Mary Sterk

Wed, 8/11 8:50PM 59:54

SUMMARY KEYWORDS

retirement, people, money, social security, coverage, questions, spend, benefit, mary, medicare, nursing home, full retirement age, retirement planning, pay, part, years, financial, bucket, policy, medicare supplement

00:10

Thank you for joining us today for the Career Speaker Series. The series brings to you the nation's top career authors who provide tips, tools, and best practices you can use to create a successful career and retirement strategy. Hello, my name is Don Philip bomb and I will be your host today. With me today is Mary sterk owner of sterk financial services and author of ready to pull the retirement trigger your strategic guide to retire with confidence. In the next hour, you're going to learn how to prepare for retirement. Have your pen and paper or electronic device ready to take notes and check the download option to gain access to resources that will help you use Mary's ideas as you learn how to prepare for retirement. And please ask questions. You can submit your questions by clicking on the menu in front of you. Share your questions with Mary when you think about them so I can present them to you remember, this is a series this will be all about you and we want you and your questions to be answered. You're invited to help influence the program by offering your thoughts on how we can continue to be a support to your career. Click on the menu option that says give us your feedback. And keep in mind you can fill the frame of your computer with a presentation today by clicking on the Christ arrows on the bottom right of the slides. And when you want to ask a question, simply hit your escape key. Real simple. We want this to be a great experience for you tonight and Mary's got some amazing material to share with you. So let me just share some background on our very accomplished speaker today. Mary Stewart is the owner of sterk financial services and Dakota duden, South Dakota. Her inspirational story of fighting her way from welfare to Wealth Management has motivated many people to believe that anything is possible for them to she built a better future despite a teenage pregnancy living in low income housing and raising two small children without Child Support while subsidizing on food stamps. Her quote is, if I can achieve this, anyone can and it has

inspired women and men throughout the country to strive for their own bright future. Now sterk Financial Services is at ww Stark financial services.com specializes in providing strategic direction and personal meaning for clients financial decisions to their unique planning programs. Their radio show money guide with Mary sterk educates and inspires listeners to create their best financial future. Mary has been in the investment and insurance industry since 1994, and earned her Certified Financial Planner certification from the American College in Bryn Mawr, Pennsylvania. Mary has also got an artistic side and has created uplifting messages of hope through her art via just Mary's designs calm and inner downtown, and Mary enjoys spending time with her three children, and one grandson, flying her Piper Cherokee, all across the sky. What a gutsy lady and an accomplished lady. Today, Mary is going to be your private consultant and share with you her philosophies and ideas from her book, ready to pull the retirement together. Join me in welcoming Mary Stern, Mary, thanks for doing this.

03:36

Thank you so much, Don. I'm thrilled to be here. And I'm excited about being able to share some ideas with all of you listeners about your retirement planning and helping you decide if you are ready to pull that retirement trigger. And what I hope is that this is not going to be your retirement slogan, I'm pleased to retire and live off my savings. Not sure what I'll do the second week. So hopefully with good planning, and with Looking ahead, you'll be able to figure out a great plan to get yourself to the ideal retirement. So let's go ahead and just jump right in. So what I would say is this is that retirement planning, it really needs to be looked at as if it's a three legged stool. So if you picture a three legged stool, you have three legs that are equally balanced. And the surprising truth about retirement planning is all three of these legs really have to have attention paid to them in order for you to have a stable retirement plan. If you focus on only one leg and ignore the others, then you can imagine your stool is a little bit tipsy. It's not going to be very stable and solid. So the three legs of a strong retirement planning stool are this number one is emotional readiness. Number two is health related issues. And number three is the financial factors. Now unfortunately, most financial advisors really only pay attention to the money side of things and the portfolio side of things. But the truth is that you are more than just your balance sheet, you're bigger than just your portfolio. And so looking at retirement planning holistically is the most important thing. And bringing in all three legs of this three legged stool is very important. Now, for many of you, you might not really understand what I'm talking about when I say emotional readiness is one of the legs of the stool. And so what I want to encourage you to do is to spend time imagining what day to day life and retirement might actually look like for you. Will you be traveling? Will you be golfing? Will you be spending time babysitting, grandchildren? gardening? volunteering? No, what is that day to day living actually looks like for you. For many

people, part of the emotional readiness is actually thinking about that, and planning out that time. And there's a lot of people who've been married for a long time, but have never spent day to day with their spouse longer than on vacation. That was working with a couple and they said that they were going to be retiring at the same time. And we realized that the husband and the wife had very different viewpoints of what retirement was actually going to look like day to day, when the husband said, Well, since we'll both be home, I kind of figure she'll probably make lunch every day. And her response was, excuse me, you think what's going to happen. So as you can imagine, if you're if you're married, or if you're part of the couple, then the dynamic shifts and how your time being spent changes can also have a dynamic shift within the relationship that you have, because you're spending time together in a different way. So that's the second piece of emotional readiness. So one of the ways that you can equip yourself for the emotional readiness side of retirement, is to ask yourself this question. If you had all the money in the world, so money was no object, what would you spend your time doing? And the answer to that question is really going to inform you about what you want to spend time doing in retirement and help you transition into that next phase in a much smoother way. It's also something that you want to end up tying the financial side to, because whatever you want to spend your time doing, you want to make sure that your finances are aligned in such a way that it can support that. And we'll come back to more on that later. Okay, that is the first leg of retirement planning is preparing yourself for the emotional readiness of it. So Don, are there any questions that have come in so far people thinking maybe even for the first time about the emotional readiness side of things?

