

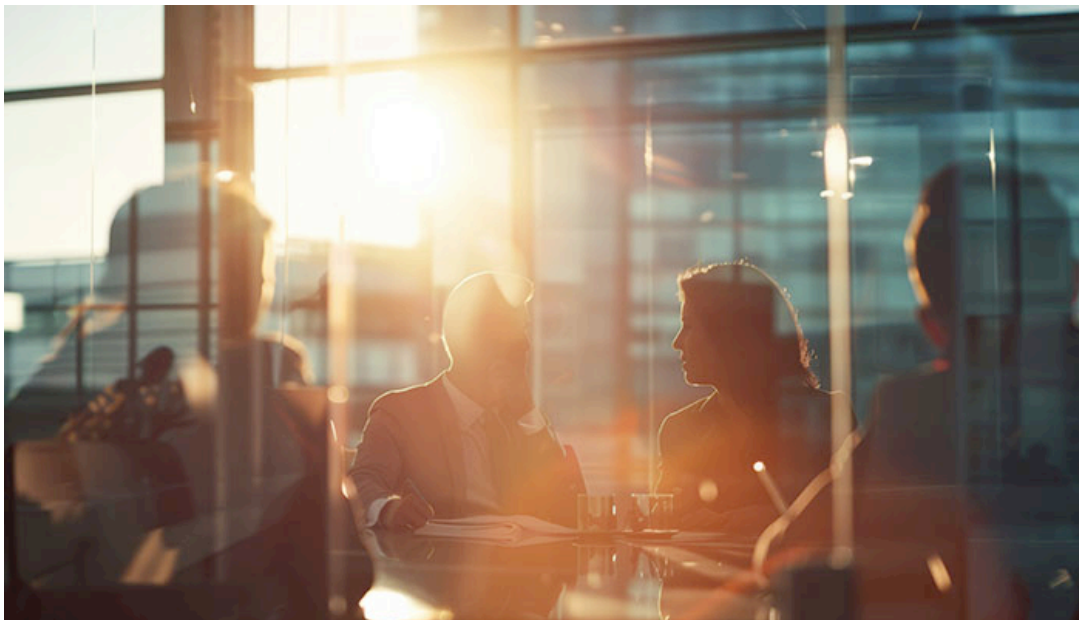
# LET'S TALK RETIREMENT



## WINDOWS OF OPPORTUNITY FOR ROTH CONVERSIONS, COMMON ESTATE PLANNING MISTAKES & PREPARING FOR LIFESTYLE CHANGES IN RETIREMENT

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When planning for retirement, Roth conversions can offer a powerful strategy for long-term tax savings. Converting a traditional IRA to a Roth IRA means paying taxes upfront but benefiting from tax-free growth and withdrawals in retirement. However, when you make that conversion is key, as it impacts the overall tax hit and your future financial flexibility. Below, we explore the pros and cons of Roth conversions and the five optimal times for making the switch.



### Why Consider a Roth Conversion?

Just like a movie, a comprehensive retirement income plan incorporates the ebb and flow of cash flows, ensuring your assets align with your living expenses throughout

retirement. To build an effective plan, start with these five essential steps:

## Why Consider a Roth Conversion?

Unlike a traditional IRA, which is funded with pretax dollars and taxed on withdrawal, a Roth IRA allows for tax-free withdrawals in retirement. Roth IRAs also have another advantage: they're not subject to required minimum distributions (RMDs) for the original owner, meaning you're not forced to take taxable withdrawals as you age. But the catch with a Roth conversion is that you pay income tax on the converted amount in the year you convert, potentially bumping up your adjusted gross income (AGI) and overall tax rate.

Given the tax-free growth and withdrawals with a Roth, paying taxes upfront might be a worthwhile trade-off, depending on your situation. Let's look at five windows of opportunity to potentially maximize the tax benefits of a Roth conversion.

