RETIREMENT PLANNING *Checklists*

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WEALTH PLANNING
BY BOB CHITRATHORN

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Retirement planning

Checklists

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Retirement Planning
The Checklists

Retirement is a journey not a destination. How you live today and the decisions you make every day throughout your life will impact your ability to enjoy the retirement you envision. The important challenge, of course, is to balance enjoying your life today while simultaneously preparing for your future. One of the best ways to accomplish this is to create and follow a financial plan targeting the retirement you want to live. Financial advisors are skilled in helping you to create and manage a plan tailored to your unique goals and finances.

DEVELOPING YOUR RETIREMENT PLAN

The retirement planning process generally begins with a discussion with your advisor of how you envision your retirement. That vision will have financial requirements which become the target you and your advisor will work toward achieving. Your advisor will help you develop a holistic plan that addresses and balances the four interconnected financial behaviors of Earning, Spending, Investing and Insuring. Your advisor can help you put a custom plan into action and help you manage the plan as your life events and life goals evolve over time.

WHEN TO START

Today! It is never too soon and it is never too late.

TAKE ACTION!

Use the following Checklist to help identify important considerations when developing your retirement income plan and revising your plan through the years.

Contact

Wealth Planning by Bob Chitrathorn of Simplified Wealth Management

391 N. Main Street Suite 107

Corona, CA 92878

1-951-465-6409

bob@simplifiedwealth.com

The 20s

EARNING

- ❑ Develop a career plan that takes into account industry, experience and education. Careers in which you learn all of your skills and expertise before starting tend to pay well in the early years, but salary progression may not be as great compared to careers in which one is continually learning and gaining more valuable experience.
- ❑ Target a desired retirement outcome and assess the level of monthly and annual savings and investments needed to achieve that target.
- ❑ Develop healthy financial habits of saving and investing 10% or more of every paycheck.
- ❑ Take advantage of investing through your employer's retirement plan for matching dollars, dollar-cost averaging and discipline.
- ❑ Make a plan to prioritize paying off college loans while balancing the need to start saving.

SPENDING

- ❑ During these years, many young people are on their own and making money. Temper the temptations to buy the new car, rent the expensive apartment and spend freely.
- ❑ Pay yourself first by saving 10% or more of every paycheck for the future. The remaining 90% can then be used for the budget.
- ❑ Avoid the expense of debt and increase your purchasing power by waiting to make purchases when you have cash available.

INVESTING

- ❑ Save to build an income security cushion of FDIC-insured savings equal to at least six months of living expenses.
- ❑ With the cushion established — and increasing with income — contribute as much as you can afford to the employer's retirement plan. The maximum allowable pre-tax contribution into a 401(k) plan is indexed annually for inflation.
- ❑ Consider a more aggressive asset allocation since retirement is many years away.
- ❑ Increase retirement plan contributions with each salary increase.
- ❑ Increase retirement plan contributions once loans have been paid off.

INSURING

- ❑ Although the 20s are often the healthiest years, it is a must for people in this age bracket to get health insurance — not only because injury and illness can happen to anybody, but it can saddle one with tremendous debts. And it is also the law.
- ❑ Without dependents, the need for life insurance may be low, but if purchased now, annual rates will be lower than if purchased in the future. Funding a permanent life insurance policy has the potential to accumulate significant cash value, which may provide a source of guaranteed tax-free income in retirement.
- ❑ A low-cost renter's policy protects larger possessions in case of theft or fire.
- ❑ Auto insurance is required by law on all motor vehicles.
- ❑ Complete your Beneficiary Designation forms for all retirement, health savings, and education accounts to ensure the assets are transferred to whom you intend.

This information is general in nature and is not intended to constitute tax advice. Please consult your own legal or tax advisor for more detailed information on tax issues and advice as they relate to your specific situation. There are fees, expenses, taxes and penalties associated with IRAs.

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The 30s

EARNING

- ❑ Actively manage your career to advance, earn more, and enjoy your work.
- ❑ Apply raises and bonuses directly to investments as a painless way to increase retirement savings.
- ❑ After maxing out employer plan contributions, invest additional earnings in tax-favored Traditional and Roth IRAs. Protect earnings with disability insurance and health insurance.
- ❑ Reassess the targeted retirement outcome, and recalibrate contributions to retirement plans and other long-term investments.
- ❑ Protect current and future earnings through health insurance, long-term disability insurance and life Insurance.

SPENDING

- ❑ Consider buying a house instead of renting to build home equity and help lock in future costs of housing at today's levels.
- ❑ Maintain your saving/investing discipline of paying yourself first, and then use the remaining income to meet expenses.

INVESTING

- ❑ Family expenses may compete for investible dollars. Find a healthy balance of applying income to spending, insurance, and continued investing.
- ❑ Make sure contributions to the employer's retirement plan are maximized, and then start investing in IRAs and 529 plans (if intending to raise children). It may also be time to invest through a brokerage account and other vehicles.
- ❑ Retirement is still a long way off, which may allow for a relatively aggressive approach to asset allocation.

