The Retirement Income Store®

NEWS

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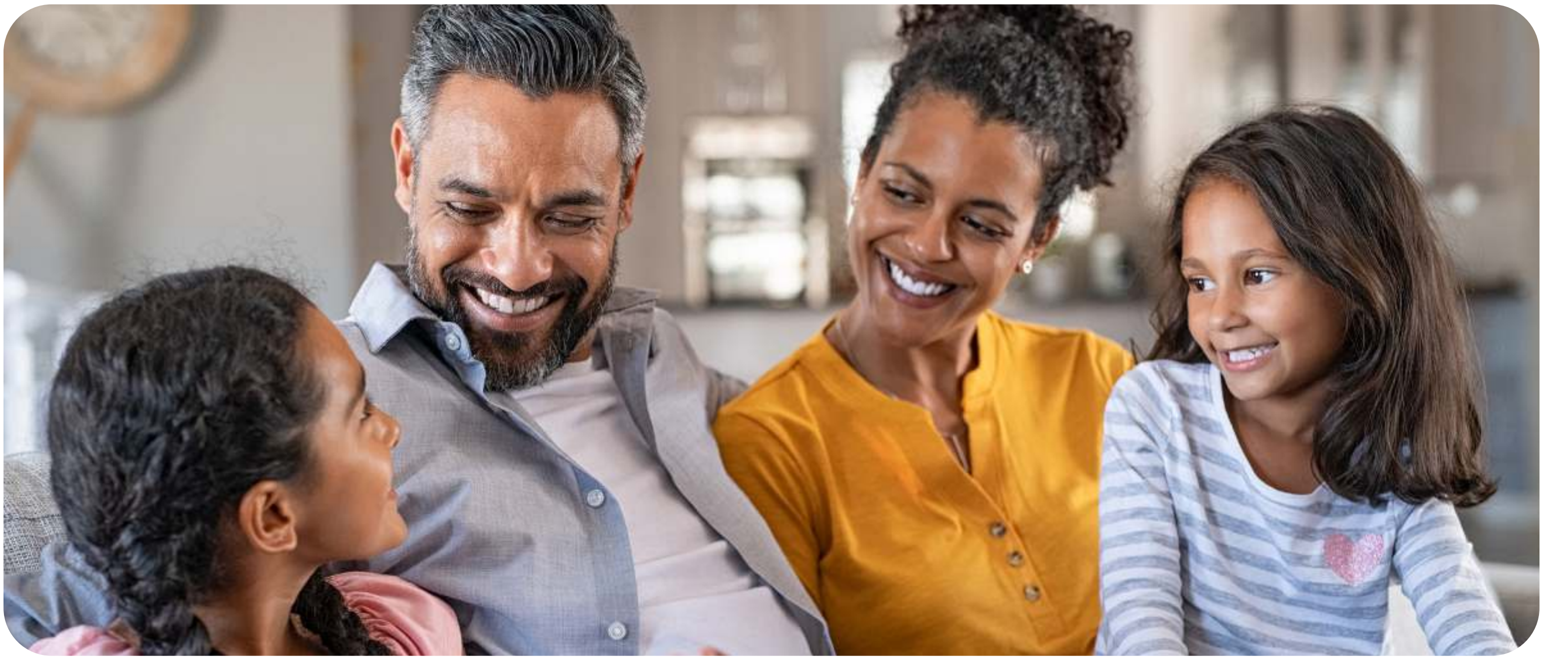


Retirement Planning for Couples—A Team Effort

By David J. Scranton, Founder, The Retirement Income Store®

Happy Valentine's Day! In honor of the holiday, I would like to cover a topic that may not be romantic but is certainly important if you have a spouse or life partner—retirement planning for couples.

Surveys show that the number one issue that can cause friction between couples is money.[1] That is why *retirement planning should be a team effort*. Approaching it that way can help you maximize the financial benefits available to couples and help you avoid any costly mistakes.

Once two people become a couple, the partnership isn't just romantic and spiritual, it's also financial. Neglecting this reality is a common mistake and often happens because of couples having a "my money—your money" mindset. Of course, there are situations where considering assets separately could make sense for a couple, but in most cases, a joint approach is preferable and can create more options for maximizing your income in retirement.

Another common mistake for couples is *not considering and accounting for joint life expectancy, age, and health differences*. Discussions of this kind can be difficult but are essential—especially if you're in your late-50s or early 60s and you haven't addressed these issues yet. Statistically, there's a chance one of you could live longer than you expect, so you must have a plan in place that accounts for that possibility. If there's a large age gap between you and your spouse, you need to factor that into your distribution plan as well, since one of you may have to begin required minimum distributions (RMDs) before the other.

