SUNRISE
FINANCIAL SERVICES
431 SW Ambaum Boulevard, Burien, WA. 98166 ● 206-420-8520 ● www.sunrisefinancial.net

Retirement Planning: Frequently Asked Questions

1. How will I know whether I have enough money to retire?

Everyone needs a plan. There are many options to track your current assets and liabilities including spreadsheets, lists and "cheat sheets." These items can provide a temporary sense of security, but often do not take into account inflation and variability of investment returns.

At Sunrise we use a planning software designed to run hundreds of different projections and take all variables into consideration. We also factor in your tax planning, estate planning, and healthcare situation. This type of in-depth, holistic planning will provide multiple outcomes and highlight the plan best suited for you - uniquely tailored to your needs and specific circumstances.

2. What are the steps in retirement planning?

We have narrowed it down to two main questions – How would you like to spend your retirement? And how are you going to pay for it? While we cannot answer the first question for you, we can certainly try to help you achieve your ideal retirement.

Some want to spend with family or travel and others simply want to relax. Regardless of your retirement priorities there are some things you will want to collect and think about in order to create a plan to pay for it:

- Retirement living expenses – what will your normal monthly and annual spending be in retirement?
- Large non-recurring expenses – cars, home remodels or maintenance, financial assistance to family
- Financial assets – compile a full list of all assets (bank, retirement, and other investment accounts)
- Liabilities – create a complete list of any outstanding debts (mortgages, car loans, credit cards, etc.)
- Retirement income sources – create a list of all possible sources of income in retirement, consider the following:
    - Have you obtained your social security estimates?
        - If you do not have these figures, you can use the Retirement Benefits Estimator on the Social Security website: https://www.ssa.gov/benefits/retirement/estimator.html
    - Will you be receiving pension benefits?
    - Will you be receiving distributions from annuities?

- Is there opportunity for part-time or contracted employment?
- Do you have rental properties that will provide income?
- Will you be receiving dividends being paid to you from any brokerage accounts or other investments?
- Are there any expected large one-time incomes such as selling a property or an inheritance?
- Have you provided any personal loans that will be paid back over time in the future?

3. How much will I spend in retirement?

The first step in knowing how much you will spend in retirement is having a clear understanding of what you spend pre-retirement. If you don't already have this documented in some way, you can use our Spending Worksheet to get organized. CLICK HERE TO DOWNLOAD THE SFS SPENDING TRACKER. Once you have that sorted out, you can consider the following while putting together a hypothetical post-retirement spending list:

- Increased travel expenses
- Changes in healthcare costs
- Changes in housing costs – downsizing or paying off a mortgage
- New hobbies (golf, shopping, crafting)

4. How much should I budget for healthcare costs in retirement?

Fidelity recently published an article suggesting most *couples* over age 65 spend an average of $295K in retirement on healthcare expenses. CLICK HERE TO READ THE ARTICLE. This article indicates much of this amount (approximately 80%) covers Medicare premiums, co-pays, co-insurance, and deductibles while the remaining 20% covers prescriptions and medicines.

While this figure is sometimes alarming it is important to note this is not a lump sum spent all at once, it is gradual over potentially multiple decades. It is also important to understand that everyone's post-retirement healthcare puzzle is going to be different depending on your career, employer and expected healthcare needs. It can be overwhelming, and we highly recommend contacting a professional who will be able to help you navigate the options.

Sunrise Financial Services considers Shirley Van Nostrand of Advantage Insurance Benefits to be a trusted and strategic partner in this field. You can reach Shirley by phone at 206-612-5463 or 866-318-9288 or by email at shirley.aibenefits@gmail.com.

5. At what age should I collect Social Security Benefits?

The Social Security program was designed for workers to start collecting at their Full Retirement Age (FRA), which is 66 if you were born during or before 1954. Your FRA increases by 2 months for every year after that up to a maximum FRA of 67 for those born in 1960 or later.

You can opt to collect as early as age 62, but your benefits are reduced by approximately 6.25% for every year prior to your FRA. On the other hand, your benefits will increase at 8% each year you delay benefits beyond your FRA. You can defer up to age 70, in which case your benefits would be 32% higher than the age 66 amount.