INSURING

- ❑ Health, auto, homeowner's and/or renter's insurance remain necessary.
- ❑ Individuals starting or supporting a family need life insurance. Term insurance costs less than permanent (whole or universal) insurance, but permanent insurance has long-term benefits worthy of consideration.
- ❑ This is also the age to consider disability insurance.
- ❑ Complete your Beneficiary Designation forms for all retirement, health savings, and education accounts to ensure the assets are transferred to whom you intend.
- ❑ A Will efficiently directs the disposition of your other assets and reduces the burden on your surviving family.

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The 40s

EARNING

- ❑ These are the beginning of peak earning years for many. Maintain savings and investing discipline, and manage bonuses and stock options with an eye toward the retirement target.
- ❑ The chance of experiencing a disability for a worker entering the workforce today is about 25%. Consider long-term disability insurance to protect your earnings if not already enrolled.
- ❑ Continue to reassess your targeted retirement outcome and recalibrate savings as needed.

SPENDING

- ❑ Children's college education expenses kick in. Don't sacrifice your future retirement by diverting retirement contributions toward education.
- ❑ IRA and assets in employers' retirement plans are not included in student federal financial aid calculations, making it one more reason to fund retirement accounts.
- ❑ It is also important to note that while students can get loans for tuition, adults cannot get loans for retirement.

INVESTING

- ❑ Work with a financial advisor, if not already doing so, to develop a comprehensive investment plan factoring in all savings and investments, targeted timeline to retirement, and risk tolerance.
- ❑ Family expenses may compete for investible dollars. Find a healthy balance of applying income to spending, insurance and continued investing.
- ❑ Retirement is 15–25 years away, which may allow for a relatively aggressive asset allocation.
- ❑ Together with a financial advisor, reassess your investment strategy as needed to align with goals and objectives.

INSURING

- ❑ This is a good time to revisit life insurance. Make sure your life insurance is still adequate to sustain dependents and determine whether term or permanent insurance is best for your situation. If life insurance is needed, permanent insurance can be a way to also accumulate cash value to be used as potentially tax-free income during retirement.
- ❑ Long Term Care insurance at this time becomes increasingly important and is more affordable if purchased now rather than later. Long Term Care policy features are many and varied, so individuals should shop around and seek advice from insurance professionals.
- ❑ Liability insurance needs to be sufficient enough to protect assets from lawsuits.
- ❑ Property and casualty insurers often offer "umbrella" liability policies that coordinate and exceed the liability coverage of other policies, such as fire, theft, auto, boat, etc.
- ❑ Complete your Beneficiary Designation forms for all retirement, health savings, and education accounts to ensure the assets are transferred to whom you intend.
- ❑ A Will efficiently directs the disposition of your other assets and reduces the burden on your surviving family.
- ❑ Health Care- and Financial- Powers of Attorney, allow you to specify who you would like to make decisions on your behalf should you become incapacitated and unable to make them on your own.

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The 50s

EARNING

- ❑ The 50s, particularly from the mid-50s onward, is a transitional period from a retirement perspective. It's a time to conduct one last assessment and recalibration of the retirement outcome being targeted.
- ❑ These are peak earning years for many. Maintain savings and investing discipline, and manage bonuses and stock options with an eye toward the retirement target.
- ❑ The chance of experiencing a disability increases with age. Consider long-term disability insurance to protect your earnings if not already enrolled.
- ❑ Take advantage of retirement plans' catch-up provisions. Individuals age 50 and older can contribute an additional $1,000 to Traditional and Roth IRAs, $3,000 to SIMPLE IRAs, $6,000 to 401(k)/Profit Sharing/403(b) plans.

SPENDING

- ❑ For some, the expense of college education may be behind you.
- ❑ Individuals may be tempted to spend on themselves. Rewards are necessary in the budgeting process, but too many of them can deplete savings and derail desired retirement outcomes.
- ❑ When possible, former tuition payments and other additional funds should be redirected to retirement investments.

INVESTING

- ❑ These are typically prime earning years, which means now is the time for an investing sprint. Maximize contributions to various investment vehicles.
- ❑ When beginning the transition period to retirement, reassess investment risk tolerance and portfolio positioning and begin a steady de-risking of the portfolio.
- ❑ Consider consolidating various retirement and brokerage accounts if appropriate.
- ❑ If retiring from a company at age 55 or older, penalty-free distributions from that company's defined contribution plan may begin.
- ❑ Penalty-free distributions from IRAs and other retirement plans may begin at age 59½.
- ❑ At age 50, you can begin to contribute an additional $6,000 per year to many employer retirement plans and an additional $1,000 to IRAs.

