



Clear Direction for Your Retirement™

by Chris Wootton, ChFC®



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THE RETIREMENT PUZZLE

Putting the pieces in place.



Happy New Year!! It is a brand new year filled with new opportunities. There are very few activities that give my wife and I more of a thrill than planning a vacation getaway. We are pretty spontaneous travelers but have found that planning around a few basic things based on where we travel can really help us get the most out of our getaways. Doing some pre-planning around things like our ultimate destination, how long we're going to stay, specific directions to reduce travel time, ensuring we have appropriate attire and equipment for those "just in case" situations that can occur, and... well, you get the drift. Making these plans takes time and effort on our part, but preparing around these essential things also helps ensure we are able to truly enjoy our getaway.

We all make specific plans when we build a home, plan a college experience for our kids, build a business, or plan a menu. It amazes me how, without even knowing it, aspiring retirees are so casual about their plans for retirement. Instead, they focus on the purchase decisions of financial products and get lost in a sales process. Seldom do they really focus on seeking to efficiently coordinate foundational elements of a solid financial retirement plan. Our firm has had three decades of enjoying the privilege of assisting others with this exciting journey and it has taught me to focus my energy on coordinating the financial principles, not on selling financial products. Financial products are simply the tools that can help implement what's found in the financial plan and it is not one-size fits all.

The following are the Five Critical Pieces of a Sustainable Retirement Plan. Many people retire just fine without specific game plans for each of these areas, but those who do make specific plans in these areas reach the destination with much less stress, and quite often sooner than those who just wing it.

INCOME PLAN

Two of the greatest financial concerns about retirement are 1) whether you'll have enough income to retire, and 2) whether your income will last

for both of your lifetimes. So what is the specific plan for delivering that income over different time-frames in your life? Which assets should produce income first, which should take care of inflation and from which pot will you buy new cars or help out the grandkids? Identifying which assets you're going to use at different stages allows you to identify where to allocate risk versus more stable and dependable income streams. Without a plan like this, most people make decisions out of the fear of not having enough and wind up taking on a lot of unnecessary risk in several of the other components.

INVESTMENT PLAN

Once the plan for current and future income has been established, you can go about the work of removing as many unknowns as possible. Using the income plan as the template in which to drop in an investment strategy can be very liberating. For most of my career, the coordination of these eluded me, forcing me to stick with the traditional stale strategies. By redefining the target – away from rate of return dependence – it allows us to think and proceed with much greater specific intent in our selection of investments.

TAX PLAN

Do you think taxes are going to increase or decrease over the next twenty years? I certainly don't pretend to have a crystal ball, but I'd say the current state of affairs financially in the U.S. are going to play a large role in the determination and we are at historic lows in rates now. So why would someone retiring in a few years choose to 'max out' current 401k contributions today? You may find yourself withdrawing that for living expenses at the price of a much higher tax. From another perspective, what are you doing today to maximize the tax efficiency of the income you'll need to live on after you retire?

ESTATE PLAN

How will you protect your savings for your spouse and heirs from a myriad of risks? The goal is not simply the legal avoidance of giving your money to the government. There are many aspects that allow you to simplify the transition while providing benefits to your family.

MEDICAL/HEALTH PLAN

Have you carefully considered the potential costs and come to conclusions about how YOU are going to deal with them? If you retire early, what will you do about health insurance prior to Medicare? What about a potential nursing home stay; how's that going to get handled?

If you are working with advisors who are regularly engaging you in conversations that lead to action steps in each of these previous areas, then you've truly found a real advisor. Absent of that leadership, you're probably making purchase decisions – not financial plans.

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(936) 449-5952



2040 North Loop 336 W, Suite 125
Conroe, Texas 77304
(936) 449-5952
www.woottonfinancial.com

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