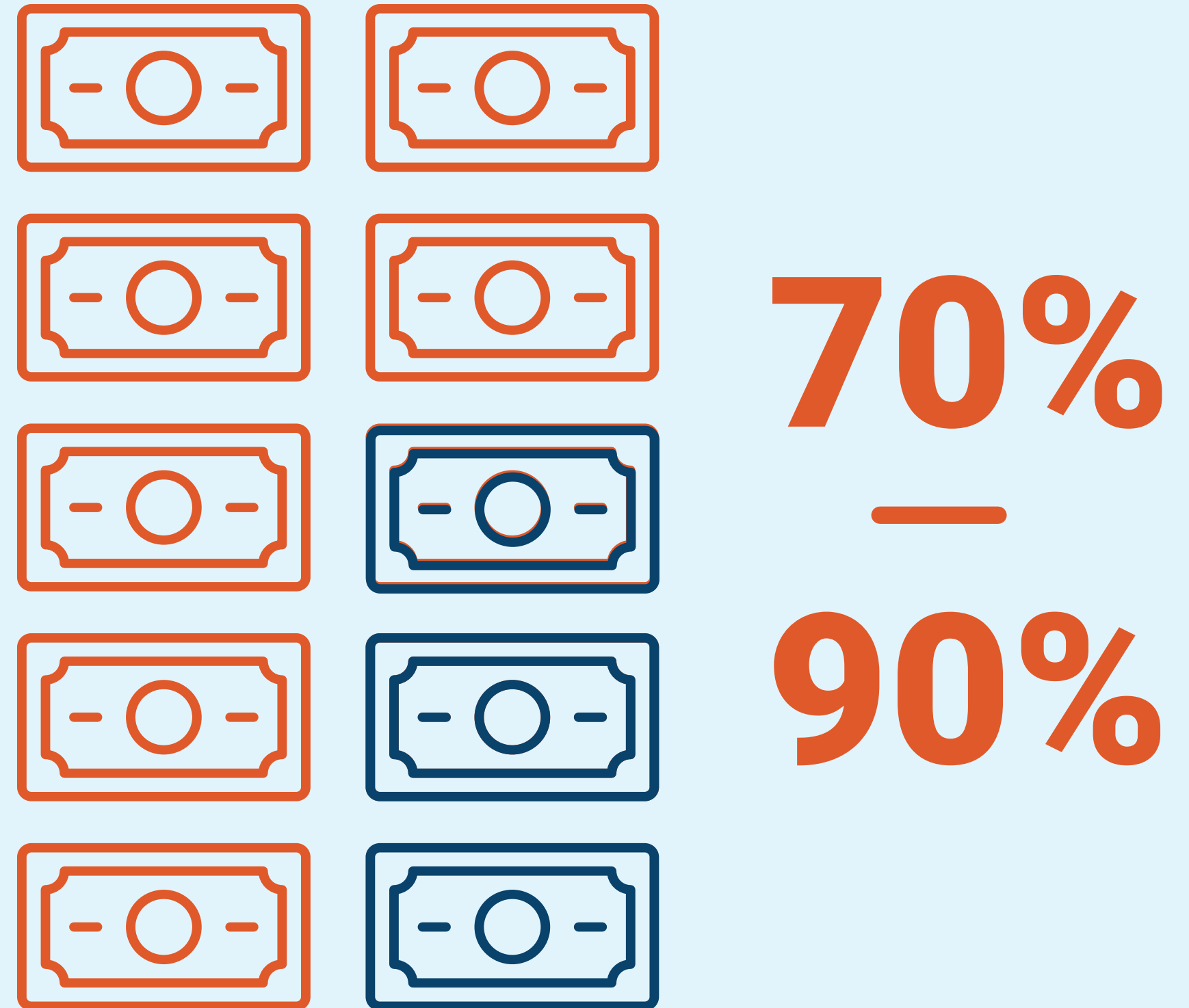


- > Lifestyle?
- > Income?
- > Legacy?
- > Do they motivate you?



# How much money does it take to retire?

Many financial advisors recommend saving enough to replace 70% to 90% of your pre-retirement annual income to maintain your standard of living.





