



THE ART OF RETIRING WELL

5 Important Financial Steps
to Take *Before* Retiring

RETIREMENT
PLANNING GUIDE



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Retirement is a significant milestone that can often bring anxiety about financial security. Many worry about maintaining their lifestyle, covering healthcare costs, and handling unexpected expenses. Without proper financial planning, these concerns can become overwhelming and can lead to financial disaster during retirement.

At Pointwealth Capital Management, we understand these challenges and are dedicated to guiding you through the complexities of retirement planning. You deserve to retire in comfort — not just scraping by, and truly enjoy the rewards of all your hard work. We chose the name "Pointwealth" because, at any point in life, the journey to wealth and financial confidence can seem like an uphill climb. However, with the right guide, this journey can become manageable and vastly rewarding.

Why Read This Guide?

- **Immediate Financial Clarity:** Pinpoint your "number".
- **Avoid Costly Mistakes:** Sidestep common financial pitfalls.
- **Stage-Specific Planning:** Address the needs of the three retirement stages.
- **Smart Investment Strategies:** Align investments with retirement goals.
- **Comprehensive Protection:** Ensure adequate liability protection.
- **Reliable Support Network:** Build a team of qualified professionals.

What Makes Pointwealth Different?

We are committed to being your lifelong partner, prioritizing your needs, and helping you work towards a prosperous financial future. With Pointwealth by your side, your retirement journey will be smoother and more secure. Our personalized approach, extensive experience, and dedication to your financial well-being set us apart.

Ready to take control of your financial future? Let's embark on this journey together.

Step One: Know Your Number



The age old question — how much money do you need to be able to comfortably retire?

For some, this is a generic number used for all people of all ages. For others, this number is a mystery, and they hope that blindly saving money over decades will help them someday get them to where they want to be. However, the importance of “knowing your number” and having a tangible goal cannot be understated. Not only will it give you something to aim for, but it also will be the baseline of your personal roadmap shining a light on the path to retirement.

So, how does one go about finding “their number?” The answer is different for every person depending on their timeline, risk tolerance, family dynamics, goals, and lifestyle. However, the same general principles will be applicable to most people.

Start with your time horizon. You need to pinpoint three specific ages in which “your number” will be based upon — your current age, your retirement age, and your life expectancy. Don’t worry, these ages can be adjusted once your financial plan is built. Let’s say for this example, you are currently 55 years old, want to retire at 67 years old, and expect to live until you are 95 years old.

Next is to get an **estimation of your annual living expenses**. How much do you spend on your rent or mortgage, travel, eating out, and everything else in your daily life? Do you plan on your living expenses increasing once you retire due to an increased amount of travel? While your spending figures can be adjusted once your financial plan is created, getting a solid estimate is vital for the baseline plan.

Lastly, **how much guaranteed income** are you expecting to receive in retirement? This includes your social security benefit, any pensions, and eventually your required minimum distributions from any 401(k)s or IRAs. This is the most complicated piece of the puzzle as it entails gathering data from many different sources, tax rate estimates, health and medical status, and family dynamics.

If you are able to get a grasp on the three elements of time horizon, expenses, and income, you have the fundamentals to figure out “your number.” Don’t be surprised if you have questions as you go through it, as there are many moving parts. The most important thing is that you took the first step towards creating a path for future financial success.

TIME HORIZON



- What’s your current age?
- When do you plan on retiring?
- What’s your life expectancy?

EXPENSES



- What are your housing costs (mortgage or rent?)
- What are your living expenses (all other expenses in your daily life)?
- Do you think these will increase or decrease upon your retirement?

INCOME



- What’s your estimated social security benefit?
- Do you have a pension?
- What’s your estimated required minimum distribution from your 401K or IRA?

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Step Two: Understanding the Income Needs of the Three Stages of Retirement



Retirement can be broken up into three stages: Exploring, Nesting, and Reflecting. It's important to understand the different income needs for each of these stages.

EXPLORING

This stage of retirement is new and exciting, and perhaps will bring some anxiety. You now have plenty of time to read those books you've accumulated and plan the long overdue visit to see family and friends. You may also be re-defining yourself outside of work.

