

Participant Corner

Think Of Your Retirement in Three Phases

The Month in Brief

While investors kept tariffs and trade disputes in mind in August, a new earnings season provided Wall Street with a lift. Blue chips especially benefited: the Dow Jones Industrial Average rose 4.71% for the month. Broadly speaking, strong corporate profits and domestic economic data gladdened the bulls, even as question marks about global commerce flashed.¹

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	2.82	+16.10	+12.79	+12.34
NASDAQ	+11.13	+20.85	+22.31	+23.00
S&P 500	+5.34	+14.01	+13.41	+12.22
REAL YIELD	8/31 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.84%	0.48%	0.38%	1.65%

Sources: barchart.com, bigcharts.com, treasury.gov – 7/31/18^{1,19,20,21}
Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends. 10-year TIPS real yield = projected return at maturity given expected inflation.

MONTHLY QUOTE

“To me, old age is always 15 years older than I am.”

- Bernard M. Baruch

MONTHLY TIP

Summer is an ideal time to organize your tax records. Contact your CPA and ask for a mid-year tax check-up. Opportunities for savings may emerge.

MONTHLY RIDDLE

The 22nd and 24th Presidents had the same biological mother and father, yet were not brothers. How was this possible?

Last month's riddle:

Getting into it is often easy, as it may not require speech or much thought. It often very difficult to get out of, though. What is it?

Last month's answer:

Trouble



THINK OF YOUR RETIREMENT IN THREE PHASES

Phases, stages, acts, chapters, steps. Whatever you want to call them, consider that your retirement may unfold in a way many others have, in three successive financial segments. Your budget and income could see adjustments as you move from one phase into the next.

In the first phase of retirement, it is not uncommon to arrange some “peak experiences” and live some longstanding dreams. These adventures sometimes cost more than new retirees expect, which can be a major financial concern given two possibilities: the prospect of retiring before you are eligible for your full Social Security benefits, and a probable reduction in your household income. If you retire early, you might want to tap tax-advantaged retirement savings accounts first. If you retire to a lower tax bracket, then shifting tax-deferred investments into a Roth IRA could be wise. A Roth IRA conversion is a taxable event, but the tax paid upon the conversion may be at a lower rate than you would pay later when taking Required Minimum Distributions (RMDs). After age 70, retirement may start to become more about relaxation; one key is to keep RMDs from pushing you into a higher tax bracket. After 85, paying for long term care may become the biggest financial worry – and so you may want to look at forms of LTC coverage now, as that coverage could help you avoid spending down your savings.¹

WHO SHOULD YOU HAVE IN YOUR CORNER IN RETIREMENT?

If you spend time with great people, will you elevate your life and experiences? It’s certainly possible. How does this apply after you retire? Who are the friends you need most?

Your spouse or partner is probably your best friend, and no doubt at the top of the list. Beyond him or her, others count. A lifelong friend, one who has known you since childhood, can be a candid, understanding confidante. A friend you meet through a hobby or pastime, one you share that interest with, can keep you social. A friend who volunteers or works part-time can inspire you to do the same. Lastly, a good friend who knows something about financial matters can be a sounding board and a resource – and yes, a financial professional sometimes becomes that good friend to a retiree household. Research from the *Psychology Bulletin* finds that people have the most friends in their twenties, and the number tends to gradually lessen with age. Quality, not quantity, is what is important.²

CITATIONS.

1 - twincities.com/2018/08/11/your-money-budgeting-for-the-phases-of-retirement/ [8/11/18]

2 - lovebeingretired.com/2017/11/24/the-4-friends-everyone-needs-for-a-happy-retirement/ [11/24/17]

Disclosures:

In addition to the options listed here, there may be other options available. You should also consider your other options before rolling over retirement savings. Consider the differences in investment options, services, fees and expenses, withdrawal options, required minimum distributions, other plan features, and tax treatment. This material is not intended to replace the advice of a qualified attorney, tax advisor, investment professional or insurance agent. This is a hypothetical illustration and does not represent an actual investment. There is no guarantee similar results can be achieved. If fees had been reflected, the return would have been less.

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Citations Economic Section:

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About Capstone Retirement Group

Capstone Retirement Group is a professional retirement plan consulting firm. We partner with plan fiduciaries to identify and implement the optimal retirement plan for their organization.

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