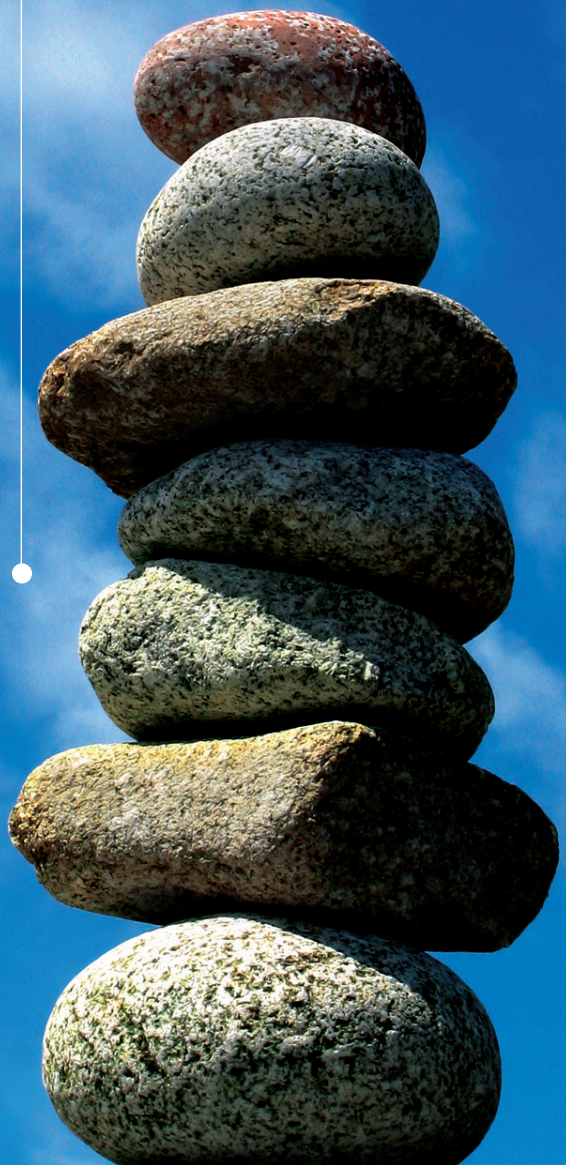
The 7 Stages of Planning for Retirement

Which stage are you in?



Hawley Advisors

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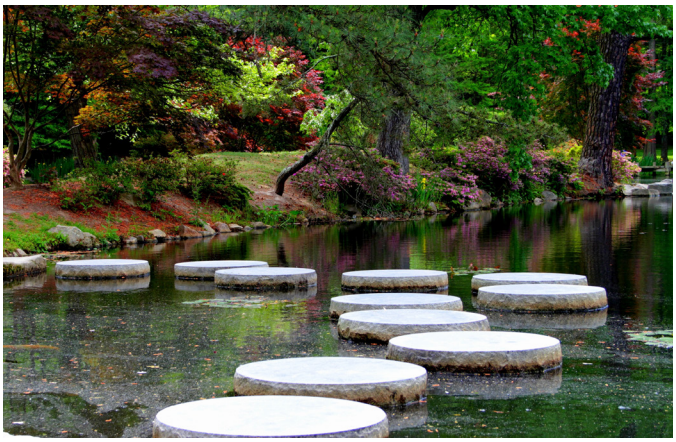

INTRODUCTION

Planning for retirement unfolds a little differently for everybody, but most people go through what we have identified as 7 distinct stages. Each stage sets in during a different period of your life, and will force you to confront different realizations, considerations, and challenges if you want to enjoy a stable retirement.

So which stage are you in and how can you begin or better prepare to meet the challenges and needs of your retirement which is inevitable - in most cases — at some point. This paper was written to help you and your family navigate the challenges as well as some of the most common questions and issues that arise when considering retirement, not least of which is how to build the capital needed to meet your goals. By seeing the big picture, we hope to help you account for many key items that you need to consider for a secure retirement.

STAGE 1: DENIAL

No Vision, No Plan, No Retirement.

This is the first stage, and the planning stage most people are in by default. Throughout their 20s and into their 30s, most people seldom think of retirement, or deliberately avoid thinking about it. In some cases, this thinking can persist into their 40s or even their 50s.

Retirement is important to consider, unless you want to work for the rest of your life. So why do people avoid thinking about it, planning for it, or even developing a vision for it, especially given that the earlier you start the greater the potential for a secure retirement.

These are some of the most common reasons:

- **Retirement is many years away.** The human brain isn't adept at contemplating long-term consequences. When something's a year away, we tend not to conceptualize it. When it's many decades away, it's nearly impossible. Unfortunately, this mentality can persist for too long, enabling you to procrastinate retirement planning until it's too late.
- **I'll understand this better in the future.** Retirement and financial planning are complex topics, so it's natural to assume that one day, you'll understand it better. However, the information doesn't just come to you naturally; most people need to actively research the topic and/or work with a financial advisor, no matter how old they are or how much financial experience they've had.
- **I'm intimidated to think about this.** Some people avoid thinking about retirement because they're intimidated. They might be afraid of making an investment mistake, or might be reluctant to reach out to a financial advisor for fear of looking ill-prepared. Unfortunately, this intimidation can make your situation even more challenging to deal with.