07:58

Well, I think that's generally something that no one thinks about in terms of what questions do I ask of my significant other? And what are the expectations of my significant others we're, all of us are expected to plan financially. But the direction you're taking us right now, I think are going to shake us a little bit into thinking a lot differently about retirement.

08:20

Well, that's good. And if that's a good shake for everybody that I hope that you're feeling a little bit of that. You know, one of the other things that's really strong on the emotional readiness side to ask yourself is how do you want to feel in retirement. So let me share with you a quick story about how you tie emotional readiness and to the financial side of things in a way that I think will become very clear for people. But it's not often a way that people approach their retirement planning. So I was working with a client and her name

was Helen. And when Helen and I were talking about what she wanted retirement to look like, we came to the decision that the most important thing she wanted to feel was connected, and she wanted to feel creative, and she wanted to feel generous. So those were the three things she really wanted to create in the next phase of her life. Now she was married, and so she wanted to fill time, or spend time with her husband and feel connected with him. But she also had grandchildren that were in two different spots in the United States. So she wanted to be connected with them and be able to travel twice a year to see each set of the grandchildren. So knowing that she wanted to feel connected with them, informed our retirement budget that we needed to have money in there for a specific number of trips to see these grandkids. And that was able to help us figure out exactly how much to budget for in her retirement plan. Now, Helen was an artist. And so it was important to her to feel creative, and that's where that second word that she wanted to feel came from. So from the creative standpoint, we knew that we needed money in the budget to be able to afford ongoing art supplies. And visits to different galleries that had entry fees, she wanted to go visit different places to look at beautiful art. But the other thing that it also did was she knew she always wanted to have a studio in her home. So when they were thinking about downsizing homes in retirement, they knew that they needed to have a home big enough for a room for her art studio. And so that informed our decision on the financial side about what price range of home she was going to be looking for when they downsized. Now, the last thing was that she wanted to feel generous. And so generosity for her was going to take the place of monetary donations as well as time spent. Helen had grown up very poor, and had gotten a lot of times hungry when she was a child. And she wanted to do everything she could to avoid that happening to people in her community. So not only did we include financial donations to the local soup kitchen, but she also began to plan some of her schedule and her time around being able to volunteer for that organization to really be giving back in a way that resonated with her and gave her that feeling of generosity. So it's, it's doing things like that we're taking those feelings that you really want to create in your life, figuring out how you're going to spend time and involvement to create those and then tying the money back to it. And that's how you align your money with the life that you want to live. Okay, are there any questions about that done before I move on to the next leg of the three legged stool?

11:37

Question from owl related to the planning process, you may be going through some of the steps to go through this process. But he's curious as to how many different areas other than financial? Should he be thinking about this creative side? The the generous side? How do you isolate that for the individual?

11:59

So the question to ask yourself is probably what are the top three things you want to be feeling as you go through retirement? And if money were no object, how would you really like to be spending your time, and that's going to inform you of what your day to day life and retirement would ideally be. And then you have to kind of back into whether or not you have the money to afford to do all those things at the level you'd like to do them at. So that's the way to kind of tie the emotional readiness back into the financial side. And we'll talk more about the financial side here in a little bit.

12:35

Okay, so I'm going to go ahead and move into the next section, which is really all about health care. And the truth of it is as that the high cost of health care is a huge issue for retirees, especially if you're going to retire early. Now, there's a lot of things shifting and changing in the medical world right now. But right now, you still do need private coverage until you're of Medicare age. And Medicare age at this point is still age 65 for everybody. So you'll have to plan for having private coverage until your Medicare age, which often can cost upwards of $1,000 a month. So that's a big ticket budget item. Now, when you get into Medicare, the truth about Medicare is that it is very complex. So there is a four part system of Medicare that I want to explain to people. And I'm going to take it at a very high level because the system is complex. And you're definitely going to want to spend some time digging into this and understanding it. So first of all, there are four parts that you really want to be aware of two of the parts are taken care of through the federal government. The other two parts are done through private insurance companies, but the benefits are mandated by the federal government. Okay, so part a Medicare. First of all, you sign up for it when you're 65. So about three months before you're 65 you want to make a trip down to in your town, it might be the Social Security office that's frequently made where they do the Medicare some places have separate Medicare facilities, but about three months before you turn 65 is when you want to start that process. Part A has no cost to it. And Part A is designed to do the hospitalization side of the health care when you're over age 65. Part B is the second part that is done through the federal government and Part B is designed to be coverage for the doctors. Now you sign up for Part D either when you're 65. Or when your private coverage ends, whichever one is later. So you can't do it before you're 65 but if you're still working, let's say until you're 67 or 68 years old, and you have good private coverage for your job. You would take part A when you turn 65 but you would not trigger your part B until you're done working and come off of your group healthcare. Now, for those of you thinking about budgeting for Medicare, your cost of Part B is generally around 130 ish dollars a month right now. And that changes every year. That's why I'm saying ish. So Part A and Part B are done through the federal government.

