Wealth Enhancement®

Your Retirement *Roadmap*

How to Navigate the 4 Critical Milestones

Navigating the road to Retirement?

Your journey begins now.
It's important to start planning for retirement as early as possible. That said, planning at any phase can have significant benefits. So, don't be afraid to take a positive step now, even if you've procrastinated in the past.

There's more to retirement planning than investment management.
It's essential to have a detailed retirement road map that covers all angles—from projecting income and saving on taxes, to planning for health care and your estate. Whether you're a practiced, DIY investor or have a solid investment manager, it's in your best interests to consult professionals in all areas of retirement income planning.

Get comprehensive advice through one point of contact.
At Wealth Enhancement, our Roundtable™ team approach means you get access to specialists and advisors with experience in tax planning, estate planning, investment management, insurance, and income planning—and it's all coordinated through just one point of contact: your financial advisor. With all the specialists you need, all in one place, we can simplify your financial life.

Take control with a step-by-step wealth management plan.
The road to retirement can be complicated. We'll discuss the four phases of retirement planning and show how our Roundtable team of specialists and advisors supports you at every turn. Our approach can clarify your options and help you navigate all the decisions you may face.

Don't navigate the road to retirement *alone.*

Call us today to schedule a free,
no-obligation meeting at 1-888-878-4657

The 4 *Critical* Phases of Your Retirement Road Map

Every person and every couple has their own unique retirement timeline, needs, and strategies. But thanks to factors like Social Security, Medicare, and IRS rules, just about everyone will face retirement planning issues in approximately the same order. We've translated these into phases for your retirement road map.

PHASE 1: Fueling Up	This preretirement phase is characterized by the need to accumulate assets and optimally position them to generate returns without unnecessary risk. Minimizing your tax burden will also help you during the accumulation phase. **AGES: 40-62**
PHASE 2: Shifting Gears	Congratulations! You're retired. Early retirement is when Social Security and Medicare become available. Choosing the best times to enroll in these programs takes careful consideration and planning. This is also the time to start thinking about how and when you'll take required minimum distributions (RMDs) in the next phase and whether to make Roth conversions. **AGES: 62-70**
PHASE 3: Cruising	In this middle phase of retirement, it's likely you'll see your income increase due to Medicare and Social Security benefits fully kicking in. This makes it especially critical to have a savvy tax withdrawal strategy in place. **AGES: 65-73**
PHASE 4: The Long Haul	The gift of a long life has its costs, especially when it comes to health care. Smart retirement planning means making strategic withdrawals to ensure you have enough money if you and/or your spouse live beyond age 90. If you do, you need a plan to cover costs of any long-term care (LTC). **AGES: 73-95+**

Read on for more detail on each phase and the opportunities within each for further planning at every life milestone.

Phase 1: Fueling Up

40s	40-50s	50s	59 ½
Choose a financial advisor	Max out 401k, IRA, & HSA contributions	Consider buying LTC insurance	401k & IRA early withdrawal penalty ends

Pre-Retirement:
5-15 years preceeding retirement

Key Needs:
Financial planning, asset allocation, tax-efficient investments

Phase 1 Planning Tips

1. Get a written financial plan	2. Diversify your assets	3. Allocate assets by tax treatment

Let's start with something you already know: You need to put away a lot of money for retirement—especially in your peak earning years. This is also a time when you're likely benefiting from an employer-sponsored health plan, and you may even be enjoying a hard-earned respite from the expenses of raising and educating children. Of course, you also need to carefully invest that money, seeking both growth and preservation of capital.

But here are some things you may not know yet:

You may need to rethink your asset allocation to avoid unnecessary risk. Your retirement will likely last decades. To generate returns high enough to stretch your money well into your 80s, you'll probably want an allocation of stocks, bonds, and cash. Calculating your own ideal allocation is complex.

You need to prepare for unpredictable—and potentially huge—health care costs. Even healthy retirees spend thousands per year on out-of-pocket medical costs—and they are always rising. What will happen to your financial situation if you need LTC? How might that affect your spouse's lifestyle?

You must plan now to help ensure tax efficiency in the future. Your assets will likely be in taxable, tax-deferred, and tax-advantaged accounts, but what mix will help you keep more of your money?

Even if your investments are performing well, you can still be on the road to big problems later, such as unplanned health care costs, hidden market risk, and tax inefficiency.