STAGE 1: DENIAL *(continued)*

No Vision, No Plan, No Retirement.

- **A lack of education.** There is a surprising gap in education when it comes to educating young people about personal finances and retirement. This does not help younger people to think about finances in ways that could be most advantageous to them.

It's crucial to get out of the denial stage as early as possible by actively thinking about your retirement, and taking the first steps toward planning for that future—even if it's decades away.

The earlier you start planning for retirement, the better, and for concrete, measurable reasons:

- **The accumulation of compound interest.** Compound interest is extraordinarily powerful when it has the chance to develop over the course of decades. In case you aren't familiar, the general principle is this: after making a principal investment, you'll earn interest on that investment, and eventually, you'll earn interest on that interest. If you see an annual return of 7 percent, that allows your investment to double in about a decade. Accordingly, the earlier you start planning for retirement and investing, the more compound interest you'll harness, increasing your total wealth many times over.
- **Risk tolerance.** As you get older, your tolerance for risk begins to decrease. A person in their early 20s investing in the stock market can afford to lose everything and start again from scratch, which allows them to chase potentially higher returns. A person in their 60s hoping to retire in a few years must gravitate toward lower-risk investments, which stifles their returns. In other words, the younger you start planning for retirement, the bigger risks and bigger rewards you can chase.
- **Experience and development.** Like with any other skill, the more time and effort you put into developing your investing and financial planning abilities, the more experience you'll develop. Planning for your retirement early gives you ample time to get better at managing your money, so you'll be a certified pro by the time you're ready to officially retire.

STAGE 2: ACCEPTANCE

It's time to take action.

The second stage is acceptance. Once you've gotten out of the denial stage and you realize that the sooner you plan for retirement the better. Your next question may be about how or where to start.

What's my vision?

Your first step is developing a vision for your retirement by defining your general goals. For example, are you interested in retiring as early as possible, in your 50s or even sooner? Or are you looking to develop your career well into your late 60s? Will you have paid off your home and debts by the time you envisage retiring? If yes, the amount you will need to live on will be significantly less.

When you retire, what sort of lifestyle do you envisage? Do you want to travel frequently, see the world, live in close proximity to your grandchildren or live overseas or in a different state? Are you interested in acquiring enough wealth to help support your children buy their first home or pay off their debt or generate another income, after you're gone?

These can be hard questions, and you may not have the answers right away, but they are important to think about.

How do I start?

Starting the retirement planning process can often be where people get stuck. You could start by doing your own research, reading articles about retirement, investment, and financial planning to get a better understanding of the range of issues and options that you need to take into account. It will also help you begin to think about retirement in a more constructive way.

However trying to figure out all the details around financial planning and retirement can be a labyrinth, with an overwhelming number of choices. You have to filter out mis-information and understand the implications of different investments beyond the marketing hype. Not only do you need a plan that can meet your objectives, you also need to mitigate and balance risk to ensure against catastrophic losses. This often involves complex and hard decisions to ensure your plan is both solid and on track to meet your goals.

You have to account for unforeseen events and be able to navigate through these if and when they occur. This can be very challenging if you do not have the expertise or interest to gain the knowledge to manage this effectively.

STAGE 2: ACCEPTANCE *(continued)*

It's time to take action.

Financial Advisors - The Pros and Cons

Working with an experienced financial advisor will help you develop a solid and realistic framework for retirement that takes your needs and goals into account as well as help you make adjustments along the way.

The right financial advisor for you will help provide an objective source of expertise and a calm head especially during times when you may not be so calm. Financial advisors can help you better understand how retirement works, help you form your long-term goals, and help you make investment decisions and manage your entire portfolio or a part of it on your behalf. Your advisor can be an invaluable resource and relationship to help you manage the stressful decision making around your family's finances and life needs.

There are different types of advisors to consider, however. For example, independent fee-only advisors are paid directly by their clients, and can't receive compensation from other sources; this means they're forced to put their clients' needs and interests first. Fee-based advisors on the other hand are typically paid by clients, but may also earn commissions from financial products they're pushing to their clients which can introduce biases that are not necessarily aligned to your best interests, thereby complicating the matter. An ethical independent fee-only advisor will always put your best interests first.

You'll also want to consider the credentials of the person you're working with. A registered investment advisor (RIA) is officially registered with the Securities and Exchange Commission (SEC) or another official agency. A Certified financial planner [CFP] will be registered with the CFP Board.

SAFETY TIP: BE SURE TO CHECK THE FOLLOWING WEBSITE TO SEE IF YOUR FINANCIAL ADVISOR IS LISTED

https://www.cfp.net/utility/verify-an-individuals-cfp-certification-and-background

Another key matter is whether you click with your financial advisor? It's important to take some time to get to know a financial advisor before you make your decision. There is a lot on the line in this relationship: Your Retirement and Capital! A bad relationship can undermine your objectives and confidence.