Part D, and then the Medicare Supplement are the two parts that are done through a private insurance carrier. And there are many of them that do it. But the way that the benefits work are mandated by the federal government. So the benefits are identical, although the companies add their own bells and whistles to it, and they all charge a little bit differently for things. Part D, D is for the drug side of things. So Part D is your drug coverage. And right now, the rules are that you need to make sure you sign up for Part D coverage within 63 days of whenever your private coverage ends, or you will get hit with a part D penalty. Now the Part D cost can vary, it can be anywhere from $5 a month to $500 a month. And the cost for Part D is going to vary depending on the type of drugs you're taking, and the type of illness that you have that's requiring more specialized drugs. So if you really don't have any major drugs, you're taking your costs for Part D might be very low. But if you have a health condition requiring specialized drugs, your part D costs can be incredibly high. Now the Part D penalty that I'm talking about is something that is horrible, because it haunts you for the rest of your entire life. So however many months you go without having Part D that you were supposed to, there is a percentage of cost of penalty that gets tacked on. And then whenever you get to start your part D, that penalty gets added on and they charge it to you every month for the rest of your entire life. So that is not something that you want to mess around with Part D is really important to get started on time. The last piece of the puzzle is called medicare supplement and your Medicare supplement, you usually sign up for that around the same time as you do your part B. and medicare supplement is designed to pick up what Part A and Part B doesn't. For hospital and Doctor costs. Now your Medicare Supplement has different plans that you can choose from. And that's why you're going to want to talk to an insurance professional about that to figure out what plan is right for you. But generally speaking, they run somewhere in the 125 to $150 a month range for a Medicare supplement. So you can see why it's so complex because all of a sudden, when you're 65 years old, if you go into the Medicare system, now you literally have at least four moving parts. What you'll notice on the slide here is that this went a b d and I don't have a C listed here. And I'm not going to spend much time on that. But there is a part C called Medicare Advantage. And Medicare Advantage is something that combines Part A and B. That is sometimes an option for certain people to take that versus a and b. But that's something you need to have a very in depth discussion with a Medicare supplement and Medicare trained advisor on that to know which one is right for you. But for most of the population, people end up with Part A Part B, Part D and medicare supplement. Now one thing of note that I want to mention before I move on from the Medicare side of things is that there is an additional penalty that many people don't know about. And that is called the high income Medicare beneficiary surcharge. And what that means is if you make too much money when you're in your retirement years and on Medicare, they can up charge both your part B and your part D at a significant rate. So if you are making more than $85,000 a year, you're going to want to Google or go talk to someone in the Medicare office about what

those limits are. Because if you're making more than $85,000 a year, that's where the third charge can start for a single person. So Google that find out what the limits are. And when I say that they can charge you a surcharge they can double quadruple quintuple is that it can go up to six or $700 a month at the maximum charge for the part B.

19:45

So that's a pretty large surcharge, and then all triggers off how much income you're making. And they pull that off of your tax return for the previous year. So something to be very aware of as you're budgeting Okay, Don, is there any kind of questions that have come in about the Medicare side of retirement planning?

20:07

Tom has a question about Part D, is that the government or private coverage? And who do you go to to get that.

20:15

So Part D is a private coverage, but the benefit levels are mandated by the government. So there's different plans, and you can go to an insurance agent to get Part D, or Part D is even sold at different major pharmacies or drugstores to you can go in and talk to them. And a lot of times, if you want an unbiased opinion about what part D coverage you should get, then senior centers will often have somebody skilled there that understands this, it can help counsel people about what type of Part D to sign up for.

20:50

Great, so this could be everything like, ar or anthem, or well known, carriers probably provide Part D. Yes, that's correct. Terrific, good material.

21:04

Thank you. Okay, so we're gonna move from Medicare into the other big health related issue that happens in retirement. And that's when people start thinking about the nursing home side of things. So the sad truth of it is that 75% of people over the age of 65 will need some form of long term care during their life, whether it's in home care, whether it's care in a nursing home, whether it's an assisted living stay, or a hospice or a memory care