Let's Look at Some Strategies In Phase 1

1. **Get a written financial plan.**
   It's amazing how many people who say they are happy with their investments have no idea whether they're on track to meet their retirement needs. That's a crucial factor in choosing when to retire.

   Financial planning means predicting how much income you'll need—and how to configure your investments to generate that income. This can be complicated, requiring multiple "what if?" scenarios based on differing market conditions and changing personal needs. Common steps in creating a comprehensive financial plan include:

Estimating Retirement Income	**Creating a Savings Plan**	**Implementing a Tax Strategy**	**Evaluating Insurance Needs**	**Developing an Estate Plan**

Financial planning is a hallmark of our approach at Wealth Enhancement. It's not a one-time task but an ongoing process that continues as you approach, enter, and cruise through your retirement years. Most importantly, it means not only looking at assets, but also anticipating major expenses like health care costs.

Phase 1 is a particularly important time to consider a Health Savings Account (HSA) and LTC insurance. The former must be opened before you join Medicare, and the latter grows prohibitively expensive with age.

Health Savings Account
HSAs save you taxes on a wide variety of health care needs—even many that aren't covered by health insurance—and combine the most powerful elements of both a Traditional and Roth IRA. Like a Traditional IRA, you get an immediate tax deduction on contributions. Like a Roth IRA, any earnings and distributions are tax-free, provided they're used for qualified health care expenses. To open an HSA, you must currently be enrolled in a high-deductible health plan (HDHP).

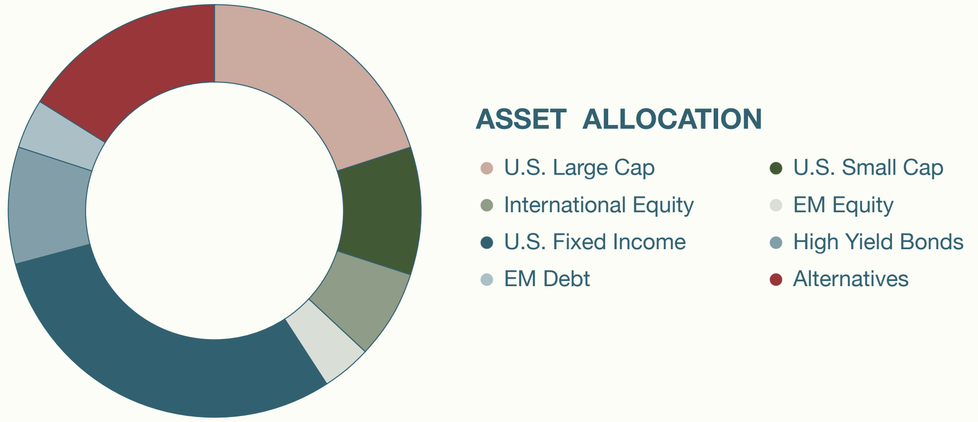
Long-Term Care Insurance
LTC includes home health aides and assisted living, as well as nursing homes—services generally not covered by Medicare. LTC insurance can help protect you from costs running up to $108,405 per year in 2023, but it's a decision you should make before retirement.[1] The older you are when you enroll, the higher your annual premiums will be.

[1] Genworth Financial, Cost of Care Survey 2023, www.genworth.com/aging-and-you/finances/cost-of-care.html

2. Diversify your assets.

As many learned in the 2008-2009 market crash, diversification by asset class alone doesn't shield you from significant loss. Our diversification strategy at Wealth Enhancement is based on the concept that hidden correlations between asset classes can make you more susceptible to broad market swings.

For example, if you look at the below chart on Asset Allocation, you'll see a portfolio that looks diversified by asset class—e.g., Large Cap stocks, Small Cap stocks, bonds, etc. But the second chart on Risk Contribution reveals the hidden truth about this very same portfolio: The overwhelming majority of the securities are dependent on the well-being of one company.



This is a hypothetical example based on the September 2008 collapse of Lehman Brothers and a plethora of securities tied to this once-huge firm. Effective diversification seeks to mitigate such risk, as well as risks involving interest rate sensitivity, management team skill, and fluctuations in consumer purchasing power.[2]

[2] 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. There are many types of risk and securities that often fall into more than one risk category.