It's important to take your time and ensure there is a good rapport. A good financial advisor is typically a good listener. It's important that they understand your objectives and needs. They may tell you things at times that you don't want to necessarily hear but that are important for your financial well-being. While you are in charge of your overall retirement strategy your financial advisor or CFO (chief financial officer) as we like to refer to ourselves, is there to advise and manage according to your directives. You should always feel in control of your assets and retirement plan. A good financial advisor will do far more than just manage your assets. They will consider all the details required for you to protect and preserve your capital which will include a variety of insurance plans, wills, trusts, power of attorney and much more.

There is a cost involved in hiring a financial advisor and this can typically vary from ¾ to 3 percentage points (depending on the total amount you have under management) of the total value of your portfolio each year. This may seem like a lot but it's a nominal amount for the right advisor and the peace of mind that you will have with your financial assets and future in good hands. Remember, there are many investment funds that charge a management fee and provide no human contact or advice.

STAGE 2: ACCEPTANCE *(continued)*

It's time to take action.

How much is enough to retire on?

One of the biggest questions you'll need to ask is how much money will be enough to live the retirement that you are envisaging? Will all your combined income sources be enough to fund the lifestyle you want in retirement taking into account the risks inherent in a cyclical economy and your personal situation?

The amount you will need in retirement is very personal and depends on the unique needs and circumstances of each individual and couple. Your unique needs will likely change over time and so you need to keep revisiting and evaluating your retirement goals and income required.

It's important to make sure you have considered all the key costs and potential needs.

It's not uncommon - in the retirement planning process - for people to omit for example, the cost of assisted care and full nursing care in the event they were unable to look after themselves. Most people in their 30's, 40's or 50's do not see themselves ever needing such care. Take a moment to look at some of the facts published on Long Term Healthcare by the Pennsylvania Health Care Association:

- Most people will need some form of long-term services and supports in their lifetime, including assistance with daily activities such as bathing and dressing, because of a physical impairment or a cognitive impairment like Alzheimer's disease.
- An estimated 70% of people currently turning 65 will require long-term care in their lifetime, and they will receive care for an average of 3 years.
- Eighteen percent of all seniors will require more than one year in a nursing facility.
- Most individuals and families cannot simply cover these costs and services with their income and assets.

Get the full article here.

So, in the event that you are in the 70% category listed above who will require some form of long-term healthcare, the actual costs of such care can be quite shocking and likewise, the potential impact on your retirement reserves.

Another expense item that is often over-looked and that can have dire consequences for the protection and preservation of your "retirement assets" is having adequate "catastrophic umbrella insurance". For example, should you ever be found to be at-fault for causing a serious auto- accident, there is a good chance that your current auto-insurance policy does not have sufficient insurance coverage or protection to cover the "award" for damages against you. In such an event, most people do not realize that if the amount of the award of damages exceeds their current auto insurance policy, the other party's attorneys can now go after your "assets". Such events can potentially wipe out all your savings. Again, it is human nature to think that this will never happen to you!

SAFETY TIP: PLAN FOR POSSIBLE ACCIDENTS. YOU WILL SLEEP BETTER AT NIGHT.

Consider these statistics from the "Association for Safe International Road Travel" for the USA

- Over 37,000 people die in road crashes each year
- An additional 2.35 million are injured or disabled

STAGE 2: ACCEPTANCE *(continued)*

It's time to take action.

Investing by yourself

It's entirely possible to invest for your retirement on your own. There are many online brokerage platforms that allow you to open and fund retirement vehicles like IRAs, and even more that allow you to buy and sell assets like stocks, bonds, and exchange-traded funds (ETFs). There are also plenty of online resources that can guide and educate you in the fundamentals of money management like learning about the power of compound interest, the pros and cons of different asset investments, and budgeting your money properly.

However, investing by yourself can be risky and stressful. An investment or market may turn sour and cause you to make emotional decisions that may not be in your best interests. It may be better to weather the storm than make a rash decision or in some instances it may be better to act promptly. Having to make these decisions on your own can be very stressful and potentially damaging on your portfolio.

Common biases that individual investors - without professional experience - can succumb to, include:

a) Status Quo Bias – a bias to stick to investment choices regardless of their performance

b) Sunk Cost Effect – a reluctance to realize their own losses

c) Anticipated Regret – a bias to inaction because of potential gains they may be missing out on

d) Normality Bias – A bias to sticking to a default option

Even if you make "good" choices consistently, you still might not be taking the best course of action for your future self. It is a proven fact that individuals who have financial advisors experience less stress and feel more secure about their financial future.

If you do not like to live with uncertainty or risk on a daily or weekly basis then you need to consider whether managing your own retirement is a good idea for your personal well-being.

The relatively small annual fee you will pay a fee-only advisor which may range from 0.75%-3% of your total portfolio value (depending on the total amount of assets you have under management) can give you both the expertise to manage your retirement successfully and the peace of mind, knowing that you have a trusted professional advisor to discuss your ongoing retirement and life needs.

The Value of Good Counsel!

A good investment advisor often does far more than manage your money

Working with clients often involves more than just managing their investment portfolios. As an investment advisor I often have to weigh in on family emergencies or help with finding creative solutions when family issues arise that involve money. Problem solving is a natural part of my function as clients will often turn to me for an independent perspective.