# Income Strategies





# Quiz: What percent of Pre-Retirement Income Comes from Social Security?







# 3 Main Sources of Income



## Social Security

- Amount depends on age
- Guaranteed for life
- COLAs for inflation



## Investments

- 4% Rule
- Bucket Strategy
- Risk/Return side of the portfolio



## Pensions/Annuities

- Eliminate Superannuation
- Guaranteed Income
  - Can Have High Fees
  - Loss of Flexibility
  - May or may not account for inflation



# Social Security Facts

- › Sustainable at current payout until 2033
- › 77% of benefits payout after 2033
- › You can expect to see some changes over the next few years regarding taxes, benefits age, benefit amounts, survivor benefits, etc.
- › Income replacement ratios:
  - Low income earners: Up to 90% wage replacement
  - Middle income earners: Average about 42% wage replacement
  - High income earners: 20%?



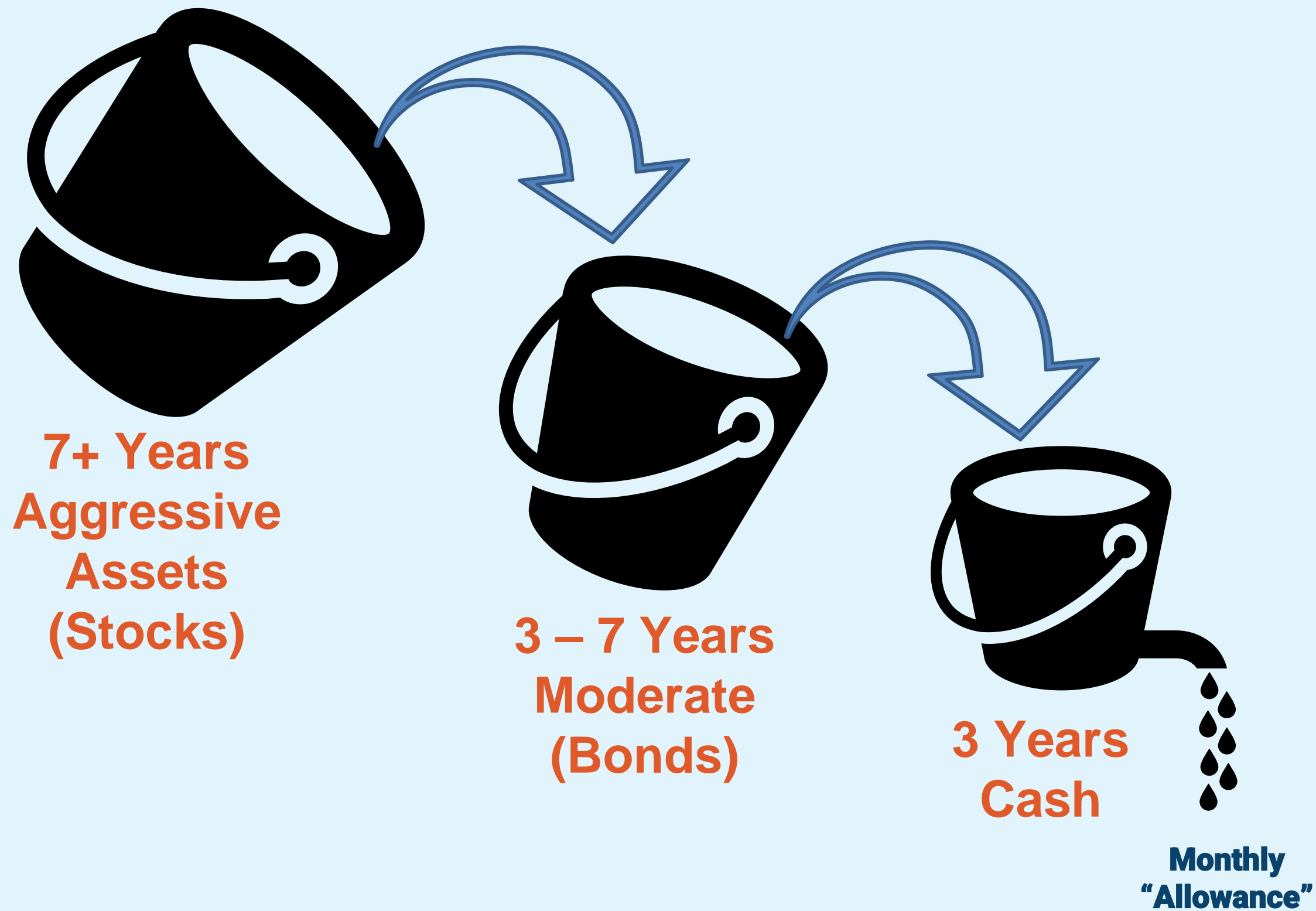
# Investment Income

At retirement, determine what 4% is. Every year withdraw that amount multiplied by the previous years inflation rate.

## 4% Rule?

- › Bill Bengen > Worst Case Scenario
- › Bengen determined there was no time when 4% exhausted a portfolio in less than 33 years
- › Allows flexibility for planned large purchases.
- › Level of involvement is high if self-managing.

# 3 Bucket Retirement Income Strategy





# 3) Annuities/Guaranteed Income

Take your retirement savings and purchase guaranteed income for life.

- › Low risk as you eliminate risk of superannuation.
- › Potentially reduce inheritance amounts.
- › Some annuities will adjust for inflation...for a fee.
- › Studies have shown a correlation between guaranteed income and happiness.





# Aligning Your Investments



# Investing Throughout Your Career





# 10 Years Out From Retirement

- ✓ Slightly more conservative
- ✓ Add some more bonds
- ✓ Still have ability to take on risk
- ✓ 95% of all 10 year periods in the stock market are positive.