3. **Allocate assets by tax treatment.**
   As you can see in this table, investment accounts can be divided into three categories based on tax treatment.

Taxable	Tax-Deferred	Tax-Advantaged
Brokerage or bank account	Traditional IRA or employer plans: 401k, 403b, etc.	Roth IRA, Roth 401k, or HSA
• Investment income taxed annually • Capital gains taxed when sold • Potentially qualifies for favorable tax rates	• Tax deduction today • Earnings grow tax-deferred • Taxes paid at ordinary rates upon distribution	• Contributions generally made with after-tax dollars • Earnings grow tax-free • No tax due on qualified distributions

While you might be tempted to put as much money as possible in an IRA or 401k to benefit from the up-front tax deduction, you are likely best off with a carefully planned mix. Allocating among tax categories is part of our comprehensive financial planning at Wealth Enhancement. We believe it is a vital component of every retirement plan.

Taxable	You need ample taxable investments to meet needs occurring before age 59 ½ to avoid the 10% tax penalty for early withdrawals from tax-deferred or tax-advantaged accounts.
Tax-Deferred	You can benefit from the immediate tax deductions and tax-deferred growth in a Traditional IRA, 401k, or similar plan. Keep in mind that you must pay taxes upon withdrawal, and RMDs begin at age 73.
Tax-Advantaged	You'll also likely benefit from a tax-advantaged Roth IRA, Roth 401k, or HSA. You fund Roth accounts with after-tax money, but your investments have the potential to grow tax-free, and there are no RMDs, so you're in control of when and how much you withdraw. For HSAs, you get the benefit of not paying tax on withdrawals for eligible medical expenses, as well as putting that money away tax-free.

Phase 2: Shifting Gears

62	65	66-67	70
Social Security eligibility begins	Medicare eligibility begins	Earliest age to receive full Social Security benefits[3]	Last year to claim Social Security

Early Retirement:
Once retirement begins

Key Needs:
Cash flow management, Social Security strategy, taxable events

Phase 2 Planning Tips

1. Run a Social Security analysis	2. Take advantage of a Roth IRA conversion (if appropriate)	3. Minimize tax on capital gains

You might see your retirement date as the single biggest milestone of all. In reality, retirement is not always one single day, but often a period of transition lasting months or even years when you adjust from accumulating assets to drawing them down. You may choose to phase into retirement gradually, or one spouse may continue working after the other retires.

Here's what happens in Phase 2, followed by some key strategies you'll want to consider:

Your paycheck ends. In Phase 1, we discussed the need for retirement income planning. Phase 2 is when your paycheck stops and your dependence on retirement income begins.

You need to decide the best time to file for Social Security. We also refer to Phase 2 as "Pre-Social Security," because in most situations, it is advantageous for a retiree to postpone receiving benefits at least until they reach full retirement age (FRA). FRA is between age 66 and 67, depending on your birth year and many retirees delay claiming their Social Security benefits until age 70 to qualify for the maximum monthly benefit.

For these two reasons, Phase 2 is usually the lowest-income period in retirement, so that calls for discipline on spending as well. But every cloud has a silver lining, because decreased income also means…

Your tax bracket likely declines. This is the time it might be beneficial to create "taxable events." Proactively taking distributions from taxable and tax-deferred sources, as well as performing Roth conversions, can help you limit the amount of RMDs you'll have to take in the future and help you pay significantly less in taxes than if you wait until later in retirement to do so.

Finally, you may have an unwelcome health care surprise. If you retire before Medicare eligibility at age 65, your employer-sponsored health plan will likely end, too. This will necessitate costly individual insurance, unless you have a working spouse with an employer-sponsored plan.

[3] FRA is 66 for those born 1943-1954. In each subsequent birth year until 1959, FRA rises by 2 months. FRA for those born 1960 and later is 67. https://www.ssa.gov/planners/retire/retirechart.html

Traditional IRA account owners have considerations to make before performing a Roth IRA conversion. These primarily include income tax consequences on the converted amount in the year of conversion, withdrawal limitations from a Roth IRA, and income limitations for future contributions to a Roth IRA. In addition, if you are required to take a required minimum distribution (RMD) in the year you convert, you must do so before converting to a Roth IRA. Investing involves risk, including possible loss of principal.

