



## TIME FOR A YEAR-END RETIREMENT FUNDING REVIEW

As people enter their retirement years, they tend to think that the albatross of “financial planning” can finally be removed. They have worked hard their entire lives, saved a little money along the way, sought out the professional guidance of a financial advisor, and hoped they could stash away enough money to enjoy their golden years.

But alas, it’s not quite that simple, is it? The reality is that the first day of retirement is simply the beginning of a new phase in financial planning for seniors — a shift to “retirement funding” and not outliving their savings or overspending their cash flow.

Financial advisors are in a unique position to help their clients manage the emotional and practical implications of spending down their retirement savings. Therefore, with another year about to end, now is a good time for financial advisors to work with their retiree clients to examine their assets and conduct an annual, year-end retirement funding review.

Please find below a five-item checklist to make sure that seniors are successfully managing the transition from “retirement planning” to “retirement funding.”

### 1. Evaluate the Budget

It is prudent to look at a retiree’s expenses from the prior year and how his or her annual burn rate is aligning with his or her pre-retirement projections. This is especially important as clients may have returned to some traveling this year, with the loosening of COVID-19 lockdowns in 2021. It is also recommended to conduct a budget re-evaluation during the year following any sort of major life altering events, such as the passing of a spouse or the sale of a business.

### 2. Embrace a New Mindset

The mental component of the retirement transition may be the most important and difficult to accept. It is not easy to move from a mindset of accumulation to spending down assets. It can be jarring. Financial advisors can help by reassuring retirees that now is the time to close the old chapter of saving and embrace a new chapter of enjoying the fruits of their labor.

### 3. Establish a Safe Withdrawal Rate

Many seniors just need to be reminded that their plans are still sound, while others may require a

more detailed illustration that their lifestyle remains financially sustainable. It is a good idea to both review withdrawal rates over the last few years and establish an updated withdrawal rate that considers age, inflation assumptions and a conservative return projection.

#### 4. Conduct an Inventory of Assets

Each asset – both liquid and illiquid - in a portfolio should be examined to see if they are serving its intended purpose. For example, for most clients, the decision to purchase a life insurance policy was fueled by trying to provide financial relief for loved ones in the event of their untimely death. But today, many retirees are now in a different place in their life journeys and the reasons they purchased that life insurance policy originally may no longer apply. One option for seniors to consider if their life insurance policy is no longer serving its purpose is to sell the policy to a third party in a life settlement transaction. The seller receives a lump sum cash payment for the policy — typically four to seven times greater than the cash surrender value — and the buyer takes over the premium payments, collecting the death benefit when the insured passes away.

#### 5. Value the Most Coveted Asset

Finally, the end of the year is a great time to take a step back and help clients prioritize their goals for retirement. Chances are that those goals have more to do with how they spend their time compared to how many dollars they can accrue. Reminding seniors to appreciate the importance of spending more time with their loved ones is priceless advice. Time — not money — is the most valuable asset.

If exploring the life settlement option can be part of a retirement funding plan in the new year – especially if a senior is considering lapsing or surrendering a life insurance policy back to the insurer - then the first step is to contact an experienced life settlement broker, like Welcome Funds. The broker has a fiduciary duty to represent the best interest of policy owners and will provide them with a no obligation appraisal of their policy to identify the range of its market value.



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