INSURING

- ❑ If you have not yet purchased a Long Term Care policy, reconsider. The longer you wait the more expensive it becomes.
- ❑ Empty-nesters with kids out of college should have more disposable income at this point and may consider purchasing a permanent life (whole or universal) policy as a way to accumulate tax-favored cash value in addition to the death benefit.
- ❑ Complete your Beneficiary Designation forms for all retirement, health savings, and education accounts to ensure the assets are transferred to whom you intend.
- ❑ A Will efficiently directs the disposition of your other assets and reduces the burden on your surviving family.
- ❑ Health Care- and Financial- Powers of Attorney, allow you to specify who you would like to make decisions on your behalf should you become incapacitated and unable to make them on your own.
- ❑ Trusts enable privacy, can precisely allocate your legacy, and help manage the tax liabilities of your estate.

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The 60s

EARNING

- ❑ Consider a phased retirement and make necessary plans. Depending on circumstances, consider downshifting without completely stopping work as a way to maintain social connections, stay active and earn wage income to supplement other sources of retirement income.
- ❑ Work with a financial advisor to develop a tax-efficient retirement income sequencing strategy.
- ❑ Evaluate all Social Security options including delaying beyond “normal” retirement age.
- ❑ Be sure to sign up for Medicare three months before turning age 65, even if you plan to delay taking Social Security beyond age 65.
- ❑ Portfolio allocations for most at this age should be conservative because market declines are difficult to recover from in these transition years.

SPENDING

- ❑ As you transition from work to retirement, recalibrate your budget to reflect your changing expenses and priorities.
- ❑ During retirement, spending should be watched closely to balance expenses and income.

INVESTING

- ❑ These are the transition years in which the focus shifts from accumulating wealth to generating income, so continue maximizing contributions up until the day of retirement.
- ❑ A strong decline in the equity markets now would be a significant setback. If not already done, consider shifting the portfolio to a conservative risk allocation.

INSURING

- ❑ This is about the last chance to buy Long Term Care insurance. Consider a hybrid policy with life insurance.
- ❑ Individuals who bought term life insurance earlier are seeing their policies come to term. They will need to assess their family’s financial needs and determine if it makes sense to purchase a new term or permanent policy.
- ❑ Discuss the role of annuities with your financial advisor if looking to guarantee a portion of retirement income.
- ❑ Complete your Beneficiary Designation forms for all retirement, health savings, and education accounts to ensure the assets are transferred to whom you intend.
- ❑ A Will efficiently directs the disposition of your other assets and reduces the burden on your surviving family.
- ❑ Health Care- and Financial- Powers of Attorney, allow you to specify who you would like to make decisions on your behalf should you become incapacitated and unable to make them on your own.
- ❑ Trusts enable privacy, can precisely allocate your legacy, and help manage the tax liabilities of your estate.
- ❑ A Living Will eases the burden on your family and medical care team by documenting and directing your intention for end-of-life care.

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The 70s

EARNING

- ❑ Manage receipt of income from various sources for tax efficiency.
- ❑ Retirement accounts can continue growing tax deferred, but required minimum distributions must begin at age 70½ to avoid the 50% penalty tax.
- ❑ Accumulated cash value in life insurance plans can be managed for tax-free withdrawals.

SPENDING

- ❑ Manage spending within your budget.
- ❑ This is the time to enjoy retirement but still maintain a watchful eye over spending to stretch retirement dollars into the 90s and beyond.

INVESTING

- ❑ Depending on your expenses-to-assets ratio, and other sources of guaranteed income, you may consider maintaining a conservative risk tolerance. If leaving a financial legacy is a goal and basic needs are being met with steady income, you may consider shifting up to a more moderate allocation.

INSURING

- ❑ This is the time to re-evaluate the need for life insurance and coverage levels. With houses and educations paid off, you may not need as much. On the other hand, funding a permanent life insurance policy may be a tax-smart way to pass assets on to kids.
- ❑ If you have a permanent life policy, you may be able to access the cash value for tax-free income during retirement.
- ❑ Discuss the role of immediate and deferred annuities with your financial advisor if looking to guarantee a portion of retirement income.
- ❑ Complete your Beneficiary Designation forms for all retirement, health savings, and education accounts to ensure the assets are transferred to whom you intend.
- ❑ A Will efficiently directs the disposition of your other assets and reduces the burden on your surviving family.
- ❑ Health Care- and Financial-Powers of Attorney, allow you to specify who you would like to make decisions on your behalf should you become incapacitated and unable to make them on your own.
- ❑ Trusts enable privacy, can precisely allocate your legacy, and help manage the tax liabilities of your estate.
- ❑ A Living Will eases the burden on your family and medical care team by documenting and directing your intention for end-of-life care.
- ❑ A Master Directory organizes all of your legal and financial documents, is a place to keep final letters to friends and family, documents your wishes for your memorial arrangements, and is a gift to grieving family members.

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