### 1. When the Market Is Down

A downturn in the stock market can provide an ideal moment for a Roth conversion. When your portfolio's value is lower, you'll pay tax on a smaller amount. For instance, if your traditional IRA value drops from \$100,000 to \$70,000, converting at this reduced value means you pay tax on \$70,000 rather than \$100,000. Later, when the market rebounds, your assets will grow tax-free within the Roth IRA. This allows you to convert a larger portion of your assets for a lower tax cost, providing potentially more tax-free growth when the market recovers.

### 2. When You're Anticipating a Change in Tax Brackets

Current tax rates are historically low, but certain provisions in the Tax Cuts and Jobs Act are set to expire at the end of 2025. For example, the 22% tax bracket may revert to 25%, and the 24% bracket could jump to 28%. Given this outlook, it may be wise to consider a Roth conversion while rates are low. Locking in today's tax rates could mean significant savings if tax rates increase in the future.

### 3. When You're Between Retirement and RMD Age

For many individuals, the period after retirement but before RMDs start (currently at age 73) can represent a lower-income phase. Without a salary or Social Security income, this window may offer a more favorable tax environment for a Roth conversion. Since you're in a potentially lower tax bracket, you might convert portions of your IRA over multiple years, avoiding a large tax hit in any single year.

For example, a married couple in the 22% tax bracket might retire at 65 but not face RMDs until 73. With lower income, they can potentially convert parts of their IRA while staying in the 22% bracket, optimizing the tax benefits of the Roth without jumping into a higher bracket.

### 5. When Planning Ahead for Your Heirs

If you want to leave a tax-advantaged legacy for your heirs, a Roth conversion may be advantageous. Converting to a Roth IRA reduces the tax burden on your heirs, as they can generally take tax-free distributions. While non-spouse beneficiaries of Roth IRAs must follow certain distribution rules and may have to withdraw all funds within 10 years, the tax-free growth and withdrawal benefits of a Roth IRA can still provide meaningful financial advantages.

## Timing Matters: Roth Conversions for a Flexible Retirement Strategy

Ultimately, the timing of a Roth conversion can significantly impact your retirement savings and tax liability. Whether it's taking advantage of a market downturn, a lower tax bracket, or a lower-income year, these windows can help you maximize the benefits of a Roth conversion. As with any tax-related decision, consult a financial advisor or tax professional to determine the best course for your unique situation.

Making strategic Roth conversions can provide you with tax-free income in retirement, greater flexibility, and potentially a lower lifetime tax bill – empowering you to enjoy your hard-earned savings in the way you choose.



# COMMON ESTATE PLANNING MISTAKES: AVOIDING PITFALLS TO PROTECT YOUR LEGACY

Estate planning is essential for anyone who wants their assets and possessions to be passed along smoothly to their chosen heirs. Beyond money, it's about ensuring your wishes are clear and your loved ones are spared the added burdens of legal disputes or financial hardships after you're gone. Let's dive into some of the most common estate planning mistakes and how to avoid them, so you can create a solid legacy for your family.



## What Is an Estate Plan?

An estate plan is a set of legal documents that determine how your assets will be handled after your death or if you become incapacitated. At its core, an estate plan typically includes a will, a trust, an advance healthcare directive, and power of attorney documents. Even if you don't have significant assets, an estate plan is still valuable, especially for expressing your wishes about medical care and potentially reducing family disputes.

## Common Estate Planning Mistakes to Avoid

Despite its importance, many people make critical errors in estate planning. Here are the most common missteps to watch out for:

### 1. Procrastinating

Far too many people delay estate planning, assuming they'll get to it later in life. But life's unpredictability means waiting can lead to unintended outcomes, especially in the case of sudden incapacity or death. Without an estate plan, your loved ones could face lengthy legal processes to access your estate, and they may not have clarity on your medical preferences if you're incapacitated. Creating an estate plan sooner rather than later ensures you're prepared, whatever life may bring.

### 2. Creating an Estate Plan on Your Own

While DIY estate plans are increasingly popular, they often lead to complications when they're incomplete or contain errors. An estate attorney can provide invaluable guidance, ensuring your plan covers all necessary elements and is legally sound. The cost of hiring an estate attorney can vary, but many offer free consultations or flat fees for specific services, like drafting a will. Investing in expert advice can prevent expensive and emotionally taxing issues for your family down the line.