say that 75% of people will need some form of long term care, which is why it's such a big issue, especially since the average cost of a nursing home runs over $80,000 a year, and the average stay is around three years. Now, the thing about the three year average, that's a little misleading, though, is that if you have a physical ailment, your time in a nursing home is generally much shorter. But if you have a cognitive impairment, like an Alzheimer's or dementia issue, you can be physically healthy for many, many years, yet still require care because of the cognitive issues. So I believe the average day for a cognitive issue is closer to seven years, which is why the overall blend is more along the three year average. I just wanted to point that out. Now, across the United States, it's around an average of $21 an hour for a home health aide. And it's around 30 $300 a month for a one bedroom assisted living room. And what is happening out there is that people are not prepared enough for the rising cost of the nursing home care, or the assisted living care. And so 50% of those who enter a care situation are penniless within one year, which is causing quite a problem inside the nursing home realm of coverage. So many people are turning towards nursing home insurance, and they're wondering whether or not this is something that they need. So I'm going to go ahead and kind of give my thoughts about nursing home insurance, including when do you need it? Who needs it? And how does it differ? This is, this is a very complex topic. And if you are really wondering if you need it, then you're going to really want to talk to someone who's an expert in it to decide what's right for you. So first of all, when should you consider buying this coverage. For most people, the sweet spot from a pricing standpoint is if you buy it between the ages of 55 to 65. If you buy it too much earlier than that you're paying for it for such a long time. Even though it's a lower cost to start with that it really becomes less cost effective. And if you buy it after you're 65, the price to start it becomes so high that it's also not as cost effective. So that sweet spot of purchasing nursing home insurance really is in that mid range of 55 to 65. Now who needs it. So in my professional opinion, and I have counseled 1000s of people about retirement planning, I think there is a sub segment of people who need to consider it more so than other people. If your entire retirement savings pool is $300,000 or less, then I don't know that you should consider nursing home insurance, because the cost of it is going to be high enough that it's going to shrink your pool just because of the annual payments that you have to make to get into it. And the sad truth of it is is that is really what you have saved for retirement is that amount or less. If you have an extended care need, you probably are going to spend down the majority of the savings you have over that three year period and you'll end up having the state come in and help take care of you now Conversely, if you have $3 million or more of retirement assets, I also don't know that you need that coverage, because conceivably, you would have enough to fund a care stay for quite some time without diminishing the pool of value that you have there for retirement. But it's the people that are in between that that have between 300,000 and $3 million for retirement saved, that are the people that a nursing home today could really devastate their retirement plan. So why do I say that it could

devastate your plan. If you have a retirement budget, let's say have $100,000, a year that you're going to live on, and all of a sudden, you have to add another 80,000 to pay for your care, you're going to be going through your retirement twice as fast as you were expecting to and run the risk of running out of money, or run the risk of your spouse who's still healthy not having enough money to continue to live a comfortable lifestyle. So that's the main reason that people buy nursing home insurance is to protect the pool of money that they have, and then to protect their spouse.

26:10

Okay, so nursing home insurance itself is very complex. So there are two main types of nursing home insurance. There's a health insurance based one, which is what we call traditional Long Term Care Insurance. And there's a life insurance based one, which is what we call hybrid insurance. Now you see a note on the slide here that 1035 exchanges may be an option. So if you have a life insurance policy, you might want to check with your company to see if it has something that would be considered a nursing home writer, some policies already have that embedded in it, and you might not even know it. But if you don't, and if your policy has cash value, if you're healthy, you can transfer the cash value from your existing policy into a different life insurance policy that has the nursing home writer on it. And then you can get the nursing home hybrid coverage that way. So what I want to do is explain to you how both of these work and what the pros and cons of each one of them are. Health insurance based long term care, basically is a health insurance policy that is only going to provide benefits for home health care, assisted living care, nursing, home care, memory care, and hospice if needed. Okay, so it provides benefits just for those things. And the biggest issue that people have with the health insurance based coverage is it's called a use it or limited benefit. So if you pay all the premiums all these years, and then you never use it, most of the policies don't have anything that comes back to you, you've just paid a lot for the insurance that never got used, which is a conundrum because nobody really wants to ever have to use it, even if it were really want to trigger a need for long term care stay. So life insurance based long term care, which is what we call hybrid was created basically to answer that issue. So a hybrid policy is something where there's a pool of benefit as a life insurance policy. And essentially, you can utilize the money from the death benefit of the life insurance policy while you're alive to pay for your care. And if you don't use it while you're alive, then it will come as a death benefit to your family in the form of life insurance when you die. But no matter what, from the hybrid program, then somebody is going to get a benefit out of it, whether it's you while you're alive or your family when you're no longer alive.

