Knowledge Labs

WEALTH MANAGEMENT

Five Savvy Strategies for Tomorrow's Retiree

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Five Savvy Strategies for Tomorrow's Retiree

Agenda

1. Get Organized
2. Make the Most of Your 401(k) Distributions
3. Manage Sequence of Return Risk
4. Unlock Social Security
5. Understand Your Health Care Options

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Get Organized

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Get Organized

Financial Records Organizer – What is It?

- A binder or file system to store important financial documents that helps families manage their affairs after a catastrophe or serious illness, disability or death
- Your advisor may be able to provide you a template to help you get started
- We recommend keeping a backup organizer with a trusted relative or in a safety deposit box

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Get Organized

Financial Records Organizer: Sample Tabs

- **Insurance** – health, long-term care, property and casualty, disability and life policies
- **Taxes** – last three years of returns
- **Retirement** – 401(k), pension and Social Security statements and correspondence
- **Banking** – checking, savings and credit card statements; mortgages and outstanding loan documents
- **Investments** – brokerage statements and 1099 mailings
- **Legal documents** – wills, trusts, durable power of attorney and health care proxies

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Get Organized

Personal Budget: How to Begin?

- Establish a benchmark of your expenses as you approach retirement by reviewing credit card, debit card, bank statements as well as any other fixed costs for a one-year period
- Make adjustments for those expenses that may decline, such as commuting and contributions to retirement plans, and those that may increase, such as travel and leisure
- Divide expenses into needs, wants and wishes to help you prioritize expenses

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Get Organized

Personal Budget: Expect the Unexpected

- Since Medicare coverage requires deductibles and co-payments, be sure to factor in additional flexibility for these costs
- Additional unexpected costs may include financial support for family members and long-term care costs

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Get Organized

Update Your Beneficiaries

- Insurance policies, variable annuity contracts and IRAs will transfer to your designated beneficiary, regardless of what your wills or trusts may stipulate
- Oftentimes, these designations were completed many years ago, and a change in your family circumstances may warrant a different designation
- Any new beneficiary designation will automatically supersede previous designations

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Make the Most of Your 401(k) Distributions

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Make the Most of Your 401(k) Distributions

Distribution Triggers

- Separation from service
- Attainment of age 59½
- Disability
- Death

Be sure to consider all available options and the applicable tax consequences, fees and features of each option (stay with your former employer plan, roll over to a new employer plan, roll over to an IRA or cash out) before moving your retirement assets.

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Make the Most of Your 401(k) Distributions

Taxes and Penalties

- Electing to leave your money in the plan or rolling the balance into an IRA will defer income taxes
- Future distributions will be subject to ordinary income taxes and possibly a 10% premature distribution penalty if under age 59½
    - Exception: If you separate from service at age 55 or later, distributions taken directly from your employer plan will avoid the 10% penalty

An IRA should be considered a long-term investment. IRAs generally have expenses and account fees, which may impact the value of the account. Non-qualified withdrawals may be subject to taxes and penalties. Maximum contributions are subject to eligibility requirements. For more detailed information about taxes, consult IRS Publication 590 or a tax advisor regarding personal circumstances.

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Make the Most of Your 401(k) Distributions

IRA Rollover Advantages

- Personalized investment advice
- Wide range of investment options
- Fee transparency
- Avoid the 20% mandatory income tax withholding that applies to distributions from employer plans
- Several systematic distribution options available
- Complex beneficiary designations are generally allowed

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Make the Most of Your 401(k) Distributions

IRA Rollover Advantages

- Some traditional pension plans are offering participants the chance to forgo guaranteed monthly payments in exchange for a one-time, lump-sum payment
- If your pension is offering a "buyout," you will be notified by mail and be given a limited period of time to make the election
- The buyout, if elected, is eligible to be rolled into an IRA, deferring immediate income taxes
- There are a number of factors to consider including personal health, liquidity needs and desire to leave a bequest. Be sure to get competent advice before making an election

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Manage Sequence of Return Risk

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Manage Sequence of Return Risk

Sequence of Return Risk: What Is It?

- The risk that negative portfolio returns will coincide with the years just prior and shortly after retirement
- Experiencing negative returns in these years can dramatically reduce the number of years a portfolio will generate income before being extinguished

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Mitigate Sequence of Return Risk

Strategies

- Request a Retirement Income Plan that incorporates several "what-if" scenarios
- Consider consolidating various sources of income such as Social Security and pensions into a single account
- Have a few years of anticipated income needs in cash when you retire in case your portfolio experiences negative returns early
- Work with your advisor to construct a Spending Policy Statement
- Inquire about guaranteed-income solutions as part of your overall Retirement Income Plan

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Unlock Social Security

Unlock Social Security

Social Security Basics

- You may begin taking retirement benefits as early as age 62, but your benefit will be greater if you wait until your Full Retirement Age (FRA)
- You can receive benefits while you are working, however, if you are younger than your FRA, benefits will be reduced, and if you earn over certain amounts, other restrictions or taxes may apply
- Investment earnings have no impact on the amount of benefits you receive
- If you delay receiving benefits until after your FRA, your benefit will increase between 7% and 8% annually up to age 70, depending on your year of birth

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Unlock Social Security

Social Security Basics

- If you are married, you are entitled to receive the greater of your retirement benefit or 50% of your spouse’s benefit, whichever is greater
- If you are divorced, had been married for at least 10 years and have not remarried, you can collect the greater of your own benefit or 50% of your ex-spouse’s benefit
- If you are a survivor, you are eligible to collect the greater of your own benefit or 100% of your spouse’s benefit

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Unlock Social Security

Social Security Basics

Factors to consider may include:

- Health
- Life expectancy
- Earned income prior to Full Retirement Age
- Financial need
- Survivor’s benefit

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Understand Your Health Care Options

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Understand Your Health Care Options

Medicare Basics

- Generally, you will qualify for Medicare at age 65 if you or your spouse have worked long enough to be eligible for Social Security retirement benefits
- If you are 65 and receiving Social Security benefits, you will be enrolled automatically; if you are not receiving benefits, you will need to apply

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Understand Your Health Care Options

Medicare Basics

	Coverage	Premium	Deductible	Co-Pay
Part A	Hospital, skilled nursing facility, home health care and hospice care	Generally none	$1,408 for hospital stays	Begins after 60 hospital days
Part B	Physician and outpatient services	Begins at $144.60/month	$198	20% of Medicare-approved amounts
Part D	Prescription drugs	Depends on plan	Maximum of $435	Plan-dependent up to $4,020 of total costs, after which is 25% of both brand name and generic drug costs

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The information contained herein is provided for informational purposes only and should not be construed as legal or tax advice. Your circumstances may change over time so it may be appropriate for you to evaluate tax strategy with the assistance of a professional tax advisor. Federal and state tax laws and regulations are complex and subject to change. Laws of a particular state or laws that may be applicable to a particular situation may have an impact on the applicability, accuracy, or completeness of the information contained in this document. Janus Henderson does not have information related to and does not review or verify your financial or tax situation. Janus Henderson is not liable for your financial advisor's or your use of, or any position taken in reliance on, such information.

A retirement account should be considered a long-term investment. Retirement accounts generally have expenses and account fees, which may impact the value of the account. Non-qualified withdrawals may be subject to taxes and penalties. For more detailed information about taxes, consult IRA Publication 590 or a tax attorney or accountant for advice.

In preparing this document, Janus Henderson has relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources.

Important information

FOR MORE INFORMATION CONTACT YOUR FINANCIAL ADVISOR

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