### 3. Leaving Loved Ones Uninformed

Estate planning involves difficult conversations, but they're crucial. Openly discussing your intentions with relevant family members and heirs can help prevent confusion, potential conflicts, and the added stress that often accompanies these situations.

Making sure your family understands your wishes – and has a roadmap of what to expect – helps avoid potential misunderstandings.

#### 4. Keeping Estate Planning Documents Locked Away

An estate plan is only useful if it can be accessed. Storing your documents in a safe or safe deposit box may seem like a secure option, but it can make them difficult to retrieve. Instead, share copies with your executor or trustee, a trusted family member, and your attorney, and ensure your family has contact information for these key individuals. This proactive step can ease the process for your loved ones when they need it most.

#### 5. Missing Key Documents

A complete estate plan includes several essential documents. Missing one or more of these can lead to disputes and unintended consequences. Ensure your estate plan includes:

- **Last will and testament:** Outlines your wishes for asset distribution and affairs management after your death.
- **Beneficiary designations:** For accounts like 401(k)s, IRAs, pensions, and life insurance policies.
- **Durable power of attorney for medical care:** Names someone to make healthcare decisions for you if you're incapacitated, often paired with an advance healthcare directive.
- **Durable financial power of attorney:** Appoints someone to manage your finances if you're unable to do so.
- **Funeral instructions:** Specifies your funeral or memorial preferences.
- **Proof of identity and personal documents:** Such as your Social Security card, birth certificate, marriage/divorce certificates, and any prenuptial agreements.
- **Deeds or loan documents for significant assets:** Includes properties, boats, or other valuable items.
- **Living or revocable trust:** Optional, but can help your heirs avoid probate and facilitate asset transfers.

#### 6. Overlooking Digital Assets

In today's digital age, it's easy to overlook the importance of planning for online accounts and digital assets, including social media profiles, cryptocurrency, and cloud storage. Appoint a digital fiduciary in your estate plan who can access and manage these digital assets after your death, ensuring they're handled according to your wishes.

#### 7. Forgetting About Final Arrangements

Making arrangements for your funeral may not be pleasant, but it's incredibly helpful for your family. Specify your preferences, set aside funds, and consider details like burial versus cremation and service style. With funerals costing over \$8,000 on average in 2024 (according to the National Funeral Directors Association), planning ahead can alleviate both financial and emotional stress for your loved ones.

#### 8. Ignoring Taxes

Depending on the size of your estate, tax liabilities can be substantial. While the federal estate tax exemption is \$13.99 million in 2025, this threshold could revert to a lower limit if current laws change. Additionally, many states have their own estate or inheritance taxes, so it's important to research your state's policies when creating your plan.

#### 9. Not Updating Your Plan

An estate plan isn't a "set it and forget it" document. It should be reviewed after significant life events – like marriage, divorce, the birth of children or grandchildren, or acquiring new assets – to ensure it reflects your current wishes. In general, aim to revisit your plan every three to five years to keep it aligned with your circumstances and preferences.

## 10. Choosing the Wrong Executor or Trustee

Selecting the right executor or trustee is as important as drafting the plan itself. Avoid choosing someone who may have a conflict of interest or who lacks the time or ability to manage the responsibility. Ideally, choose someone trustworthy, unbiased, and willing to serve in this role, and make sure you discuss it with them beforehand.

## Taking Action for a Secure Legacy

Avoiding these common estate planning mistakes can spare your family unnecessary stress and help ensure your wishes are honored. An effective estate plan isn't just for the wealthy—it's for anyone who values peace of mind and wants to protect loved ones from additional burdens. Start the planning process now, and revisit your plan as life evolves, to safeguard the legacy you've worked so hard to build.