There are hundreds of different options when it comes to taking Social Security and calling or going into the Social Security office to learn about your options won't always provide you with the best scenario for your situation. In fact, you may even get different answers each time you contact them. Everyone's situation is unique, many factors go into deciding when to take your Social Security benefits, and what options are available to you. We highly recommend speaking with a professional who is well versed in helping navigate this complicated system.

6. **How should I change my investments when I am getting close to retirement?**

   Generally, most people begin trending more conservatively the closer they get to retirement, but also the older they get. However, this also depends on your risk tolerance and how much wiggle room you have to increase the risk in your portfolio. The higher the risk, the higher chance of volatility.

   When we design a written income plan, we prioritize creating balance by asset class diversification - which is just a fancy way of saying we recommend you have some investments that are more growth oriented, others with principal protection and guarantees, and potentially something in between.

   The portfolios we create are easily adjusted to meet your needs as they change overtime. We review individual investments and complete portfolios regularly to ensure they are performing as expected and can grow and change as you do.

7. **I have a pension and there are so many options. Which should I choose?**

   There really is no blanket answer for this and it’s normal to feel overwhelmed.

   Not to sound like a broken record, but everyone's situation is unique and there are many things we strongly consider before making a choice related to your pension. Some of the factors dictating your pension benefits are the company, the employer, how much is vested, cost of living adjustments(COLA), being married vs single and spousal benefits, this is only listing *a few*. Before making ANY pension choices, talk with a professional so you have the most information possible and can make an informed decision

8. **Should I put my retirement savings in annuities?**

   While a life insurance policy is protection from loss of income in death, annuities are protection from loss of income during life. Annuities sometimes get a bad reputation for being misused because of the high commissions earned from them. The result is the wrong tool for the job - you wouldn't use a hammer to change a light bulb, but that is what some advisors do with annuities - giving them a very bad wrap.

   The right annuity in the right situation can provide protection from market risk, reasonable growth, lifetime income, and a death benefit for your beneficiaries. It is all about the right tool for the job, and your portfolio as a whole needs to "hire" multiple investments that perform different functions in order to achieve balance.

9. **Do I need a Will or a Trust?**

   This is a simple question which warrants a complicated answer.

   Depending on the different types of investment accounts you have, the amount and type of other assets (real estate, heirlooms), and your situation (blended family, existing or potential for conflict between family members, single parent of a minor child, business owner...the list goes on), you may need simple or more complicated estate planning.

   While we are not estate planning attorneys, we recommend everyone prepare accordingly, because the last thing you want to do is leave little to no instruction about the life you leave behind. At a bare minimum, we strongly encourage you to have beneficiaries on all your investment accounts and bank accounts.

We also recommend getting your estate planning documents updated every 3-5 years because state and federal rules, laws, and regulations change - as do assets and family circumstances. If your records are not updated regularly your wishes could become contestable in court or completely ineffective. No one wants the state to be responsible for interpreting their final wishes.

Mark Reinhardt of Rehberg Law Group has proven to be an efficient and trusted partner in this area of Estate Planning Law. He can be contacted by phone at 206-246-8772 or my email at mreinhardt@rehberglaw.com.

10. **How much do I have to pay you or any other Financial Advisor?**

We can only speak for Sunrise Financial Services and Janice specifically, but we are very open about how and when we get paid.

On the insurance side Janice gets paid a commission – almost like a finder's fee. This commission does not come out of your investment, it is paid entirely by the insurance company.

The securities side is mostly fee based. We charge an annual percentage-based fee of the total amount of assets under active management. We also have standard buy-and-hold brokerage accounts we do not charge a fee for. The only fees for this account type are related to annual maintenance of the account, tax reporting, and trade costs, all of which are charged by the custodian holding the funds, not SFS.

Janice is an independent advisor, which means she has hundreds, perhaps thousands, of different investment companies available to her clients on both the insurance and securities sides of the business. She is not tied to or obligated use any preferred companies and she does not get kickbacks from funds she chooses to use.

Since commissions and fees vary significantly for each situation, we make sure to be very clear and go over these specifics in detail before any client moves forward with paperwork or investing.