Finally, do not ignore differences in your financial knowledge. It's common for one spouse to be the primary decision maker about financial matters because he or she might feel more comfortable in the role. But that doesn't mean the other spouse should ignore it all. Remember, it's a team effort—and having the right financial advisor can help to ensure both of you are financially literate and able to understand all your options. That's important because if the decision maker dies unexpectedly, the surviving spouse can be better prepared to take on that responsibility.

Finally, it's especially important that couples do not neglect estate planning as part of their retirement planning process. That is why we've highlighted some *Estate Planning Basics and Common Pitfalls* on the next page.

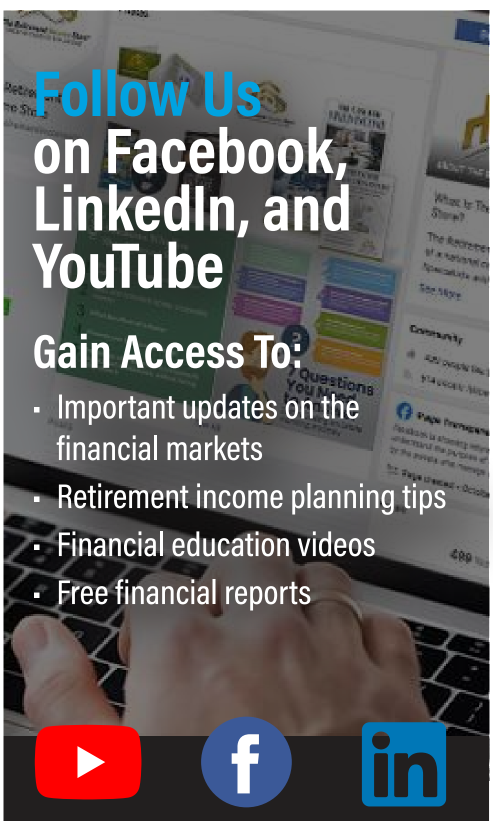
[1] https://www.daveramsey.com/research/money-marriage-communication

Estate Planning Basics

Although estate planning can be a complex task, a well-constructed plan can make a big difference in what is left for your loved ones. Before you begin to act on your estate plan, it is important to understand the key topics that may arise as you address your specific needs.

Teamwork is Everything

It is essential to work with your financial advisor, tax advisor, and attorney on your estate plan. The attorney's role will include guiding you through the creation of essential estate planning documents – including wills, healthcare proxies, and durable power of attorney. The tax advisor can help with any associated tax issues. However, because you usually only meet with your attorney and tax advisor on an as-needed basis, he or she does not have consistently updated knowledge of your personal matters.

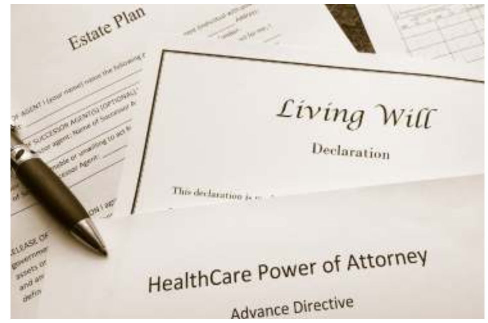


In contrast, because financial advisors meet with their clients frequently, they often have up-to-date knowledge about their clients' personal lives and families. If there is a change in your family, such as marriage, birth, or adoption, your financial advisor is more likely to hear about it than your attorney or tax advisor. When your financial advisor is aware of changes in your personal life, they can better advise you on steps you should take with your attorney and tax advisor.

Watch Out for These Common Estate Planning Pitfalls

Estate planning mistakes often fall into the following categories. And, through careful and thoughtful estate planning, most can be avoided.

1. **Not understanding the plan**. Too many people become passive when meeting with their estate planning attorney and end up relying on their attorney to make sure everything is done properly. It is important for you to understand the basics, including how the plan works, what's needed to implement and maintain it, and how it will work for you and your beneficiaries.
2. **Not updating asset ownership**. You might own some assets in your name and others in joint title with your spouse, adult child, or someone else. Some assets might be in trusts or limited partnership. Like beneficiary designations, these need to be reviewed and updated regularly.



3. **Failure to fund revocable trusts** (AKA living trusts). Assets owned by trusts avoid probate and can help with disability planning and other issues. Once the trust is created, it must be funded—meaning assets need to be transferred to the trust.
4. **Not coordinating trusts and retirement plans**. Many people routinely designate their living trusts or other trusts as beneficiaries of their retirement plans. However, due to IRS regulations, naming the wrong type of trust as an IRA beneficiary can accelerate taxes.
5. **Not updating powers of attorney**. Every estate plan should include powers of attorney. You need at least two, one for financial matters and one for medical care.

