KEEN ON
RETIREMENT

On the Mind of Retirees:
Listener Questions Answered

Welcome to Keen on Retirement
With Bill Keen and Steve Sanduski

Bill: Hello everybody and welcome back to Keen on Retirement, a podcast dedicated to helping you thrive before and during your retirement years. I am not Steve Sanduski.

Steve: That's a good thing, Bill.

Bill: But we wanted to throw you all off just a little bit here today, so I made the introduction and Steve, I am grateful to have you back and to be back on the program again today.

Steve: Well, it's always fun as you know, Bill, and we got another great show lined up here today and we actually have some questions that we're going to be going through, these came from listeners and from clients of yours. We thought this will be a good opportunity to go through and answer a few of those, but before we get to that-

Bill: That's right.

Steve: I thought we have a little fun and-

Bill: Oh goodness, okay.

Steve: I'm going to quiz you again.

Bill: Steve, I think one time early on you said that this has become a trend.

Steve: It is.

Bill: So, yes, all right, well, I'm ready for you. Let's do it.

Steve: All right, okay. Well, would you agree that we all want to be happy?

Bill: Yes, sir. I believe so and I believe anybody who's "normal" would like to spend most of their time generally happy, yes.

Steve: Do you think that by and large people have the ability to intentionally do things that might bring them happiness?

Bill: I believe we can set our self up for success, yes, and we both have talked about bad things happen.

Steve: Sure.

Bill: To everybody.

Steve: Certain things are beyond our control, for sure.

Bill: That's correct, but I think we do have a choice in a lot of the things we can do, yes.

Steve: I got a friend of mine named Steve Moeller who wrote a book called Endorphinomics: The Science of Human Flourishing. I think you know Steve too.

Bill: I've read his books. I've read a book that he wrote probably, again, 20 years ago. Great guy.

Steve: This book is just all about how we can flourish and he did a lot of research. There is a lot of research here in recent years about, and some people would call it positive psychology. Instead of working with people who are not so positive, this is a branch of psychology that really tries to study healthy people and what can we learn from psychologically healthy people to help us thrive.

In the book here, he talks about what is called the happiness tipping point and it's the idea that researchers have discovered, in particular a researcher named Barbara Fredrickson, and what she researched was we all have emotions, we have positive emotions and we have negative emotions. She concluded that there is a ratio of, you need to have a certain number of positive emotions for every negative emotion that you experience.

Bill: The purpose of that is?

Steve: Well, the idea is that if your day is filled with more negative emotions than positive emotions then, of course you're probably not going to be a happy camper.

Bill: Sure.

Steve: On the other hand, if you have more positive emotions than you have negative emotions over the course of the day then you're probably going to be reasonably happy. She tried to quantify that. My first question is-

Bill: All right.

Steve: What is the tipping point? What is the magic ratio of how many positive emotions do you need to experience for every negative emotion that you experience? What's that threshold where if you're above this ratio you're going to start to flourish, if you're below this ratio then you're going to be in more of a negative environment? What do you think that ratio is where it starts to turn positive?

Bill: Immediately drawing on what we've talked about in the past from, remember our behavioral bias podcast a few sessions ago, from that and then also the research I've done with what's going on in the media and studies I've read have shown that there's 18 negatives new stories for every 1 positive new story.

Steve: That's a lot.

Bill: I've actually got a little bit of research on this, Steve. You might not have caught me off guard, like you have in the past.

Steve: I may have to work harder.

Bill: Well, I don't know the exact answer but I think I might be close to it. Again, there's a reason why people are, tend to be depressed when you turn on the TV and it's pretty much all negative, but I would say you'd probably got to have two-thirds, maybe call it seven happy thoughts or seven positive emotions for every three negative, if we were to go on a scale like that. Is that close?

Steve: It's very close, yes. She's seeing three to one.

Bill: Okay.