Let's assume at this stage you are at full retirement age (67) and now have to decide whether you are going to take social security or delay it and have it increase 8% annually, so that you get more later. If we assume you decide to collect social security, and that the income you are receiving doesn't cover your expenses, you will need to take a supplemental amount out of your hard-earned savings. Do you take it out of your individual investment account, your bank savings account, your Traditional IRA and/or 401(k), or your Roth IRA? What are the tax considerations of withdrawing from each pocket of funds? Your distribution strategy during this stage of retirement is especially important because it's easy to overspend during this active stage of retirement.

At this stage, take the time to craft out your distribution strategy and consider setting aside a sum of money that is invested with less risk and may be used to cover costs related to additional travel, vacations, or other discretionary spending.



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NESTING

After you've gone on some road trips and checked some things off your bucket list, you may find yourself settling down into a routine.

Around this stage is when your Required Minimum Distributions (RMDs) will likely start. The amount of your RMD is based on how much you have saved in traditional retirement plans such as your IRA and 401(k), as well as your life expectancy and current age. RMDs are taxed at ordinary income tax rates, so it's important to know how much you will net after taxes so you know if you should make distributions from other accounts if your RMDs don't fully meet your income needs.

If your RMD is more than enough income than you need, you can shift some of the distributions to your savings or individual investment account to spend later or save for adverse events.

Consider creating an estate plan if you haven't already done so, and planning for long-term care.



REFLECTING

The last stage of retirement consists of when you are more comfortable at home and spending less on travel. It is also the stage when you may be spending the most on healthcare and needing to make lifestyle changes to accommodate mobility challenges. With long term care planning and estate planning, this stage can be comfortable and fulfilling.

Now is the time you won't need to worry as much about taxation. You can consider taking excess funds out of your traditional IRA if you are using those funds for long-term care, as some long-term care expenses are tax deductible.



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Step Three: Aligning Your Investments With Your Goals



Once you have a sound financial plan in place, it is time to start looking at your investments.

A good investment strategy helps you achieve your long-term financial goals. Your investment allocation is dependent on your time horizon, risk tolerance, long-term goals, and liquidity needs. It is vital to be diversified and asset allocated appropriately, but not everyone knows exactly what those things mean.

Diversification means having stocks, bonds, and cash. Asset allocation means having different types of investments, such as U.S. company stocks, U.S. government and corporate bonds, and international stocks and bonds. Having both diversification and appropriate allocation can be as simple as buying an asset allocation fund or building a customized blend of investments tailored to your goals.

Investment allocations can be categorized into three main buckets depending on risk – conservative, balanced, and growth. The main difference between these allocations is the percentage of equities (i.e., stocks) versus the percentage of fixed income (i.e., bonds). A conservative allocation would include having a higher percentage of fixed income compared to equities. A growth allocation would be the opposite, with more equities than fixed income. A balanced allocation would be somewhere in the middle, usually with a bit more equities than fixed income. As the percentage of equities goes up, so does your potential return and overall risk. A growth portfolio (more equities) will have the potential for the highest return, but also will entail taking on the greatest amount of risk.

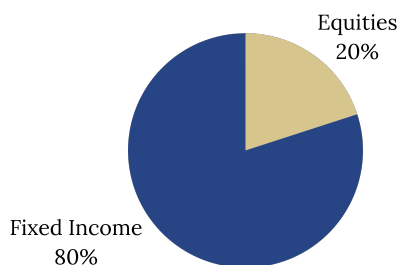
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In general, the closer someone is to retirement, the more conservative their portfolio should be. This is because the individual has less time to recover from any steep portfolio losses. They are sacrificing return potential for lower risk. On the flip side, someone with a longer time horizon, say someone just starting out in the workforce, can be more aggressive and take on more risk. They have many years to recover from any large losses and are willing to take on added risk for the chance of a higher return. It is important to remember that risk tolerance is not just based on age and timeline, but also on how much volatility you can emotionally handle.