28:41

Okay, so there are many pros and cons about long term care. And the traditional coverage definitely starts out at a lower cost, and also usually includes an inflation protection, meaning that the value of how much coverage you have is going to increase over time. It also might participate in something called a state partnership plan. Now, this call has people from all over the United States on it. We have clients from all over the United States and every state is different in how their state partnership plan works. But essentially, the idea behind a state partnership plan is if you take out coverage yourself, that's traditional coverage. Then before you go on to state aid, it allows an extra amount of money to be set aside that your spouse can keep and utilize and then the state will kick in their help after your insurance coverage is done a little bit faster. So every state is different, but you'll want to be aware of what your state partnership rules are. Now the traditional coverage also may be tax deductible in light of the recent tax reform that remains to be seen exactly how that will be played out. But it may be tax deductible. Now the cons of the treated It's not or that the price can increase every year. And when I say can, I probably shouldn't say will, because almost every carrier has increased their prices multiple times. And because of that, you'll probably end up at a higher cost in a traditional coverage than in the hybrid coverage. We've already talked about the use it or lose it benefit. But one of the things that traditional coverage also has an issue with is that there's a limited choice of caregivers. So in order to qualify for the benefits here, the benefits have to be paid to skilled care workers. And so it can't be just someone in your family that's taking time off work to take care of you, it has to be a skilled care worker that gets paid the wage to take care of you to qualify for that. The traditional is also usually a reimbursement coverage and reimbursement means that it would require receipt. So still, you have to pay it first, someone has to submit a receipt, and then you get paid back for what you spent out of pocket according to the rules of your policy. So that's a in a very quick nutshell how a traditional coverage works. The hybrid coverage, basically, their cons of it answer the pros, the opposite of the pros, the traditional, so the hybrid coverage starts out higher, it usually doesn't include inflation protection, it most of the time does not meet the partnership criteria, and it's generally not considered tax deductible. However, generally speaking, the prices are normally guaranteed not to go up. So it's something that you have the ability to lock in and price and as long as you pay your premium, it's good at that premium level for your whole life, which is much easier to budget about. And because it's locked in, you'll probably end up at a lower cost over time. One of the big things people like about it here, though, are the last three things listed here. It's a guaranteed benefit to someone. So let's say you had a covered coverage of $200,000 policy. If you use 100,000 over while you're alive for care, the other 100,000 would still pay out to your family when you pass away. If you don't use any of it while you're alive, then all 200,000 would go to your family when you pass away. And if you use

all 200,000 during your life, then nothing goes to your family because you've used it all during your life. But there is a guaranteed benefits, it's going to go to someone. Now each policy has different provisions about how that comes out. But somebody gets to benefit from it for sure. You also have a broader choice of caregivers. And that's because it's usually an indemnity policy. And an indemnity policy versus a reimbursement policy means the indemnity coverages say, once you qualify for care, they're going to turn on the benefits for a year, usually, and then your doctor is certified, you need care to accompany the policies is going to send you money every month, and you can spend it on whatever you want to. So if you want to spend it on a trip to Disneyland, you're healthy enough to go you can do that. If you want to spend it on one of your family members taking you taking care of you versus a skilled care worker you can. So the indemnity policies don't require any receipts, it just turns on a specific dollar amount that comes to you for a specified period of time. And at the end of that period of time, your doctor has to certify you still need care in order for the money to continue to come. Now, that was a lot of information about long term care in a very short amount of time. And we probably could do an entire class about just this. So if you want more information, you can take a look in my book, or you can reach out to start financial services that calm and we have some different podcasts from our radio show that we've done, highlighting more about the differences of these. But then what kind of questions have come in about this so far?

34:01

You are right, the very complicated question from Samantha about, is there a way you can put a lump sum payment either into a traditional or hybrid coverage to not have to make yearly payments or to reduce the amount you'd have to make?

34:21

Yes, there absolutely is. So there are a few companies that specialize in that. That type of policy generally falls under the hybrid side. But there are people that do lump sum versus annual payments.

34:36

And another question from Sandy related to P 65. So it looks from what her research has shown she'd have to spend about $3,000 a year that would just be for her coverage and then her husband who is 62 wouldn't have to spend his own as an additional amount. We're not covering to people with that one amount of money, is that correct?

35:02

Right? That is correct. And and those do sound like reasonable numbers given what the marketplace is out there. So you can usually expect to spend anywhere between two to $4,000 per person, if you're kind of in that sweet spot of the age group that you're buying it at. And again, the type and then the amount of coverage you take out is going to dictate your price.

35:25

So a question that the number of questions come in, related to what if the, the cost gets so much 20 years down the line, that they can't pay it any further? What happens to the money that was paid in.

35:44

So that is an issue that happens in the traditional coverage side, and we're seeing that happen right now with policies people bought 20 years ago. And what happens is that the companies usually will allow you to reduce your benefits to keep your costs down. But really, it's just it's, it's an unfortunate side effect of that type of insurance that they can increase their prices, and it can increase right above which you're able to afford to pay. So that's really why the hybrid coverage was created, was to answer that to give people an option where the price could increase indiscriminately and become unaffordable.

36:23

Wow, good advice, great information. It is complex, but you're making it simple for us.