To illustrate, a couple came to me some time ago and disclosed that her uncle was managing their investment portfolio and that they collectively owned a small farm near a large metropolitan area in the mid-west which they had inherited. Her uncle had fallen on hard times and had requested that she lend him some money. This is a real no-no in the investment management world.

As time went on, the loans to her uncle remained unserved and unpaid which naturally created tension and disagreements in the family unit. It also threatened the viability of the uncle's business as securities regulators frown upon such an arrangement. *(continued on page 9)*

STAGE 2: ACCEPTANCE *(continued)*

It's time to take action.

(continued from page 8) *Working creatively with their team of advisors we conducted some asset valuations and came up with a solution that proved to be a win-win for all. The uncle released his interest in the farm in exchange for forgiveness of the loans outstanding. That cleared up any future regulatory issues for him and allowed him to start fresh. My clients assumed complete control of the farm and were now able to manage it as they saw fit without having to consult with the uncle. They were also now free of being forced to sell the farm in the event that the Uncle would have wanted to cash out given that he was in need of funds.*

As it turns out the city "grew out to meet the farm", driving its property value up far more than just as farmland and it has turned out to be a substantial part of their wealth. I should add that they still just want to use the land for farming, but it's nice to know they have this substantial asset to fall back upon in their later years.

Wills, trusts, and avoiding probate

Alongside thinking about and planning your retirement, you will need to consider your Will and setting up a legal vehicle — a Trust to avoid probate. If you do not have a properly structured Trust at the time of your death, your "estate" will be administered and dispersed by the State. This is known as "probate" where the state has to preside over determining the distribution of your assets which may take years to resolve. It can also be very costly and stressful for your heirs.

You will want to by-pass probate which means you will need to have a clearly articulated up-to-date Will and Trust to ensure assets can pass quickly and efficiently to your heirs. If you don't have this in place, take some time to consider this and put this in place.

Plan Ahead vs. Planning Behind!

Why waiting to the last minute for big decisions is nearly always a bad idea

Make it clear to the kids. *Good estate planning starts with an open mind and a dedication to clearly communicate your wishes to surviving family members regarding the disposition of assets and even how your body is to be handled. It's very common in America that Dad will predecease Mom and only then, when Mom goes into a nursing home and eventually passes on, does the matter of estate planning (or the lack thereof) get brought to light. Planning for your parents deaths is an unpleasant topic so it is human nature to postpone these conversations. However, by postponing such conversations it is more likely to trigger confusion, animosity and unnecessary tension among the heirs versus discussing this well in advance, when everyone is still in relatively good health.*

One of my attorney associates tells a story about two middle aged sisters who were locked in a bitter and expensive legal battle for years over a supposedly rare and valuable antique teapot that was verbally promised to both of them by mom who suffered from dementia in her later years. One day, one of the sisters was in a store and spotted the same supposed "antique" teapot on sale for $6.00. This story highlights the peculiarities of human behavior but also how this incident could have been avoided had the conversation taken place while mum was still in good command of her memory.

The better way to approach the matter of your Will is to make a good and clear plan and THEN sit down with the kids to consider and explain who gets what, when and how. Any mis-understandings or differences can be resolved at that time. If a member of the family cannot handle money well and needs to be protected from themselves, NOW is the time to explain the thinking and logic behind the plan.

It may be helpful to pass on our experience that "trying to be absolutely fair" while understandable is a difficult outcome to achieve as the recipient's perspectives and feelings may not sync with this objective when it comes time to distribute your estate.

One of the best estate plans I've ever seen was that of a man who came to this country from Germany before WWII. He had developed a number of electronics businesses and had been a very successful real estate investor. When I knew him, his wife had gone into a care facility and he had recently updated his estate plan to distribute his $15,000,000 worth of assets. His "plan" was extraordinarily simple: "Each of my four children gets one million dollars, the rest goes to various charities including a research institute in Israel. I escaped Nazi Germany with only $40 in my pocket and they should be able to prosper at this stage of their life with another million dollars". Simple, clean and easily explainable.

STAGE 3: REALITY & THE DREAM *(con't.)*

Is the Plan on Track?

This stage in the retirement planning process usually sets in 6 to 15 years before retirement, though it can manifest earlier. By this point, you may have settled down with a family and are well into your established career. Despite having higher income at this stage in their lives as well as more financial experience, less than 45 percent of people in this stage feel like they're financially on track.

You may have been thinking about retirement for a while now, but you are not sure if you are on track. You may need to make adjustments. Other unexpected needs may be surfacing that are interfering with your plan. These can include:

- **You have not been able to save as much as you anticipated.** Life has dealt you some unexpected surprises and you have not been able to set aside the capital you had planned for. Many people start to feel anxious at this stage; for example, if you're trying to save $1.5 million, but you've only saved $600,000, it may seem like a nearly impossible gap to close by the time you're ready to retire.
- **Historical returns.** By this point, you've had years to develop your investments, but you might not have seen the rates of return you were expecting. The S&P 500 is commonly touted to see an annualized average growth rate of 10.4 percent, but if the stock market hasn't performed up to these standards, your entire model could be thrown off.