# What Should My Investments Be Doing Now?

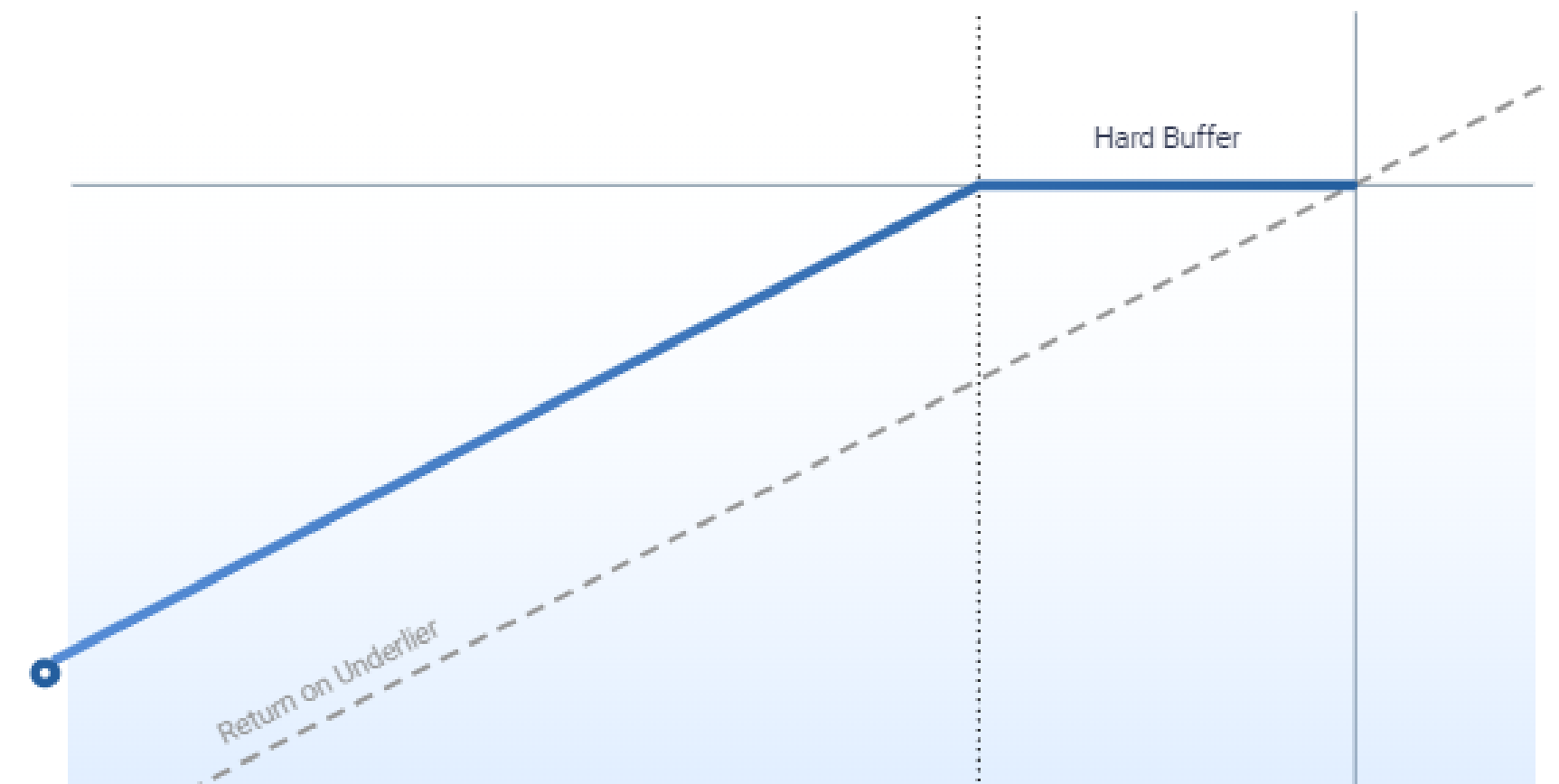
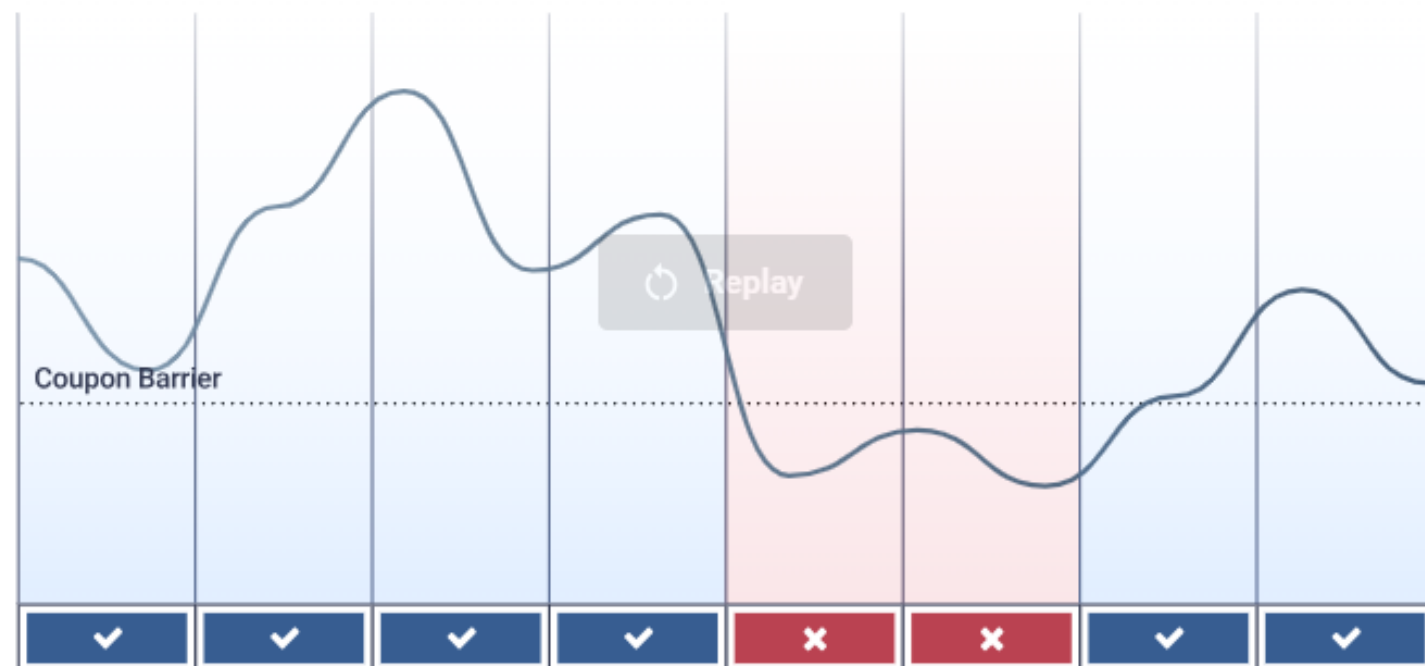
- ✔ More Conservative
- ✔ Depends on Your Goals
- ✔ Still have some ability to take on risk
- ✔ First 5 years are the most important



# Using Alternative Strategies

Once you get to retirement, you may want to utilize alternative investments to help maximize your returns while reducing your risk.