Here are some strategies for Phase 2

1. Run a social security analysis.

To help you choose between several different claiming options, our advisors use your specific personal and financial data to determine the best time to take your Social Security benefits

Before FRA

Access benefits sooner but receive up to 25% less when taking early benefits

FRA

Take advantage of the full benefit amount

After FRA

Benefit amount increases 8% per year of waiting, up to age 70

2. Make a Roth IRA conversion.

Since your tax bracket may be lowest before Social Security begins, it could be the ideal time to make a Roth IRA conversion. This means withdrawing money from a Traditional IRA or 401k, paying the tax, and reinvesting in a Roth IRA.

Traditional IRA	Conversion	Roth IRA
• Funded with pre-tax money • Taxes paid when money distributed	**Pay tax at ordinary income tax rate**	• Funded with post-tax money • No tax due when distributed

Traditional IRA account owners should consider the tax ramifications, age, and income restrictions in regards to executing a conversion from a Traditional IRA to a Roth IRA. The converted amount is generally subject to income taxation.

3. Take capital gains.

If you own assets for more than a year and they appreciated in value—like stock or real estate—Phase 2 may be the ideal time to sell them. That's because your capital gains tax rate is based on your income tax bracket during the year of the sale. If your Phase 2 income is low enough, your capital gains tax rate could conceivably be as low as 0%!

Traditional IRA account owners have considerations to make before performing a Roth IRA conversion. These primarily include income tax consequences on the converted amount in the year of conversion, withdrawal limitations from a Roth IRA, and income limitations for future contributions to a Roth IRA. In addition, if you are required to take a required minimum distribution (RMD) in the year you convert, you must do so before converting to a Roth IRA. Investing involves risk, including possible loss of principal.

Phase 3: Cruising

66-67	70	73
Social Security full retirement age (FRA)	Social Security delayed retirement credits end	401k & IRA RMDs begin

Early Retirement:
Once you start collecting Social Security benefits

Key Needs:
Tax strategies, health care cost management

Phase 3 Planning Tips

1. Minimize tax liabilities	2. Maximize tax deductions	3. Take strategic distributions

This "Post-Social Security" phase can be especially enjoyable because your income increases while you're still early in retirement and likely to be in good health. You've probably already adjusted your living expenses to a reduced income. And, since Medicare eligibility begins at age 65, your health care costs may decrease if you were paying for an expensive individual insurance plan.

On the other hand, you'll want to keep in mind:

Your Social Security benefits are likely to be taxable.

The chart below shows how the taxable portion is affected by your total income.

- "Provisional" income is half of your Social Security benefits, plus all other income received throughout the year (dividends, pension payments, etc.).
- Watch out for "tax-exempt" income here—it counts.
- A balanced withdrawal plan will help avoid unnecessary taxation.

Filing Status	"Provisional" Income	% of Benefit Taxed
Single	<$25,000	0%
	$25,000-$34,000	50%
	>$34,000	85%
Married Filing Jointly	<$32,000	0%
	$32,000-$44,000	50%
	>$44,000	85%

Medicare isn't free. Medicare is a welcome benefit, and it comes at a time when your health care costs are likely increasing. However, Medicare has premiums and leaves gaps in coverage, so your costs will likely also include a "Medigap" insurance plan—plus various deductibles and co-pays.