- **Children and Grand Children.** You many have underestimated the costs of supporting your children and their children. You may feel responsible for helping them with additional expenses well into your retirement. You may also be preoccupied with making sure you leave behind enough capital for a respectable inheritance.
- **College.** Tuition expenses are at an all-time high in the USA and the rate of tuition inflation is nearing a staggering 4% per annum. Have you accounted adequately for your children's college expenses and are you doing this in the most tax efficient way?
- **Health and future needs.** At this point in your life, you may start experiencing increases in healthcare costs and other needs. You realize that your healthcare costs will only grow in the future, and your financial targets may need to change to accommodate them.
- **Housing.** You may have had to take on additional debt due to unexpected home improvements or housing expenses or to cover educational expenses for your children. These types of expenses are quite common and often unplanned for.

STAGE 4: IT'S GETTING CLOSER!

This is going to happen.

At this stage, retirement is nearing—it may only be five years away from your ideal planned date, or even closer, yet only 62 percent of aspiring retirees have adequately calculated their required retirement income. Many have unknowingly underestimated the amount they'll truly need in retirement (thanks in part to variables like higher costs of living and a longer life expectancy). For example, only 40 percent of people at this stage have a plan in place to deal with increased healthcare costs. The stock market may not have performed as well as you had expected or the economy may be experiencing a downturn with a greater than anticipated impact on your assets and retirement plan.

There are so many variables to take into account it can be frustrating and difficult to compute. Again, this is where having a professional advisor at your side can make all the difference. They can help you understand the myriad details and get clarity and greater peace of mind in the midst of all the variables that you may be confronting which in turn will result in better decision making.

Riskalyze your portfolio! Financial advisors who live, breath and dedicate their entire lives to helping people plan for retirement and in-retirement have access to expert tools that most people do not know about. Riskalyze is a financial tool that allows a professional to assess how much risk is in your portfolio and to do a what-if analysis and how it will impact your portfolio if certain events occur such as if the market were to fall 10%, 20% or more or interest rates were to increase or decrease and much more. These tools provide financial advisors with the means to position and re-position your portfolio based on your needs and market conditions.

How has your vision changed?

This is a good time to evaluate how your vision for retirement has changed. The goals you set 20 years ago, when you started planning for retirement, could have been altered drastically.

For example:

- **Income and savings.** Your income may have grown beyond expectations in the latter part of your career, or you may not have been able to save as much as you thought. Either way, your retirement expectations have changed.
- **Lifestyle goals.** Though you may have dreamed of a retirement full of international travel and sightseeing, as you get older, you might prefer the idea of staying local and relaxing (or vice versa). Different lifestyles demand different levels of income, which can seriously alter your financial preparations.
- **Healthcare and other costs.** It's also a good time to check in with your healthcare costs, and other additional costs associated with aging. Is your long-term health care plan able to accommodate this scale of expense growth? Do you have a plan to cover you for potential assisted living costs?

STAGE 4: IT'S GETTING CLOSER! *(con't.)*

This is going to happen.

Where are you retiring?

Where are you planning on retiring? Cost of living is a major factor to consider as you near your retirement age, and this can vary considerably by country, part of the country, by state and in-state. Moving from a high-profile urban area to somewhere more rural or to a different state could halve your living expenses, and moving overseas to a developing country could reduce your cost of living even further. You may like the idea of living overseas for many different reasons in addition to the cost savings it can bring.

Your Emergency "Keep Things Going" List

You never know when an emergency may strike. It's vital that you have a folder or document box that is easily accessible in case of an emergency. This document folders should contain your personal and business (if you are self-employed) account numbers and passwords. It should also contain spare keys (labeled), copy of ID's, credit cards, loans, insurance documents, bills, and outstanding balances. Don't forget to include your social security numbers, durable power of attorney documents, phone passwords, and key contacts. You could keep this document box in a safe or at a security box at your bank.

You should have a minimum of 2 designated people who know where the document box is located and how to access it in the event of an emergency. You should go over the contents with each designated person and notify them if anything new is added. They should know what their duties are and how to access everything in order to fulfill these duties. A written document outlining these duties is very helpful. Finally, it is vital that you keep this folder and its contents up to date.

A Final Act of Love

A close friend of mine relayed this story about her best girl -friend's husband—He was 49 and in superb health, an athlete who was training for his next marathon. He had just been diagnosed with a minor heart irregularity that he was going to attend to, in his own words: "after I run my next marathon".

He never did run this race. Instead, his wife found him unconscious at the dining room table, not breathing. After calling 911, he was revived by emergency services but this only happened after a long period of oxygen starvation. As a result, he was tragically declared brain dead with no chance of recovery.

His family gathered together to say their final good byes and after a week or so, he was taken off life support. Because he was a diligent planner, he had executed an advanced health care directive giving his wife authority to take any steps she saw fit on his behalf should he be unable to do so. If he had not done this, he might have ended up like Terry Schiavo (a woman who lived fifteen years in a chronic vegetative state –CVS - before being allowed to die).

After his funeral my friend was asked, by his widow, to come over and open a very special sealed envelope entitled "To be opened in the event of my death". The surviving spouse was very anxious about reading its contents, not knowing if the envelope contained confessions of misdeeds, love letters or something else.