Contingent Coupon: 12.249% p.a. (Monthly)







# Maximizing Social Security





# When to Take Social Security

The longer you work, the more you'll get right? Sometimes.

Age  
62

Lowest Benefit  
 $5/12 \times 1\% \times \text{\#Months}$   
Max: 10% Reduction

Age  
64

Inflection Point  
 $5/9 \times 1\% \times \text{\#Months}$   
Max: 20% Reduction

Age  
67

Full Benefit

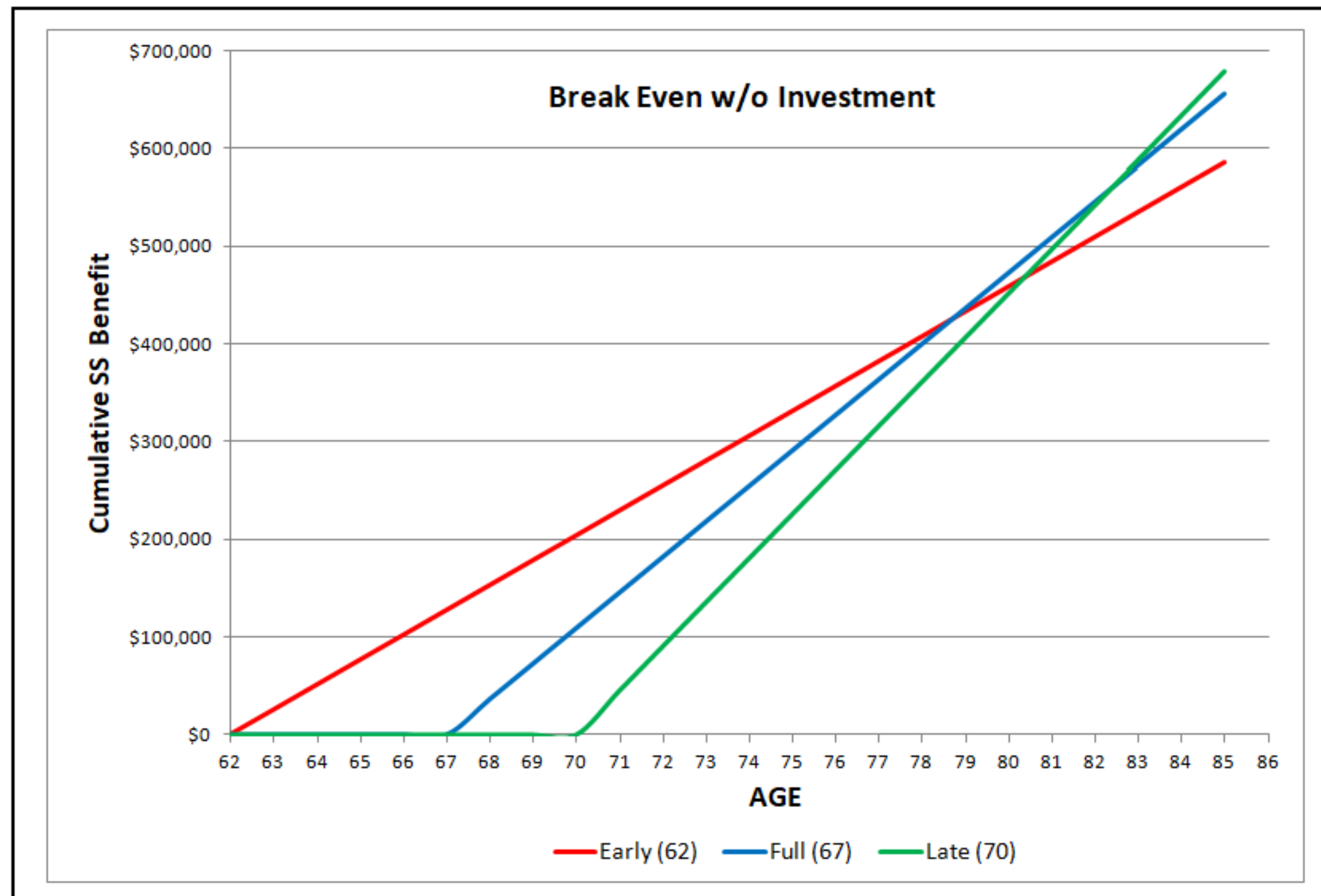
Age  
70

Increased Benefit  
8% Annually



# When to Take Social Security

The longer you work, the more you'll get right? Sometimes.





# Make Sure You Get Full Benefit

1. Work at least the full 35 Years.
2. Your later years will increase the total benefit as you make more later in your career.  
Scaling back on work or semi-retirement can lower SS income.
3. Delaying benefits from 67 to 70 can increase your amount by 8% per year.
4. Avoid Social Security Tax: 50 - 85% of your benefit may be taxable. (Roth vs Pretax)
5. Be aware that working while receiving benefits may reduce your benefit for that year  
(up to and through FRA)



# Will My Social Security be Impacted by Working?

**If you take Social Security early and are still working, your benefits may be reduced.**

- › If under full retirement age (FRA) and make more than \$21,240 in 2023: reduced \$1 for ever \$2 earned.
- › If at FRA and make more than \$56,520 in 2023: Reduced \$1 for \$3 earned BEFORE THE MONTH YOU REACH FRA.
- › At FRA and older: No reduction.
- › At FRA, your benefit will be recalculated the credit for the months benefits were reduced due to excess earnings





# Tax Considerations

The IRS makes sure they get their cut.





# Retirement Accounts

Different accounts will be taxed differently.

## Pre-Tax Accounts

- › 401(k)s, 403(b)s, Traditional IRAs
- › Taxes deferred until retirement
- › Taxable at ordinary income in retirement
- › Subject to Required Minimum Distributions (RMDs) at 73 (or 75)
- › May make Social Security taxable

## Roth Accounts

- › Roth 401(k)s, Roth 403(b)s, Roth IRAs
- › Taxes paid in the year contributed
- › Not taxable upon withdrawal (assuming at least 5 years have past since initial contribution)
- › Not subject to RMDs
- › Doesn't make Social Security taxable



# When is Social Security Taxable?

Social Security income benefits are not taxable unless your income for the year exceeds a certain limit.

For 2023:

- \$25,000 - \$34,000 for single filers
- \$32,000 - \$44,000 for joint filers

This is based on your combined income for the year.