Finally, you need to treat your estate plan as a living document that must be reviewed and updated from time to time. You should be in touch with your attorney – as well as financial and tax advisors – any time there's a major life change in your family.

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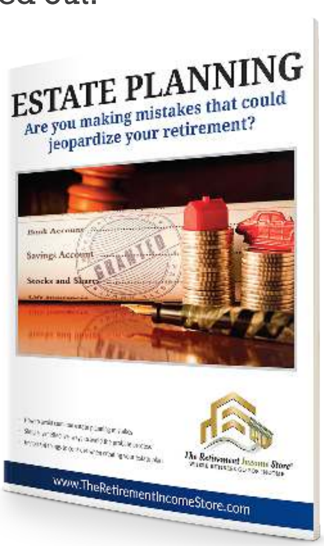
Changes in your net worth, job status, goals and many other factors also should also trigger a review of the plan.

Click here to claim our **FREE Estate Planning Report**—to find out what you need to know to make sure your final wishes are carried out:



DAVE'S CORNER

Retirement Planning Mistakes Couples Make & How to Help Avoid Them

By David J. Scranton, Founder, The Retirement Income Store

A common retirement planning mistake that couples make is to claim their Social Security benefits without properly considering survivor and spousal benefits. The Social Security survivor benefit is a built-in form of life insurance for married couples. With a little planning, you can usually get a higher benefit through the person who earned the most income over their lifetime.

A big mistake couples often make, when it comes to retirement, is to both stop working at the same time. Everyone's situation is different, and there may be cases where retiring together makes sense. But unless both partners are the same age and in the same health, it usually makes more sense for one person to retire earlier. That's true for many reasons, including financial ones.

First, when one spouse works longer and delays taking Social Security until after full retirement age, their benefit amount will be higher. Second, the continued income from the working partner gives the couple a few more years to save for retirement and to create the right strategies for post-retirement income.

Third, a spouse or partner who works three to five years longer than the other will reduce the time during which both partners will need to be generating income from their assets. That can be especially helpful for couples in good health or with a family history of longevity, who may need reliable retirement income for 30 years, or longer.

And speaking of health, staggering your retirements also means that one spouse will have the option of remaining on his or her employer's healthcare plan – which could be more affordable than Medicare. Medicare eligibility starts at age 65. So, if you retire at 65 and your partner retires at the same time but is 62, he or she must find alternative coverage for the next three years.

Finally, there are also strong emotional reasons for retiring separately. Retirement can be a complex and even difficult transition for some. And when working couples retire at the same time, they often struggle with different reactions and coping skills.

Couples who retire at the same time can find themselves suddenly estranged once they no longer have the separation of work that they'd become accustomed to. They may also have a hard time establishing new relationship boundaries. Studies show that, in most cases, it's easier from an emotional standpoint when only one partner goes through this transition process at a time.

Each week, on my show, *The Income Generation*, we cover topics that are most important to those who are retired or nearing retirement. And, since every person's situation is different, viewers often have questions. That's why The Retirement Income Store's social media pages include an Ask Dave forum – which I'm happy to be able to share with you.

Today's questions are about annuities. The first question is: *Dave, are there any issues I should be aware of about required minimum distributions (RMDs) as they relate annuities?*

The answer is yes. If your annuity is one that's going to be annuitized in the future to give you a guaranteed payout, that process will effectively increase the amount of your RMDs, and therefore increase your tax bill.

Now, if that payout is part of your income strategy and you've factored the RMD increase into your overall retirement plan with the help of the right advisor, then that annuity might still be a good option. But if you haven't discussed the issue with an advisor who specializes in retirement income, you'll want to do that. Because while an annuity can be a viable tool for generating income with minimal risk, there are an almost infinite variety of annuities available. Choosing the one that's just right for you is crucial.

That brings us to the next question: *Dave, what are some of the pros and cons of annuities?*

There are an incredibly wide variety of annuities available, all with various pros and cons. But there are two pros that are pretty much universal to all annuities: 1. A guaranteed lifetime income stream, and 2. The ability to defer taxes while you're deferring that income.

Beyond that, annuities start to diverge between those that carry more risk and those designed for safety. Among the riskier options are variable annuities, which can come with fees that can range from 3 to 4 percent a year. They're also riskier because they typically come with sub-accounts that are vulnerable to stock market volatility.

Under the right circumstances, an annuity can be a valuable part of your retirement income strategy. The key, however, is having the right advisor help you determine not only if an annuity is right for you, but which annuity is best for your situation.

If you have a retirement related question for Dave, you can call 1-855-9-ASK-DAVE or email it to: askdave@theretirementincomestore.com.