Steve: Three positive emotions for every negative, that's the tipping point. Anything above that and you are starting to lead a happier life. All right, now, question number two, following from this is, if three to one is the tipping point what would be the, I'll call it the ideal ratio? If you're-

Bill: Well, are we thinking about a perfect world here, Steve?

Steve: Yeah, there is-

Bill: How about 10 to nothing, though? No, I'm teasing. I know we're not Pollyanna over here but ideal would be maybe twice that.

Steve: Close again. She's saying five to one.

Bill: Okay.

Steve: Three to one is where it starts tipping positive, five positive emotions for every negative is kind of a really good state, but then just like ... Do you like chocolate chip cookie dough?

Bill: Yes, but I'm trying to do no carb right now, but the answer is still yes.

Steve: I'll eat your chocolate chip cookie dough then, but just like you know, you can eat too much of a good thing, like too much chocolate chip cookie dough can make you sick.

Bill: That's right.

Steve: Too many positive emotions can also, not be that good for you either, so then you get to that Pollyanna-ish thing that you're talking about. Third and final question, how many, what's too many, at what point, if you get above this ratio where it's really becomes the law of diminishing returns? You're really not going to get any happier after this number, what's that ratio?

Bill: Well, it's interesting ... I'd be interested to hear how she defines "happiness" but how about, if you're at maybe 10 to 1, it would lose its-

Steve: I can't stump you today.

Bill: Well, we're still early in the episode.

Steve: I suppose I don't have to.

Bill: Knowing you, you're probably researching things right now to try to get me.

Steve: It's 12 to 1.

Bill: Okay.

Steve: I'll just say you're spot on there.

Bill: Well, hey, you know, if you didn't have bad times, if you didn't have tough times, how would you know you were even having good times?

Steve: Right.

Bill: Do you know that? I mean, character, they say character is not built but a character is revealed during difficult times. I'll tell you, I think the biggest lessons get learned during difficult times and I think perspective comes back. I was studying when we were doing our behavioral biases episode. I don't recall the exact phrase, I'll have to look it up and tell you next time, but there's actually a phrase for the way that we take things for granted. Let's just say you're in high school and you have a huge test coming up and they're all looming. The finals are looming and you just wish you could be past the finals and you get past the finals and about 10 minutes you're ungrateful, you forgot about it. You just go on to the next thing you're worried about, really an interesting psychological dynamic that we have where we just take things for granted so quickly, it's so easy to do that, isn't?

Steve: It is, and I know you this and I'm sure many of the listeners do as well, but just the idea of waking up each morning. If you start your day and go to bed at night for three things that you're grateful for, I think there's a lot of research in that area too, where you, during the day, whether it's in the morning or at night before you go to bed, just say, "Hey, what am I grateful for for today?" Just come up with three things, because I'm sure pretty much, no matter how bad things are, hopefully we can find three things that we can be grateful for during the course of the day. I think there's a lot of research that shows that can really go a long way toward helping your mental state as well.

Bill: Absolutely. I had a mentor and his name was Lee Brower, and he was very big on opening every meeting talking about ground that we'd covered and things we were grateful for. He was also very big on advising folks to capture the gratitude, to capture those magic moments, and with the iPhones now or other types of phones and with technology, you can videotape things, you can take pictures.

We can go back and look through those pictures and I'll tell you what, it's again, what we said in the beginning of this episode, set yourself up for success. Set yourself up to win and by having things that you can go back and look back at and be grateful for, and it doesn't cost anything either, Steve. Do you know that?

Steve: Right, right, right.

Bill: I know this is a financial program and we talk about taxes and we talk about the markets and we talk about Medicare and social security, but these are the things in the trenches that I'm finding over my time in the business, and especially now this day and age, folks want to learn how to prosper. They want to share ideas and they want to know they're not on an island all by themselves trying to navigate these things. They don't want to feel awkward talking about things like we're talking about right now. I'm seeing more people come to the table that want to talk about being proactive and living life in an intentional way. It's pretty neat, you know it?