36:29

Well, thank you. Okay, I'm going to keep moving on. Because I have some other topics, I want to make sure that we cover today. So I'm going to move into the financial side of our three legged stool now. So first of all, let's talk a little bit about social security. Number one, everybody has something called a full retirement age. And you can find your full retirement age on your social security statement. And if you don't have a social security statement, you can go out to ssa.gov. And you can sign up online to get your social security information. And you can see all your benefit information right there. Again, that's ssa.gov. Now, if you are working, you're not going to want to take Social Security any sooner than your full retirement age, if you're going to be making over about 16 $17,000. It

looks like I have some old numbers in my slide here from last year. Now it's about 16 and a half $1,000 in 2017. But I will tell you that if you're going to be working and earning more than about $16,000, you do not want to trigger your Social Security early, because you will have to pay it back. And let me tell you, that will be the worst check in the world that you will ever want to write a bag Social Security. So most people can take social security as early as age 62. But you're going to want to wait until your full retirement age, if you're still working and earning over about $16,000 a year. Once you hit your full retirement age, whichever your age is you can earn as much money as you want, and it won't matter. Okay. Now, social security and marriage is another thing. Okay, so there are different benefits for people who are married. And I want to make sure I explain these real quickly. So first of all, there's like 600, and some odd ways that you can elect to take your Social Security. So I can't possibly go into all of them in a forum like this. But what I can say is there's three main issue ages to remember 62 is the earliest you can take it, your full retirement age is the age that you get your full benefit and can still work and earn as much as you want to, at age 70 is the latest date that you would want to take it. Okay. Every year that you delay taking it from 62 through 70, the benefit gets about 8% a month bigger. Okay. So 8% a year, but it triggers up every single month. So you don't have to wait an entire year to get your 8% bump is every single month it goes up a little bit more. But it does not get any bigger once you hit age 70. So there's no real conceivable reason to delay your Social Security beyond age 70. Now, if you're married, and let's say that your spouse has been a stay at home spouse or worked with a job that didn't earn nearly as much money as you did, your spouse is eligible to get up to half of whatever your benefit is. Okay? So let's say that your benefit is $3,000 and your spouse's is $1,000 then they may be eligible to get an additional $500 spousal benefit to get them up to 50% of what yours is. Okay? Now, there are rules about when you start those as if to eat We're going to be able to get them and how many quarters and things like that, that you worked. But that's something that if you are getting social security and you're listening to this, if your spouse's benefit is less than half of yours, I encourage you to make a trip down to the Social Security office and ask them about this. I was explaining this in the seminar one time and a woman heard it, and she went down to Social Security. And not only did she get a $400 increase in her monthly amount to get her out where she should have been, she also got over $10,000 worth of back pay, because they should have been paying her that extra from the time her husband started his social security, they're not required to tell you about the spousal benefit, if it happens, if you're supposed to get the bump after you've already started yours. So be aware that you might be able to get a bump. Now, if you're divorced, but you were married to somebody for at least 10 years, you also might be able to claim a larger amount based on your ex spouses amount. Now, it does not reduce their benefit. So they have no loss if you claim on their social security. But you might be able to get your amount up to, let's say, half of theirs. So that's another thing that you'll want to check out at your Social Security office if you're divorced, but

we're married for at least 10 years. And if you're widowed, you actually might even be able to claim Social Security benefits a little bit sooner. So if you're widowed, you can claim off of your deceased spouse's amount, sometimes as early as age 60. So hundreds and hundreds of rules surrounding Social Security, some very interesting ones surrounding social security and the different types of situations around marriage. And that's about all I'm going to cover tonight on Social Security. So Dan, are there any questions that have come in specifically on the social security side?

41:56

Yeah, a question from Carol, her husband is 65 and is due to get 20 $300 a month, Carol is four years younger. And due to get about $900, just trying to hold together what you're mentioning the first bullet to see if she's eligible to take her retirement earlier.

42:24

Okay, so you need to go back to your social security people about this, because if he's if 65 is his full retirement age, I don't know if it is or not. And he is supposed to get 2300, then you claiming years early at age 62 is the earliest you can start. So if you're four years younger, I'm assuming you're 61. So you can't start anything till you're 62. But you're going to want to talk to your Social Security office to see if you're immediately eligible for half of his, or if you need to start out and take your 900 until you get to your full retirement age, and then it will bump up to half of his. But if you started at the right time, you'll be eligible for half of that 20 $300 amount, which is 11 $150 a month, which is more than your 900. So that's why I'm saying it's definitely worth checking out.

43:14

Great. Also a question for Peter and Dallas. Not sure specifically where this was in your conversation, but his question is, is the 85,000 income just salary? Or would it also include interest in 401 k money.

43:31

So he was talking about the $85,000 number of income for the high income Medicare beneficiary penalty. And my understanding that is all sources of income count towards that even capital gains and things like that. So you'll want to like I said, Google the numbers on that, because they they're different for married versus single. But you'll see

what the rules are, if you Google that, and it'll spell it right out on the internet for you.

43:58

Great, we'll also take a look into your book to for further information on this.