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## PREPARING FOR LIFESTYLE CHANGES IN RETIREMENT: BEYOND THE FINANCIALS

Retirement planning isn't only about numbers; it's a significant life transition that requires preparation in all areas of life. As a financial planner, my role extends beyond helping clients save through 401(k)s or maximizing Social Security. Meaningful retirement planning includes helping clients envision what they want their life to look like when they no longer have the structure of a full-time job. Here, we'll explore why nonfinancial aspects of retirement are critical and how a comprehensive approach can lead to a more fulfilling retirement.

## Mapping Out Goals and Dreams

After decades of working, many find it challenging to imagine life without a structured work routine. For this reason, we encourage clients to think deeply about their personal goals several years before they plan to retire. What do they hope to pursue? Whether it's a hobby, traveling, or moving closer to family, laying out these aspirations in advance helps us clarify financial requirements and allows clients to visualize their lives post-retirement. Having a clearer sense of what they want can prevent the aimlessness that sometimes occurs when people retire without concrete plans.



## Encourage a Test Run



While many clients have big ideas for retirement, they haven't always considered the practical details. I often encourage clients to do a "test run" of certain lifestyle changes about five years before they plan to retire. Testing out their vision allows them to see if it's truly what they want and helps them feel more prepared. For example, if moving to a warmer climate is part of their plan, buying or renting a property there as a vacation home, if feasible, can offer invaluable insights. Alternatively, those considering an active retirement in charity work or hobbies can begin volunteering or dedicating more time to these activities before retirement to ease into their new routines gradually.

### **Regular Check-Ins for Evolving Plans**

Life plans often change, which is why we schedule regular check-ins as retirement approaches. These conversations help adjust retirement plans based on shifts in clients' dreams or logistics. For instance, I once worked with a client who aspired to live on a sailboat full-time. Over time, with continued check-ins and discussions about the realities of boat life, he refined his vision, realizing a partial year on the boat would be more practical and enjoyable. Frequent check-ins allow us to help clients adapt their plans to meet evolving preferences and circumstances.

### **Planning for Social Connections and Community**

Retirement isn't just about staying busy; it's also about finding a community that aligns with one's social and recreational interests. Clients often consider moving to a new location in retirement, whether for climate, community, or family. During our planning discussions, we delve into the social aspects, helping clients weigh choices like living inside a golf community or in a location where they can build a supportive social network. For one client, our discussions about her desire to play more golf in retirement led her to consider living within a golf community rather than nearby. Though initially hesitant, she found this adjustment added significantly to her quality of life, as it placed her closer to her social circle and activities.

### **Taking a Holistic Approach to Retirement**

Retirement planning is about creating a life that feels fulfilling and enjoyable. By exploring not only the financial elements but also the lifestyle aspects, clients can enter retirement with purpose, structure, and a realistic vision for this new chapter. As financial planners, we're not just helping clients manage assets but helping them create a meaningful life. With the right support, preparation, and a vision of what's to come, clients can enjoy the retirement they've worked so hard to achieve.

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## **YOUR FINANCIAL ADVISOR**

As your financial advisor, my role is to help you navigate the intricate landscape of financial planning, working together to achieve your long-term goals. I bring expertise on a range of topics – from building investment strategies to creating tax-efficient retirement plans. This means that I'll guide you through choices that can significantly impact your financial well-being, giving you the insights needed to make the best decisions.

For instance, I help demystify retirement accounts like Roth IRAs, explaining eligibility, contribution limits, and tax benefits in clear terms. Many clients find these rules confusing, but by ensuring you understand them, I can help you maximize your retirement savings in tax-friendly ways. This guidance is particularly valuable for those who may not have the time or inclination to explore every financial regulation on their own.

Beyond retirement planning, I'm also here to assist with estate planning – a process where even minor mistakes can lead to unintended, costly consequences. I'll work with you to structure your estate plan to minimize taxes, avoid probate issues, and make sure your assets are distributed according to your wishes. This personalized support reduces the risk of common errors and brings peace of mind, allowing you to feel secure about your legacy. With my guidance, you can confidently pursue the retirement lifestyle you've envisioned, knowing you have a solid foundation for your financial future. Together, we'll make sure you're prepared for every step ahead.

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