Steve: It is. You're in the business of helping people figure out the best ways to invest their money and to figure out what can we do, how can we use the money as a tool to help you get the kind of life that you want to live? It's not just about who can die with the most amount of money or the biggest toys kind of thing.

Bill: That's right.

Steve: A lot of great stuff, maybe we should have a second podcast where we talk about these things.

Bill: We sure could. I think any good financial adviser that sit down and getting to know their clients and the families they work with and for, get to see people be intentional about their lives. I'm noticing this more and more with the folks that I work with, they're planners by nature or they wouldn't be sitting in our office. Gosh, have you seen numbers lately on how much the average person has in their 401K, Steve? Have you seen any recent data on it?

Steve: Well, I know it's low. What is it? Probably 25,000 maybe? 50,000?

Bill: I was thinking under 50,000. Retirement for half the nation or more will be social security, it will probably be about it. By definition the folks that I'm sitting down with are people who have worked, lived within their means, and a good portion of the case it's been at one company or firm for 35, 40, 45 years. People who are naturally responsible and I might say grateful and humble people as well. I'll tell you, it's an honor to work with that sub-sector of folks and getting to see them think through the things that are important to them I was ... Do you remember Stephen Covey?

Steve: Sure.

Bill: Steve? Sure you do. You know he passed away a few years ago, but to our listeners, Stephen Covey, was one of the original personal development folks. He was really into time management and the Daytimer I think, was one of Covey's inventions, wasn't it, Steve? Is it the Daytimer or was it the-

Steve: Well, it may have been. I know, I think he sold his company to Franklin, it became Franklin Covey, so I'm not sure if Covey came up with the Daytimer or whether it was Franklin, but he was definitely into time management. It was one of his things.

Bill: I sat in one of his seminars probably 20 years ago and he did this demonstration. It speaks right to being intentional about what is important to us. He had a jar up on the stage and he called a person up to the stage, and next to the jar he had water, he had pebbles, he had small rocks, he had some big rocks, and he had sand. He had the volunteer put in the sand first, put in the little pebbles, put in the water, and then go for the rocks and guess what? The big rocks wouldn't fit.

Then they brought out another empty jar and he asked the person to rethink how she put those things into the second jar. On the big rocks he had them labeled, one rock said, "important relationships," one rock said, "sleep," one rock said, "personal development and planning," one rock said, "exercise," and several other really important things you know where this is going, she put the big rocks into the second jar first. Then she put the smaller rocks in, then she put the pebbles in, then she put the sand in, and then she filled it with water and everything fit, he said, "Okay, you're almost done with this exercise." Have you seen this one before?

Steve: I have. I have. I know the punchline.

Bill: All right, so he said, "What did you learn from this exercise? You've almost done it. You've almost won the price." She said, "If you work hard enough you can shove everything in." He said, "No." He said, "No, although in this case that worked." He said, "What you learn is you've got to put the big rocks in first. You've got to be thoughtful about what you want to make sure happens, because the whirlwind of the day and especially ..." heck that was 20 years ago, now today with the iPhones and the news press 24/7 and everything dinging at us, it's so easy to get distracted.

Steve: I think it's a great story. It really has such a great and timeless message, that we really got to focus on those big things first and not always sweat the small stuff. I know in planning, of course the small stuff is important because if you don't get the small stuff right then the big stuff might actually not work if you don't-

Bill: Well, that's right.

Steve: Get the small stuff done as it relates to the planning process, but if you think about life you really need to focus on those big rocks. It's about the relationships. It's about taking care of your health and your loved ones and all those big things.

Bill: That's right and when you do that it creates energy, and then you end up getting everything done that you wanted to get done with those positive emotions you mentioned in the front of our episode.

Steve: Well Bill, I could talk about those things forever.

Bill: Yes, but we're in a financial program.

Steve: All right, so I'm worried if we should take some of the listener questions here. What do you think?