44:02

Absolutely. Okay, let's keep going down the financial side, we've got 15 minutes left, and I want to talk briefly about the financial planning side of retirement. So the B word is kind of a bad word in retirement planning. And what I mean by that is budgeting. But for sure, you have to start paying attention to what you're going to spend in retirement in order to figure out how to set up your finances. So let me talk a little bit about investment basics 101, and then give you a strategy to think about and some information you might not be aware of when it comes to retirement planning. Number one, asset allocation. Asset Allocation simply means that you don't have all your eggs in the same basket. So there are about 10 to 15 different segments of the market, both stock and bond markets that make sense to have pieces of your money and and there's a method To the madness about how you set that up. So asset allocation all triggers off of how much risk you're willing to take in your portfolio. So the very first conversation you should be having with any financial advisor about your money should be, what level of risk Are you comfortable taking with your investments and with your retirement money. And then based on that, they should be able to help you or you should be able to do this yourself, set up an asset allocation for yourself, meaning figure out what percentages of money belong in the different buckets. So asset allocation and risk level are incredibly important in retirement planning. The next thing that's important is having liquidity and access to at least some of the money. Now, not all of your money needs to be liquid and accessible, because conceivably, you wouldn't need every single penny you have all at one time. But having access to some money, for the things that come up during life that are unexpected, is still just as important in retirement as it has been the other parts of your life. You've heard that you need an emergency money, you know, an emergency fund all your life, when you're in retirement, you for sure need to have an emergency source of money that you can tap into anytime, because things still happen to, you know, come out of left field and require cash that you weren't expecting. So asset allocation, liquidity and access and risk are some of the main focuses that you have to pay attention to when it comes to planning for your portfolio. Now, there's another type of risk that a lot of people don't even realize is out there. And what it is called is sequence of returns risk. And sequence of returns risk really only matters when you get to retirement. Now this chart that you're seeing here is something that says on the left hand side, we have Mrs. Lucky. And she put in $100,000,

she made an average return over this 10 year period of 6%. And she was taking out $6,000 a year. So you can see for Mrs. Lucky, she started out with 100,000. In this example, she made 30% the first year. So now she has 130,000, she took out her 6000 and that left her $124,000. So she kept taking $6,000 out each year. And then her rate of return, she started out with really high rates of return the first couple of years, and then 10. And then she had negative 20 and negative 30 at the bottom. Now I'm not trying to say that this is a typical return pattern, I'm certainly not saying that I'm just using that as an illustration. And what I'm trying to make you understand is that the sequence of these returns comes in really can affect your portfolio. So look at Mr. Unlucky, he had the exact same sequence of returns, except it's backwards. So his negative returns came at the beginning. And his big positive returns came at the end, he also put in 100,000. And he also took out $6,000 a year. But you can see that because he had his negative returns at the beginning of his sequence, rather than at the end of his sequence, that is ending dollar amount is drastically different than where you had the positive sequence at the beginning. So we don't have a lot of time to continue to spend on this slide tonight. But what I want you to understand is if a negative sequence of returns happens during the first five years of your retirement, and you're withdrawing money from assets that have just lost a significant amount, you might never ever be able to recover from that. So a negative sequence at the beginning of retirement can have a massive, lifelong impact for you. And what I want you to hear me saying is, this is incredibly important for you right now, right? We are 10 years into a bull market. At some point in time, there will be a correction we don't know when but there always is a correction following an up market. That's just the way the markets work, they go up they go down. And at some point in time when the market corrects things are gonna lose value. So if we're 10 years into a good market, that means sometime in the next 10 years, we're really likely to see a correction at some point. And if that happens, and it's in the first five years of your retirement, it can create a problem. So the answer to that problem is using something like this which is called a bucket planning approach. And a bucket planning approach is designed to eliminate the sequence of returns risk from your overall retirement picture. So in a nutshell is setting up three buckets you have a now bucket a soon bucket and a later bucket. The now bucket should be safe and liquid and when I say safe, I mean money like this should be sitting In the bank protected by an FDIC type of guaranteed liquid meaning you can get it added in any time. And you really want to have enough income in the now bucket for you to live on for the next 12 months, you want to have your emergency money position in there to where you're comfortable, and any planned expenses coming up like a car purchase or a child's wedding or something like that. The next 10 years after that, then you want to position in your soon bucket and the focus of the student bucket is to be conservative and to focus on income. And this bucket is where we're going to want to take your income from during the next phase of retirement the first phase for some of you like the next 10 years. And of course, we want to include some inflation hedge in there. And

then all the rest of your money can be sitting in the later bucket, which still can be more about long term growth and about legacy planning. And this is where you'd have income that you draw from in the second phase. Now in that second phase, because you aren't going to be tapping into it for quite some time, you can take a little bit more risk. So when you think about this kind of simplified strategy, the now bucket takes care of next year, this next year, this soon bucket takes care of the 10 years after that, and the later bucket is for the years following that. So if we have a negative market, if the soon bucket is invested very conservatively, it really isn't going to affect that bucket much. The negative market's going to affect that later bucket. But if you're not going to tap into your waiter bucket for 10 1112 1314 years, that layer bucket has time for correction to happen, and then the market to hopefully come back. So bucketing your money this way with specific focuses for certain amounts of money is a great way to avoid sequence of returns risk. Alright, Don, do we have any quick questions about some of this sequence of return risk or some of the investment strategy we've been talking about?

52:01

No, it looks like we're still a little baffled and not ready to ask questions in this area.

