Continuing Lifestyle in Retirement

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James and Emily Smith

were referred to our firm by an existing client.

The main reason for contacting us was to get answers to specific questions involving their pension options and lifestyle continuation in retirement.

Questions

At that time, Emily was 61 years old and looking to retire by the end of the year. Her husband, James was 69 years old was already retired from the local police department. Their main concerns were:

1. They wanted to know the most effective method to take Emily's pension when she retires.
2. James had already made his pension decision when he retired. He chose a Life Only Pension, meaning that when he passes away, Emily would not receive any further benefits.
3. Making this more of an issue, James had some health concerns: a prior stroke, COPD and Type 2 Diabetes.

Context

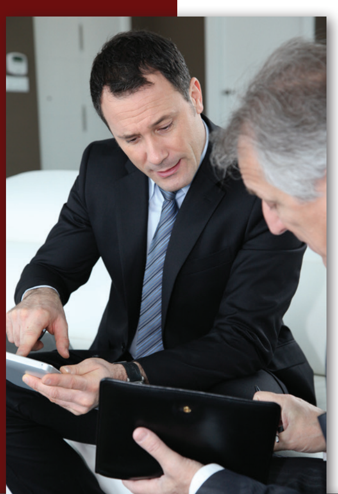
Emily had $1M in her 401K. In addition, they had $600k in other assets. They lived a modest lifestyle and had no debt. However, they wanted to make sure that what they had accumulated would last them the remainder of their lifetimes, and that if something should happen to one of them, the other would be financially secure.

Goals

James and Emily wanted to be able to continue their lifestyle in retirement, travel, and gain more confidence in their financial future. They didn't have any legacy concerns.

Concerns

Emily faced the decision of whether to take her pension in a lump sum or paid out over time. When they came to us, they didn't realize that there were gaps in their financial plan, but instead it was their overall uncertainty whether their money would last.



Unknown issues we discovered

After digging into their situation a little deeper, we found that they did not have a plan in place if something should happen to James. His pension and Social Security benefits would not be available to Emily.

Now the question of how Emily would be able to make up the lost income was a concern. Also, due to James' health issues, he would not qualify for LTC insurance if that was needed in the future. In addition, they didn't have life insurance, so their current assets would have to meet their needs.

The Reby Consultation...

In addition to advising Emily on her pension options, we also ensured that all of their assets were properly titled in the manner that would meet their goals and wishes. We reviewed their tax returns, Wills, Powers of Attorney and Health Care Proxies. They owned three separate annuities, which we reviewed to determine if these products met their current needs.

We advised Emily to take a lump sum pension, as this approach would allow her to invest the proceeds and grow the principal until needed. It was determined that they could continue to live their current lifestyle using the income from James' Social Security and pension, plus the three annuities. This would allow Emily's pension and SS benefits to continue to grow, giving her more financial stability and income in the event that James passed away prematurely.

We recommended that Emily delay Social Security benefits until age 70, thereby giving her 32% more guaranteed annual income than she would get from the survivor's benefit.

The Reby Advantage

Even though the Smith's came to us with very specific questions, we were able to uncover some other risks that they were exposed to that could have derailed their plans and goals. On the surface, it may have appeared that they would have enough to fund their retirement years, however, it was important to factor in James' pension option and his health; which could have left Emily with an income deficit.

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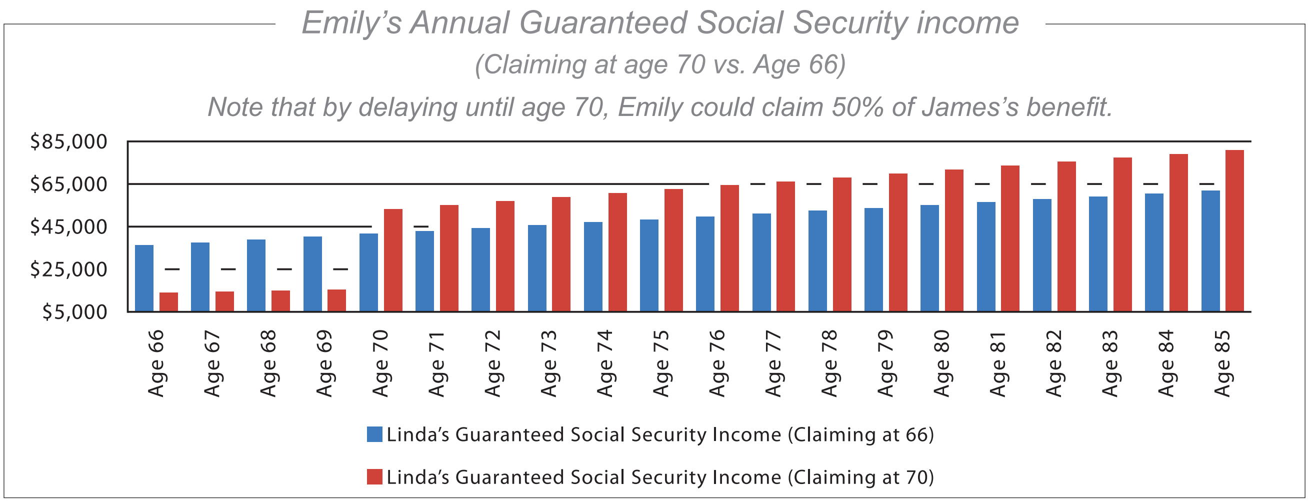
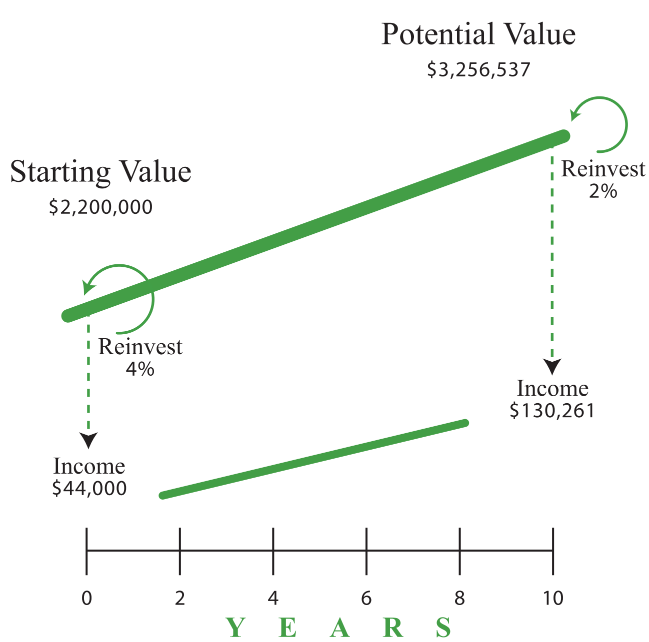
By strategically choosing to take the pension as a lump sum and delaying Emily's Social Security, the Reby team helped to create predictable streams of income while minimizing the risks that could have derailed their lifestyle.



To reduce taxes, we recommended that Emily take her pension as a lump sum in the amount of approximately $840,000 instead of getting taxed on a $5,000 monthly annuity. By taking the lump sum, her investment portfolio became worth over $2.6 million and this allowed her to withdraw less than 2% to live her lifestyle, allowing her portfolio to continue to grow as she reinvested the remainder of her gains.



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