It turned out to be a final act of love. The contents were an incredibly detailed accounting of every aspect of their financial lives together, including account numbers, balances, passwords and complete instructions on how to manage each one along with all relevant contact information. He kept this document constantly up to date, "just in case". He also included a roadmap for her to follow in the event of his death for her financial well-being.

At a time of intense grieving, it's an incredible burden for survivors to have to unravel a complicated situation. He proactively solved this by accounting for everything he could think of that would impact her well-being.

That final act demonstrated his true concern for the well-being of his beloved and was the affirmation of their very loving and happy (but shortened) years together.

STAGE 5: IT'S FINALLY HAPPENED!

You have arrived. Unfasten your seatbelt and get ready to embark on your retirement adventure.

Reaching retirement is certainly due cause for a celebration but it isn't the end of your retirement planning—in fact, it's only stage 5 of 7 in our schema. You might have reached your retirement planning goals or you may still have more work to do. You may still need to work part-time to ensure you have a consistent income that can make up the shortfall in your retirement goals and still manage the lifestyle that you want.

At this stage of retirement planning, only 45 percent of people have an advisor, which means 55 percent of people are relying on their own instincts to manage their financial futures.

Adjusting to a new life in retirement.

Adjusting to your new lifestyle might be a challenge, both from a financial and from a mental/emotional standpoint. Not everyone is prepared for retirement and people adjust differently when it actually happens.

One study categorized retirees into 6 identifiable types. Which type do you think you are or will be? The more you invest into self-discovery, the more likely it is that you will find the ideal lifestyle in retirement that fits your personality type.

1. Continuers	- Continue to use skills and pursue interests
2. Adventurers	- Seek new challenges, education
3. Searchers	- Explore new options
4. Easy Gliders	- Let each day unfold without much planning
5. Involved Speculators	- Maintain old interests but at a much lighter pace
6. Retreaters	- Are unhappy in retirement and retreat from life

Is your portfolio safe?

Most retirees are either completely or significantly dependent upon their investment portfolios to continue living the way they want. But how can you be sure this portfolio is safe? Typically, as we age and move close to and into retirement, we can tolerate less risk as we do not have the income from work to compensate in the event a portfolio with more market risk is under-performing.

As we age, the rule is to shift the balance of our portfolio of assets into predominantly more conservative assets such as bonds and away from assets that have greater risk exposure. Determining the right portfolio and mix of assets as well as position sizing of each asset is very challenging to do on one's own. At this stage of life, many people are not inclined to conduct the stress of making these decisions on their own.

A financial advisor is trained in this process and tracking the markets daily. Unless you have the expertise or the interest and talent to do so, you will be served by having a financial advisor to walk this path together with.

STAGE 5: IT'S FINALLY HAPPENED! *(con't.)*

You have arrived. Unfasten your seatbelt and get ready to embark on your retirement adventure.

Are you adequately insured?

Adequate Insurance is going to be one of your most important expenses to consider in your retirement planning. If you are not adequately insured, it can— in certain instances— have a dire impact on your assets and retirement, leaving you in a very vulnerable position.

You definitely want to avoid this at all costs. There are many different kinds of insurance to consider and lesser known catastrophic insurance coverages that we discussed earlier in this paper, so it is important to do your due diligence to ensure you have adequate coverage. Health, property, life and car insurance are all major areas that require proper consideration. Unforeseen events in any of these areas can have, catastrophic impact on your savings and assets if you do not have adequate coverage. Assisted living for example is an unpopular and difficult issue to discuss and imagine yourself ever needing. However, it is a vital area that requires planning and consideration. Assisted living costs can vary from hundreds of dollars to five figures monthly depending on your needs. We highlighted some revealing statistics earlier in this paper, how 70% of all adults over 65 years of age will need some form of assisted living.

In the event your health is compromised what plans do you have in place to accommodate your needs. If you are unable to climb the stairs in your house, will this impact where you live. If you are unable to conduct your routine life tasks or look after yourself without assistance, have you made plans for someone else to do your shopping or manage your finances for example. Does your spouse or child or a trusted party have power of attorney to make decisions on your behalf if you are not able to do so for yourself.

A good financial advisor will ensure that you not only have all these things in place, but will also help you plan that these records are easily accessible.

Inheritance and estate planning

After retiring, you will likely want to re-think the future of your estate, and how you want to plan your inheritance. This is a complex topic that's challenging to navigate on your own, which is why over 85 percent of people value professional advice on this subject. Your financial advisor will typically have relationships with attorneys that specialize in these matters.

THINKING THROUGH THE UNTHINKABLE

Sometime in October 2018, I was browsing the news on my computer and came across a terrible news story. The title rang out along the lines of: "Multiple vehicle head on collision sends five seriously injured to hospitals. Driver charged with felony DUI".

The story also appeared later that day on the nightly news. At the time, I thought: "Another serious accident on a dangerous stretch of road". The following day, in the afternoon, I was very surprised to get a call from a young man. He told me: "My dad and his wife were seriously injured in a car accident last night and we're going to need your help". The couple (who were not named in the news) were my clients and it was their son who had contacted me.