Bill: Well, I think we should and I want to just make a quick note to our listeners. This is our take on these questions, but I'd always like to say consult with your tax adviser, consult with your legal adviser, consult with your own financial adviser. If you're listening and we don't know you and we haven't met you and you're not a client of ours we don't know your situation, we're unable to ... This is not specific advice in that matter. Does that make sense, Steve?

Steve: It does. You bet. You got that out of the way, and also before I ask you the first question here I want people to know, hey, we'd love to hear from you. If you have a question that you would like us to answer on the podcast, please feel free to go to the website at keenonretirement.com and there will be a menu item there that says "Contact," if you click on that you can just give us your name and ask your question and click submit and we will, we can answer that on a future show. Or you could just simply e-mail Bill directly.

Bill: That's right.

Steve: Bill, why don't you give me your e-mail address, how they can contact you.

Bill: It's bkeen@keenwealthadvisors.com. Steve, I do respond to everyone that e-mails. I take this seriously and I appreciate and honor people that are thinking and planning and I will respond to those e-mails and some of the questions might even make it to our episodes.

Steve: That'll be great. That's awesome and we'd love to make this show interactive so we'd love to hear from you and get what your questions are. Are you ready for the first one?

Bill: That's right. Let's do it. I'm not going to go super deep. I'm going to try to answer these kind of rapid fire and that way we don't get too in the weeds on something, but you hit me with them and we'll answer them.

Steve: All right. The first question is, this from a person who said they just turned 62, they're going to be retiring in a few months. They have an opportunity to work in retirement doing something that they love. They'll make about $50,000 a year and-

Bill: In retirement?

Steve: In retirement, and doing something they love which is ideal, and they are planning on filing for social security upon retirement. Looks like they're going to take their social security a little bit early. Their question is that they've heard that there's a limit on the amount of income that you can earn in retirement without any penalties. They want to know, "What do I have to worry about here if I'm retired, I'm taking social security yet I also am earning another income? What do I need to know about that?"

Bill: If you have earned income prior to your full retirement age and you are taking social security, for every $2 that you make above, this year it's about $15,700, they will take $1 of social security away from you. This is something to really understand.

I've had people not want to work in retirement and something that they really love, wanting to just not make the extra money to avoid the social security penalty. What I would recommend in those cases, is if they really want to work and they have an opportunity to make money, then just don't take social security yet. Go ahead and make the $50,000. Take that, let your social security ride and it will be more when you begin receiving social security.

Steve: All right, are you ready for number two?

Bill: Let's do it.

Steve: I'm going to skip around here a little bit. This is a question, the person said, "I recently inherited an IRA from my mother that's worth about $70,000. It's in a bank CD that has just come due. The bank is offering me .3% to renew the CD, which is Certificate of Deposit, and I'm just learning about the required minimum distributions that I will have to take from this account. It seems complicated. I'm going to be retiring in two years. I plan to withdraw about $50,000 after tax from my IRA, in addition to social security for living expenses." She says, "My broker is recommending that I cash this inherited IRA now and then simply reinvest the proceeds in the market to get a better return." A lot of things going on here. What do you think?

Bill: Here's what I'm keen on here. This particular person is still working and they're making a good wage, I would imagine, especially, and the way I can deduce that is that they're going to be withdrawing $50K here from their IRA in addition to social security?

Steve: Yeah, it says.

Bill: That tells me they're probably spending $70-75,000 or so a year in retirement from my experience and it's typically what people were clearing when they were working. That would be over north of a $100,000 a year income. I'm working backwards here to work to this. Issue number one, they're still working. They're probably making over a $100,000 income at work. If they made more income would be in the 25% tax bracket federal and plus state.

They're retiring in two years, that tells me that depending on the time of year they retire, all things being equal, they'll be in a much lower tax bracket.