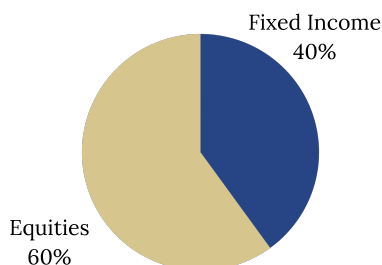
There are many other investment features that are important to understand, such as different asset classes, different investment vehicles, yields and dividends, and other kinds of risk besides market fluctuations, such as credit and interest rate risk. However, for the purpose of retirement planning basics, understanding the reasoning behind different investment strategies and allocations (i.e., conservative, balanced, growth) is a good starting point.

CONSERVATIVE



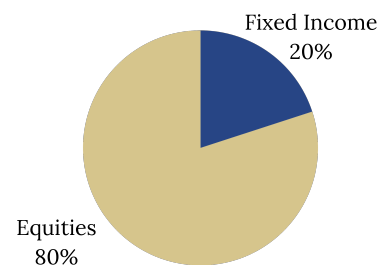
- Higher allocation to fixed income
- Less return potential but also less risk
- For those close to or already in retirement

BALANCED



- Slightly higher allocation to equities
- Medium return potential and risk
- For those approaching retirement

GROWTH



- Higher allocation to equities
- Most return potential but also most risk
- For those with many years until retirement

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Step Four: Make Sure You Have Ample Liability Protection



You are surrounded by risk everywhere in your life, whether that be in your portfolio, within your body, or even driving to the grocery store. While this may seem pessimistic, it is just a facet of life. Fortunately for you, there are steps that you can, and should take to minimize the ramifications that could take place should something negative happen to you.





All individuals have car insurance and health insurance, as it is mandated by law, but if a huge accident occurs, your basic car insurance may not be enough. We generally recommend having **umbrella insurance**, which is affordable and provides a higher level of insurance above and beyond all the basic insurance that you may already have.

For example, if you have a claim over the limit amount of your car or homeowner's insurance, umbrella insurance will kick in and cover up to a much higher limit of a million or more. Having insurance helps limit your liability should something detrimental occur. Why work so hard to save, invest, and grow your money only to lose it over not having enough coverage? The more money you have saved, the more you have to lose. The road to financial success also entails making sure you don't fall into a hole during your journey.

Term insurance may be a good option if you earn income and have a family. Before you purchase insurance however, it's important to know how much you need and the term you will need it for. Term life insurance is generally the least expensive insurance option and will likely be enough to cover your needs.

Long-term care (LTC) insurance is also an important insurance to consider. Long-term care is when you need assistance because you are unable to do things on your own, such as eating, bathing, dressing, continence (inability to control one's bowel or bladder), transferring (getting in and out of a bed or a chair), and toileting. It's important to note that long-term care is actually quite common – 70% of everyone who turns 65 years of age will need some type of long-term care.

Long-term care insurance is one way to protect a higher quality of life in late retirement, but it is not the only way. Some people choose to self-insure by saving enough to cover future LTC needs. Likewise, there are alternative long term care products that leverage the amount you put in to provide a guaranteed amount for LTC. No matter what method you choose, you should be careful to review the terms and conditions of your policy or product and keep a record of it for future reference.

| UMBRELLA | LIFE INSURANCE | LONG-TERM CARE | DISABILITY |
|---|---|--|---|
|  |  |  |  |
| To cover damages in excess of your basic insurance coverage | Term or permanent coverage to leave a legacy upon your death | To help pay for future LTC expenses | Pays you a portion of your lost income should you become disabled |

Step Five: Consider Your Professional Relationships



Many people believe that you are the average of the five people you spend the most time with. While we are not here to debate the validity of this phrase, we are here to tell you that your relationships matter, especially as you get older.