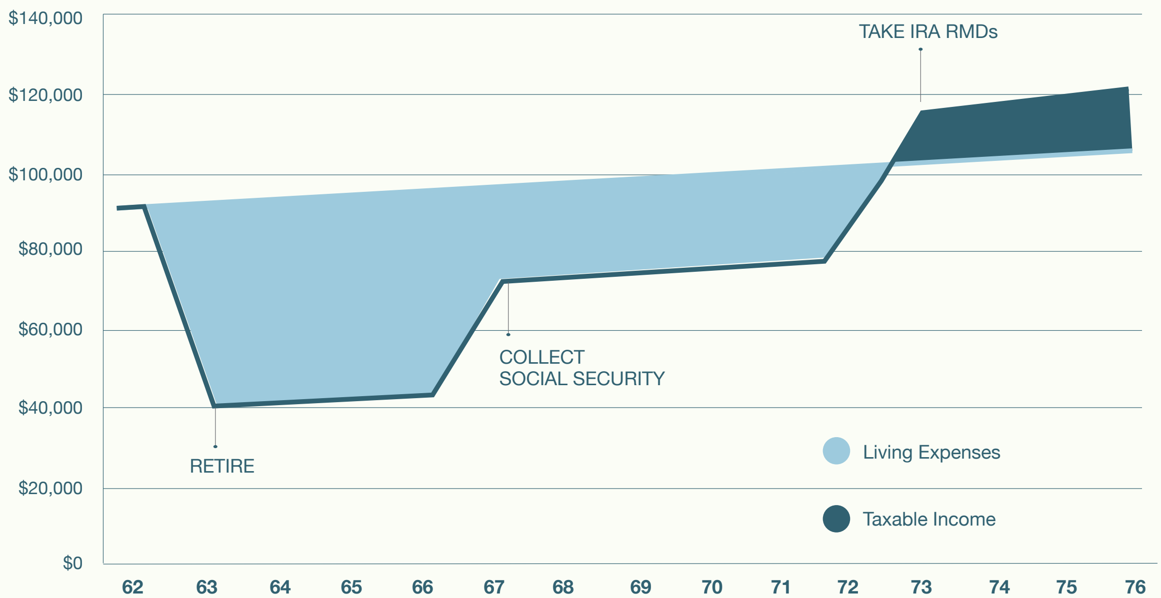
Here are some strategies for Phase 3

1. **Minimize tax liabilities.**
   While Phase 2 was an ideal time to take income and benefit from lower tax rates, Phase 3 may be the time to start avoiding taxable events. It may not be the best time to make a Roth IRA conversion or take capital gains, for example.

2. **Maximize tax deductions.**
   Tax-planning strategies will become more important to maximizing your future tax deductions. For example, if you normally contribute a certain annual amount to a charity or religious organization, consider combining two years of donations into a single year, especially in a year that your tax rate will be particularly high.

Take strategic distributions.
This is the point in retirement when diversifying your assets based on their tax treatment can really pay off.

Retirement Income and Roth Conversions



In the hypothetical example above, an individual retires at age 63 with a pension, which is supplemented with retirement savings, shown in the light shaded area. At age 67, Social Security benefits are added, reducing the supplemental amount needed from savings. When RMDs kick in at age 73, they exceed the amount needed for lifestyle spending, which could move the individual into a higher tax bracket. To avoid taking more than you need, it's important to work with a financial advisor and have a tax-smart distribution plan in place.

This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

Traditional IRA account owners have considerations to make before performing a Roth IRA conversion. These primarily include income tax consequences on the converted amount in the year of conversion, withdrawal limitations from a Roth IRA, and income limitations for future contributions to a Roth IRA. In addition, if you are required to take a required minimum distribution (RMD) in the year you convert, you must do so before converting to a Roth IRA. Investing involves risk, including possible loss of principal.

Phase 4: The Long Haul

73	82-85	90+	94+
RMDs kick in	Life expectancy of U.S. men and women[4]	Life expectancy of top 33%	Life expectancy of top 14%

When:
Beginning age 73, with the onset of RMDs

Key Needs:
Cash flow management, efficient use of funds for health care, estate planning

Phase 4 Planning Tips

1. Take tax-efficient withdrawals	2. Make the best use of health care benefits	3. Keep your estate plan up to date

Phase 4 marks the beginning of what may be the longest stage of your retirement. This is where you really start to see some of your early planning pay off.

Here's what to expect:

You will be required to draw down on your retirement accounts. You are required to annually withdraw a minimum amount from all your tax-deferred retirement plans—or face a stiff penalty.
Any RMDs that aren't taken by the end of the year will incur a 50% penalty tax. Your tax burden in Phase 4 could potentially be substantial. That's unfortunate, because this could be the longest stretch of your retirement!

For this reason, we recommend efficient strategies like tax treatment allocations in Phase 1 and Roth IRA conversions in Phase 2. Because they can save so much in taxes in your later years, this earlier tax planning is crucial to help make your money last a lifetime.

You'll need to plan for health issues. The most costly situation occurs if you or your partner need home health aides, assisted living, or a nursing home for a number of years. That's why we recommend LTC insurance in Phase 1 to help cover those potentially high costs.

You should get your estate in order. Finally, no life goes on forever, so Phase 4 is the time you want to revisit your will and estate plans to make sure they still accomplish what you want for your loved ones.