The idea that they would cash out that CD and bring it to a broker to invest it to make more returns is wrong in two ways, in my opinion, from what I know. One, it triggers all the tax. It can be tedious and a lot of times folks do like to just get those off the books and take those out, but we typically would recommend waiting 'til a more advantageous tax year. We'd never tell somebody to take that out in a year that they're still working just to simplify things.

Also, if somebody's retiring in two years they're going to need capital to live on. This question indicates that as well. If this was being presented to me, with what I can see here from the information you've given me, I would say, "Accept the .3% for the next couple of years or maybe try to get a two-year CD that pays .6 or 1, something like that. Let that CD come due in a couple of years and then use that money to live on instead of your own IRA once you're retired."

Push that out and it's okay to have it not making a whole lot in the next couple of years, because when you're up coming up to retirement on the glide slope we always say, "Keep at least 5 years of your income needs in something that won't fluctuate with the market." Hence, this is a perfect thing to be looking at down the road for them to live on in that first year of retirement, maybe even into the next year if they only needed 50, and this is 70. I'm afraid there might be some incentive to broker on that recommendation.

Steve: All right, well, good. I appreciate that response there. Let me go to the next question here and this is one that I think probably a lot of people run into. This person says, "We have about a $150,000 left on our mortgage and we're going to be retiring within a couple of years." They say they're not going to be able to pay it off before they retire but they would like to be debt free at retirement. They have six months of living expenses in an after tax account and the majority of their wealth is inside their company's 401K. They're asking, "Should we pay off the house at retirement?" What do you think of that?

Bill: I said I'm not going to go too awfully deep on certain things but I think it's important to just define something, because it's already come up a couple of times.

Steve: All right.

Bill: Most people don't know or haven't reviewed how the tax brackets works in the US, but just to keep it simple for 2016 let me tell you how it works for, on the first, let's say the lowest three brackets. We operate with what are called graduated tax brackets. For a married filing jointly, the first $18,550 is just taxed at$ 10% federal. From $18,550 up to just a little over $75,000, that portion is taxed at 15%. Then anything over $75,300 is the actual number, up to about $152,000, that portion now is taxed at 25%. Then the brackets go on up to almost 40% federal tax when you get above a certain level, but these brackets are called graduated brackets which means that you never pay more than the 10% on the first $18,550 and never more than 15% on the next piece.

Anything more you make, yes, you pay the higher bracket but on the lower brackets it doesn't affect, it doesn't kick all of it up into a higher bracket. A lot of people think that if they make an extra dollar it kicks all their income up into a higher bracket and that is not correct.

Steve: Well Bill, could I, let me interrupt there.

Bill: Please.

Steve: Hopefully, I haven't told this story before. You know you're getting old when you're repeating the same stories over and over again.

Bill: Well, that's what the pastor says at the church, he says but until people start listening he's going to keep telling the same stories, you know.

Steve: You just said here some people think that if you get like an extra dollar of income, like all the previous income is going to be taxed at that new higher rate. I remember back in college I was taking my first finance class and the professor asked that question the very summer. He said, "Do you think, is there ever a situation where you would want to turn down a pay raise because it's going to put you in a higher tax bracket?" I think I'm afraid, I might even be a freshman and I'm looking around I'm like, "I don't know that I want to answer this," and of course the answer was, "You should never turn down a pay raise if it puts you in a higher tax bracket because it's just that incremental piece that's going to be taxed at that higher rate not the full amount because we do have these graduated tax brackets.

I think that is a very important point and it's probably also important to say that we're recording this here in 2016, and who knows what's going to happen to these tax brackets with the presidential elections that we have going on here. Because all of them have-

Bill: That's right.

Steve: They have their own ideas about what should happen to tax rates and it will be very interesting to see what's going to happen here in 2017 when we get a new president, whether a Republican or a Democratic. It'll be very interesting to see what's going to happen to these tax rates and tax brackets. I think we even have one candidate who wants to abolish the IRS.

Bill: That's right.

Steve: It will be pretty interesting.

Bill: Well, we'll stay tuned that's all I can say.