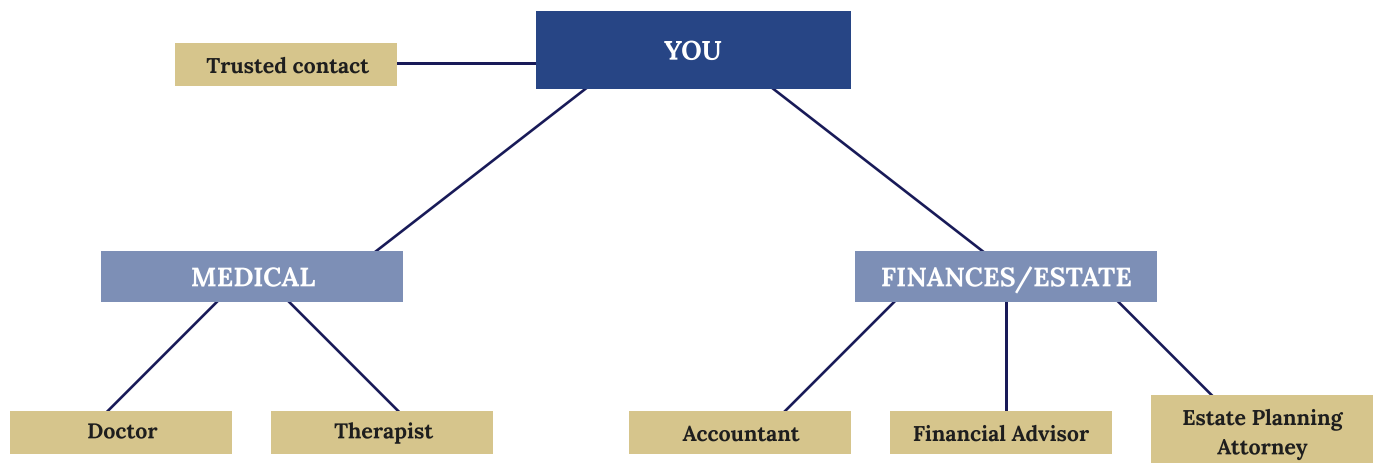
This is even more true when it comes to your professional relationships. As you get older, you will likely need a “team” of people to help you with various items. This may include a doctor for your physical health, an accountant for your taxes, a financial advisor for your financial plan and investments, an attorney for your estate plan (i.e., trust, will, medical directive, power of attorney), possibly a therapist for your mental health, and a valued individual to make financial and medical decisions for you if you no longer can. It is wise to review your team of professionals on an annual basis.

Unfortunately, there are scams and fraudsters that target older adults. It’s important to make sure the people you’ve chosen for your team are trustworthy and are working in your best interest. Take time to understand the services included and the fees charged, and review these annually for changes. Make sure to have a list of responsibilities and contact information for each member of your team and ensure your trusted individual has access to it.

At the end of the day, it mostly comes down to working with people that you trust, who provide excellent client service, and are there when you need them.

For example, the financial advisors at Pointwealth Capital Management are registered investment advisors and are legally and ethically bound to act in our clients' best interest.

PROFESSIONAL RELATIONSHIP TREE



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You Deserve to Retire Well!

Planning for retirement is one of the best ways to pay it forward to your future self. You deserve to retire well, free from financial stress, and with the confidence that you have prepared adequately. By taking the steps outlined in this guide, you are helping to set yourself up for a secure and fulfilling retirement.

At Pointwealth, we are dedicated to being your lifelong partner in this journey. We prioritize your needs to help set you up for a prosperous financial future, making your retirement journey smoother and more rewarding.

Ready to take control of your financial future? Schedule a no-obligation, free consultation call with our team to discuss this guide and more. This call is invaluable for the clarity you will gain, and there are no minimum requirements to begin working with us. Together, we can get you on track for a fulfilling retirement.

Talk to our team today.



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Contributions to a traditional IRA may be tax deductible in the contribution year, with current income tax due at withdrawal. Withdrawals prior to age 59 ½ may result in a 10% IRS penalty tax in addition to current income tax.

Asset allocation does not ensure a profit or protect against a loss.

Stock investing includes risks, including fluctuating prices and loss of principal.

Dividend payments are not guaranteed and may be reduced or eliminated at any time by the company.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Bonds are subject to availability, change in price, call features and credit risk.

Bond yields are subject to change. Certain call or special redemption features may exist which could impact yield.

The market value of corporate bonds will fluctuate, and if the bond is sold prior to maturity, the investor's yield may differ from the advertised yield.