Long term married couples tend to think that in the event of a serious accident or illness the other person will be able to take care of them and keep their household going. It's natural to think this way. Most people have some contingency plan in place. Rarely however do long term married couples think "What happens when both are incapacitated?" For most people, this is an unthinkable possibility.

This, however, was exactly the situation my clients found themselves in as a result of this dreadful car crash. Further compounding an already very difficult situation was the fact that their personal belongings went in different directions.

(continued on page 15)

STAGE 5: IT'S FINALLY HAPPENED! *(con't.)*

You have arrived. Unfasten your seatbelt and get ready to embark on your retirement adventure.

THINKING THROUGH THE UNTHINKABLE *(continued from page 14)*

One police department had taken the husband's property, another department had taken the wife's property and yet another had found the husband's wallet and laptop along with the destroyed vehicle in the wrecking yard.

Fortunately, a nurse went through his cell phone (which was very luckily unlocked) looking for people she thought might be his children and texted both of them. Within 24 hours one responded and the family immediately started to take action. Had it not been for the nurse's pro-active actions to locate family members, the relatives may not have been found for many days or weeks even.

Family members rushed over from Texas to the Bay Area and were scrambling to take care of mom and dad who were now in hospital ICU units barely aware of what's going on, let alone able to function effectively. The critically injured husband had a broken neck and other injuries; his wife had a collapsed diaphragm, broken in ribs and other very serious internal injuries.

This incident is a valuable lesson in having to think through the "unthinkable" possible situations that might happen and what you need to have in place if they did. In this instance when both husband and wife are incapacitated, who is going to pay the bills, feed the goldfish, take the dog out for walks, spend time with the pets and make sure they are fed? Who has the keys to the house? Who's going to coordinate medical treatment as well as post hospital caregiving and administer any insurance claims or disability? Who should be notified? Where do you keep your computer and account passwords? Who's going to keep the business running if you're self-employed? It's critical to think all the variables through and have a plan in place.

Luckily my clients had good sound estate planning including a "durable power of attorney" for asset management that allowed one of his sons to step in to pay their bills and transact business on their behalf. They also had up to date advanced directives for healthcare on file that authorized the kids to make medical decisions for them while they were unable to do so.

Lessons and takeaways:

1) Have a committed advocate (or group of advocates) in your lives who can be counted on to step in to take care of your circumstance no matter what and for however long is needed to handle life business for you while you are incapacitated. In my client's case, it was their children who stepped in along with several other people including some kindly and wonderful neighbors who brought food and other assistance.

2) Make sure that you have ICE (in case of emergency) contact on your smartphone. It's an application that allows first responders to access the part of your contact list for people you would want notified in an emergency. It can even be installed and setup to work in the event that your phone is locked and the password is not accessible. This article in the Huffington post describes all the steps you need to take to set this up for both Apple and Android users.

For Apple iPhone users, it's built into the operating system (IOS) Under the Health App: https://www.apple.com/ios/health/

For Android users: ICE can be accessed through the "settings".

Finally there are programs (both free and paid) for both phone systems that will do the same job and allow first responder to access your critical data.

3) Create a detailed summary of your day to day accounts, bills and home care service providers. Write down your account numbers, passwords, secret identification phrases, key contact details, bills, balances, and detailed instructions on how to access each account. Keep this file up to date and make sure you have a print out of it as well "just in case". Periodically review this file with one of your primary advocates. Ideally this would be the person who holds your "durable powers of attorney" and "advanced health care directives" who can, in turn, brief any other contingent advocates should they be unable to step in and act.

STAGE 6: THE PASSING OF LOVED ONES

Nobody likes to think about the possibility of their spouse dying, or of dying themselves, but it's an inevitability, and something we all need to prepare for. If your income is tied to your spouse, you'll need a plan in place to remain on a stable financial footing if they pass before you or vice versa. You'll also need to prepare for life afterwards. While you can never altogether prepare for the passing of a loved one, you can think about what support framework would best help you through it. Do you have friends and family close by? Are there support groups nearby? Having a community around you that allows for ongoing contact, friendship and company is important. Thinking about these matters in advance gives you time to prepare in advance and make adequate preparations.

Proactive planning

Discussions on death are never easy to have, but it's much better to discuss things proactively than to merely react after it occurs. Working with a financial advisor, you and your spouse can plan for each other's passing with things like life insurance, estate planning, and annuities, as well as strategies you can execute now, like gift-giving and tax planning.

Your emotional wellbeing

Losing a spouse is one of the most emotionally devastating events that can happen to you, and your first priority needs to be taking care of yourself. Emotionally coping with the death of a spouse can be tragically difficult, but it's a necessity if you want to remain in good health. Surround yourself with friends and family members who can help support you during this process, and be prepared to seek professional help in the form of therapy or other mental health services when the time comes.

Your financial integrity

After mental and emotional wellbeing, your financial integrity should be your second priority. Are you prepared to manage your finances after the death of your spouse? Is your spouse prepared in the event of your death?

It's important to ensure each spouse in the partnership has access to your principal and/or a steady stream of income after the other's death, but it's also important to ensure they're equipped with the knowledge and experience necessary to properly handle that income to manage their expenses in the future.