[4] According to the Social Security Administration, a man reaching age 65 today can expect to live, on average, until age 81.9. A woman turning age 65 today can expect to live, on average, until age 84.7. https://www.ssa.gov/oact/STATS/table4c6.html

Here are the Phase 4 strategies:

1. **Take tax-efficient withdrawals.**
   The strategies for sequencing withdrawals is unique to your situation.
   - If you don't need more than your RMD, don't take more.
   - If you DO need more than your RMD, now is the time to use your Roth IRA and your HSA (for health-related expenses), as both allow tax-free distributions.

Calculating your RMD is up to you (and your financial or tax advisor). The government will not provide you with a personalized notice!

2. **Make the best use of health care benefits.**
   Now is the time to make sure you have the best Medicare Advantage or supplemental Medicare plans for your specific needs. You can change these plans annually; be sure to speak with an insurance professional if you need help calculating what the best coverage option is for you.

   If you are a Veteran, you could qualify for significant health care benefits—including LTC insurance—from the VA. Visit the VA website: www.va.gov. Also, stay in touch with your fellow Veterans who may share valuable strategies that worked for them.

   If you have an HSA and/or LTC insurance, make sure you know how to use it! Some people pay into these for years, but never take advantage of the opportunities to draw upon them.

3. **Keep your estate plan up-to-date.**
   If you haven't drawn up a will—or if you haven't reviewed it in years—do it now. No one likes to confront mortality, but the alternatives are even more unpleasant: excessive taxes, money mishandled after you're gone, or even family feuds and lawsuits. Now is the best time to invest in a meeting with your estate planning specialist or attorney.

Simple Estate Planning Checklist:

- [ ] Review current ownership of assets
- [ ] Review existing beneficiary designations
- [ ] Review employer-provided benefits
- [ ] Review (or create) your will

Gain *Confidence* For The Future

Creating and updating your retirement income plan on your own can be complicated, involving a number of specialists from different offices working on different parts of your plan, leaving you to bring it all together. By breaking it down into four phases, retirement planning is simpler to understand—but still hard to do on your own.

But you want to enjoy your retirement, not coordinate a team of specialists who all have their own opinions. That's why you turn to Wealth Enhancement. It's our mission to help you thrive in retirement, and it's why we take the time to get to know each individual client and their retirement goals.

When you work with Wealth Enhancement, you'll benefit from the experience and dedication of our Roundtable™ team of specialists. With our approach to integrated advice, you'll be able to check all these items off of your retirement income planning checklist through a single touchpoint: your trusted financial advisor. This means you'll have the confidence you need to enjoy the retirement you've worked so hard for.

Call us today at 1-888-878-4657 to schedule your free, no-obligation meeting.

In this no-obligation, introductory meeting, we will:

Discuss where you are now and what you want to accomplish.

Identify opportunities for your portfolio and plan.

Provide proactive next steps to pursue your goals.

Your Financial Plan, *Crafted* With Care.

Wealth is personal, and it requires exceptional craft and care to fashion it into something truly all your own.

At Wealth Enhancement, we don't just manage portfolios or start with the same formulaic questions. We strive to unlock your wealth's full potential with teams of experienced professionals who take the time to understand your financial picture.

Starting with our 3-step UniFi™ process, we ensure every aspect of your financial life is organized, accounted for, and explained, giving you a comprehensive view of where you stand.

With our Roundtable™ of financial specialists, your advisor can provide comprehensive financial planning, retirement income planning, tax strategies, investment management, estate planning, and insurance.

As your life and wealth evolve, we will be there at every step along the way.

A 3-step process designed to craft your financial life.

ORGANIZE

We collect your financial information and consolidate it into your UniFi Inventory.™

COLLABORATE

Our Roundtable™ team approach helps ensure your financial plan is comprehensive.

GUIDE

We clarify your options and put your plan into action, supporting you every step of the way.

Wealth Enhancement®

Call Us Today

1-888-878-4657

Schedule a free, no-obligation meeting to learn how our 3-step UniFi™ process simplifies your financial life.

(For best service, please call between 8:00 a.m. and 5:00 p.m. Central Time)

Advisory services offered through Wealth Enhancement Advisory Services, LLC, a registered investment advisor and affiliate of Wealth Enhancement Group®.

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