Adjusted Gross Income

+ Nontaxable Interest

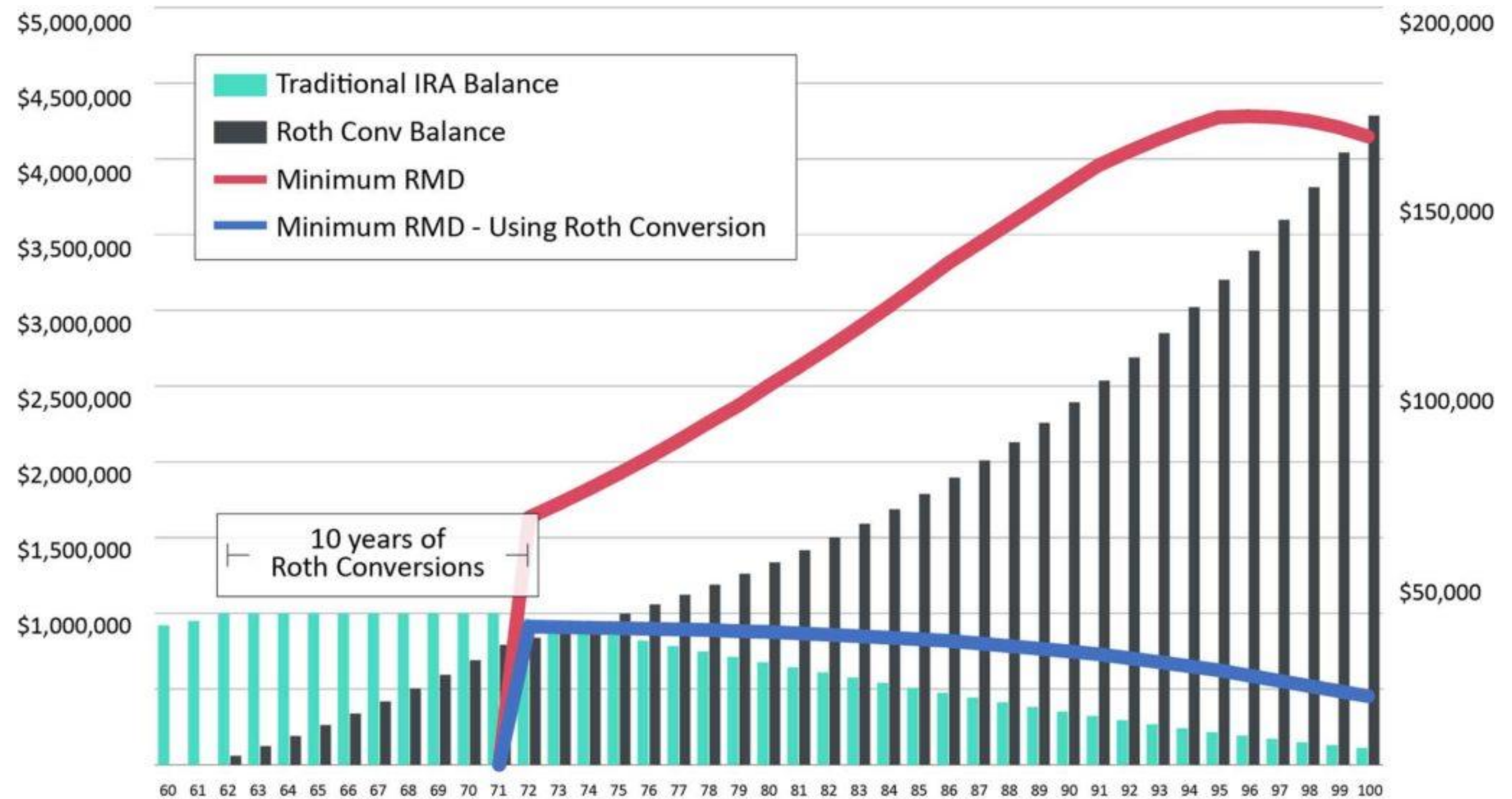
+  $\frac{1}{2}$  of Social Security Benefits

= Combined Income



# Roth Conversions

It may make sense to do a Roth conversion early in your retirement years, or throughout your retirement.



Source: <https://www.merceradvisors.com/insights/tax-strategies-with-roth-conversions/>



# Medical Expenses

Average retired couple age 65 in  
2023 may need approximately  
\$315,000 for medical expenses<sup>1</sup>.  
**AFTER TAX!**

HSA can help if you have one.





# Risk Management





# Long-Term Care Insurance

Average cost of long term care in 2023:

- Around \$8,000 per month!

Average American 65 year old will incur \$172,000<sup>1</sup> in long-term care costs over the remainder of their lifetime.

Long term care insurance can help cover that burden. Start looking at around 55 - 60 years old.

Medicaid can pay for long term care but **ONLY** after all your assets are spent! We don't want it to get to that.



# Wills/Trusts

## Wills

- A will is a legal document that explains what you want to happen when you die. Who will get what and guardianship of kids/pets.

## Trust

- A Trust is a fiduciary relationship where a trustor gives another party (the trustee) the right to hold title to property or assets for the benefit of the beneficiary.

You should all have a Will but not everyone needs a Trust.



# Personal Financial Planning is Available

We can help you get a better sense of:

- Investment strategies.
- Your income in retirement.
- Doing Roth conversions
- Estate Planning





# Thank you!

QUESTIONS?

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**NOW IS A GOOD TIME**