With a financial advisor at your side, they can help you plan well in advance so that you have all the requisite power of attorneys, financial account passwords and so forth in place which will make all matters to do with re-arranging your account and your financial well-being as easeful as possible. Not having this in place can cause significant unnecessary stress and chaos as well as uncertainty. Make sure you have all these things in place and stored in a secure place that you can easily access. You would be surprised how often this is not the case.

STAGE 7: ASSISTED LIVING AND FUNERAL EXPENSES

We have already touched on the topic of assisted living in this paper. Assisted living is a topic most people naturally avoid thinking about. That will never happen to me. No one wants to think about themselves or their loved one's possibly needing assisted living. It is an unpleasant topic, not to mention a significant expense especially when full 24/7 nursing care is required. It can potentially burn through all or a significant part of your wealth if you have not adequately prepared for this.

What and when?

Assisted living is a general term that includes many different levels of care depending on your needs. You may need help with washing, dressing or/and cooking or need some company for a few days each week. You may need expert medical care daily or basic live-in care for a few days a week or you may require 24/7 around the clock care. The greater the level of care, the greater the expense. It is important to research and understand the levels of assisted living that are available in your area and what your healthcare policy covers.

For the most intensive 24/7 assisted care options you should look into getting a long-term healthcare insurance policy. The options and fine print can be daunting so it is important to do your due diligence carefully and thoroughly. While a long term health care policy is an added expense that you would would rather not have to pay for, it will help manage this part of your life, mitigate what could be a very significant future expense and preserve your retirement capital for your spouse or heirs, as well as be a significant weight of your spouse or children's minds.

According to the National Center for Assisted Living (NCAL), there are more than 835,000 Americans currently residing in assisted living communities. Residents are typically age 85+ and approximately 70 percent are female. The average length of stay is about 22 months, after which he or she will move to a 24/7 nursing facility for a higher level of care.

There are over one million Americans living in some type of senior living community and that number is expected to treble by the year 2030. The combination of innovations in healthcare and today's seniors living more active and healthier lives means a longer lifespan. 80 is the new 60!. By 2050, the 85+ population in the US is expected to triple from 5.7 million in 2011 to more than 19 million people.

Today, there are about 39.5 million people in the United States over the age of 65 with another 75 million people expected to move into the 65+ category over the next 20 years.

An estimated 70 percent of people turning age 65 will require some form of long-term care in their lifetime.

The possibility of needing assisted living and eventually 24/7 nursing care is a critically important life stage that you need to account for in your retirement planning and one of the most important, since it's simultaneously the most expensive and the last stage of you or your spouse's lives. This can be a very taxing time both emotionally and financially.

The final expense that we all need to account for is our end of life funeral expenses. It is important to specify your wants and needs for this in your Will. This will help ensure there are no mis-understandings among your heirs as to how these will be paid.

STAGE 7: ASSISTED LIVING AND FUNERAL EXPENSES *(continued)*

Estimating expenses

Work with a financial advisor or do your own research to determine how much it would cost to receive assisted living services for each level of need.

Are your retirement savings sufficient to cover these expenses in the event of the most extreme circumstances? How much of these expenses will your health insurance policy cover? What type of long term health care policy will be most beneficial for you? When should be planning to get a long term health care policy?

There is a saying in long term health care: "your money pays for long-term care insurance - but your health buys it". Buying a long term health care insurance policy is best done while you are relatively healthy and optimally have no pre-conditions. You are more likely to receive locked-in discounts when you are in good health and less likely to be declined. As you age not only will your costs increase, so do your risks of illness and being declined. It does not pay to wait.

Decision making

It's wise to make decisions about the different levels of assisted living that you might need long before you actually need this level of care. Do your research thoroughly. In the same way that it is easy for young people to not think about retirement planning, it is likewise easy to not want to think about financially preparing yourself for the possibility of long-term assisted healthcare. The American Association for Long-Term Care Insurance recommends that the best time to get a long term health care policy in place is in your mid-50's.

Accounting for this important life stage in your retirement planning will make it easier for your spouse and children and give you peace of mind as well.

CONCLUSION

Our hope with this booklet is to help you begin to think about and plan for your retirement. There are many things that need to be accounted for in order to give you and your family more peace of mind. It is a complex subject and our intention is that this booklet will help you on your way to planning for a successful retirement.

Entire books have been written about every one of these areas.

If you don't have the resources for your ideal retirement, it's time to think creatively about alternatives. Retiring in a different state or country may not be in your ideal retirement plan but if it can reduce your costs by 50-75% and give you disposable income to travel, it's well worth considering. It's good to have a Plan A, B & C. The goal is peace of mind with the security of being able to have enough financial resources to live in your retirement years.

If you are looking to explore your retirement planning needs we offer everyone who has downloaded this booklet a free appointment to discuss your retirement planning questions, concerns, questions and needs.

At Hawley Advisors, we pride ourselves on our long term client relationships and are deeply grateful for the trust our clients put in us. Our clients reside across every part of America and internationally as well. Helping our clients give us meaning, pride and joy. We love doing this work.

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You are invited to a no-obligation chat to discuss any questions or needs you may have regarding your retirement and wealth management or those of loved ones.

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We look forward to meeting you and answering any questions you have.