52:08

Okay, I hope I haven't gone through this too fast. But in a nutshell, if you bucket money like this, and you have a focus on the now bucket for your safe and liquid, and your soon bucket is focused on being conservative and providing income in the next 10 years, it allows you later back it to be more long term growth focused and also includes your legacy planning. Okay, one thing that I also want to mention is people frequently asked me how a financial planner gets paid. Now some financial planners are fee only meaning that they charge a fee for their services. And or they charge a fee, which is a percentage of whatever money they manage for you. Some planners are commission only meaning the only way they get paid is to sell you a financial product that makes a commission. And some people are a hybrid, meaning they have the ability to do either one of those, and they would be disclosing to you how they get paid. Now, if they are commissioned only sometimes that would be considered a red flag, because if the only way that they can make money is to sell you something, then sometimes there is a an agenda there where they're just trying to sell a product, whether or not it fits you or not. So I generally recommend that you work with someone who's a fee only or a hybrid advisor in order to make sure you're getting the best level of care. And also those are the ones that are your fiduciaries, it's very difficult for someone who's a commission only advisor to be a fiduciary. Because they can all they have to make a sale and they get paid a commission.

And sometimes that can cause the conflict of interest. Another thing to consider is whether or not an advisor works for a captive company. So if you see that the insurance company's name is on the door, then they are not an independent adviser. Their job is to position that insurance company's products for you versus figure out for you What's best out there in the entire world of financial products. So if you see someone who's a representative of an insurance company, just be aware that they represent that company first. And then I also think that it's something to consider if someone doesn't have any financial designations beyond just the licensing, and in the case that they haven't gotten an additional specialized education. So it's something that when you're looking for an advisor, you want to be looking for somebody who is fee based or hybrid. You want to be looking for someone that's independent and the recommendations that they're making, and looking for someone that has some specialized designations. Now in my book, there's a whole section on How to interview a financial advisor. what questions to ask them to figure out how they work, and if they are gonna throw up any red flags that she wants to consider? Alright, I know we only have a few minutes left. So let me just make a couple quick more comments about estate planning, then that will wrap things up to let you know whether or not you're in a position where you're ready to pull the retirement trigger. From an estate planning standpoint, you really want to get your legal ducks in a row. There are three documents that everybody should have on file. That's the will, financial power of attorney and a healthcare power of attorney. Your will is designed to say who gets your stuff when you've passed away. If you don't have a will, the state you live in will decide who gets your stuff. And I don't know about you, but I don't really want the state to decide who gets my stuff. The financial power of attorney is something that is a standby document normally, so if you're no longer mentally able to make your own decisions about your finances, then whoever your financial power of attorney is can step in and help at that time. And then your healthcare power of attorney is someone who is going to help you make the decisions like pull the plug in, don't pull the plug but also can make decisions for you if you're not healthy enough to make them yourself. So the will the financial power of attorney and the healthcare power of attorney are the three pack of documents that everyone needs to have a strong retirement plans. And you also want to use this as a time to go back and check your beneficiary listings. Make sure that your beneficiaries are listed in such a way that it's exactly who you want to get your account. And what a lot of people don't know is that the beneficiary listings at the company level Trump the will. So your will can say one thing but if your beneficiary listen say another thing the beneficiary listings rule the day. All right. I think that's everything I have for tonight. I know I went through some things there at the end kind of quickly. Don, what kind of questions are out there from people?

57:07

What kind of ramp up we've got a question coming in from Sally and it relates to the beneficiary listing? Can you identify a little bit more for her what the beneficiary listing is for as one of her documents?

57:24

Okay, so the beneficiary listings are not a document the beneficiary listings is what you would have at a company level. So let's say you have an IRA out there or a 401k, or a life insurance policy, you need to be listing a primary beneficiary and a contingent beneficiary. The primary beneficiary is who gets the money if you pass away, the contingent beneficiary only gets money if you and all of the primary beneficiaries are also passed away. So it just says who gets the account. And if there's no beneficiaries listed, it would pass through what your will says.

58:00

Great. That clears it up. Well, unfortunately, Mary, we're out of time, we thank you for sharing your experiences your philosophy tonight, and we wish you well as you continue to carry your message that transforms lives. Well,

58:13

thank you very much. And thanks for having me.

58:17

Terrific. And I want to encourage the audience to take a look, go to Amazon, check out the book ready to pull the retirement trigger. And Mary, you also have some additional things on your website for people to be able to access.

58:30

We do there's a money died with Mary Stark radio show recordings, and then it also is a podcast on iTunes. And then as a special New Year's gift for everybody listening, we've arranged for my book on Amazon to be free for from December 28 to January 2. So if you go out to Amazon and Google ready to pull the retirement trigger, you'll see that book and the Kindle version is going to be free for that five days to help kick off your New Year's planning for retirement.

59:00

Fantastic. Well, thank you very much. You're very generous. And we wish you well too as you fly around in your paper charity in the skies of South Dakota. Thank you very much. And to our audience, thank you for taking the time out of your busy schedule to join us today. Your continued investment in your career in retirement will not only give you greater control over your career, but your personal happiness too. So we encourage you to stop back to the career community and watch on demand lectures by authors like Mary, who will share additional tips and strategies to help you advance your career and plan for a successful retirement.