Steve: That's right and we'll definitely be doing an episode on that, I'm sure.

Bill: Yes, we will and we do the best with the information we have today.

Steve: That's correct, absolutely. Sorry to interrupt you on that one.

Bill: Well, no, it's interesting because a lot of people today still think that. The reason I brought that up is because it's important to understand where you fall on these brackets. A lot of people are so used to only receiving, they feel like half their paychecks as they're working and a lot of it has to do with, one, they're paying Social Security, which is 7 1/2% approximately of their paycheck. They're paying federal, they're paying state. Most of the people we work with are maxing their 401K's out. There's a lot of things coming out of their paychecks and they get out into retirement and they just assumed they're only going to be clearing 50% or 60% of what their gross payments are that they're receiving. They don't realize how good, I say how good taxes can be. That doesn't sound right, doesn't it, Steve? Well, narratively speaking it could if you have to pay taxes. We talked about things to be grateful for.

Steve: Yes.

Bill: We should be grateful that we have to pay taxes because that means we're earning income, right?

Steve: That's right. That's right. Absolutely, it's a problem of prosperity, I always have said it.

Bill: Walk with me here now and I'll answer this question about paying off the house because it does come up a lot. The top of the 15% tax bracket is just over 75,000 and even if you didn't itemize your taxes, that means keep track of your mortgage interest, your charitable contributions, qualified medical expenses, state taxes, the things that you can actually, what we call itemize. If you don't do that everybody gets $12,600. It’s your standard deduction.

Steve: Right.

Bill: We each have a personal exemption which this year is $4,050. For a couple let's say that the 8,100 on top of the 12,600, and if you're receiving social security, there's a phase in for how it's taxable but right now it sets at least 15% of your social security will be tax-free as well. Again, like you said that all this can be evolving but that's where we are today. Just a quick back of the napkin math, if the 15% bracket stops at 75 and just the things I've thrown in there, you can be nearly at a 100,000 of free tax income and not have anything, any dollars taxed in the 25% bracket, assuming that we have all the information here.

In this case the question you just asked they have, most of their funds are in their company 401K, which tells me in most cases, almost all of it's probably pre-taxed money. They would retire. They would roll the money from their 401K to an IRA in retirement. In good portion of the cases if it makes sense and then they want to know, "Should we pay off our house?" You're going to be up in the 25% bracket, in this case 28 some will be in the 33% bracket. Heck, that you pulled out enough to pay off a $150,000 and I haven't done the math about it here, but you would be pulling out well north of 200,000 to clear 150.

Steve: Right.

Bill: I'm all about, I think it's great being debt free but there are times that there's good debt and there's times that there's bad debt. Obviously, bad debts, credit cards, paying 20% interests. Any credit card actually. Car loans where the car is de-valuating, I mean, probably not a good debt but a loan where you have something that's fixed on a home and you could stretch out those payments. Understanding the tax brackets, getting conscious of where you are so you know right where you are in those brackets, no surprises, and paying the house off, maybe not over 30 years but maybe you pay it off over 5 years or 7 or 8 or 10 years and really manage those tax brackets.

I've seen a couple of people come to me that have done this already and they've just taken out a huge amount out of their IRA, paid all the tax upfront to pay their house off, and rates are in a historic lows right now that we could have stretched that out over the number of years and it would have been so much better in my opinion. There are qualified advisers out there that say, "Take as big as mortgage as you can, in retirement stretch it out as long as you can at these low rates." There's others that say, "Go into it debt-free."

I like to look at it situation by situation because there's no right or wrong for either of the ... each person is based on their tolerance to how they feel about having debt and what it does to them when things aren't going so well in the market and how it changes their risk tolerance. I would never come out here and say there's a one-size-fits-all with respect to this, but I don't want to see somebody get hit with a huge tax bill in these higher brackets just to pay the house off all at once at retirement, just to "be debt free."

Steve: Right, I think that's great advice Bill. It's nice to hear you say that it's situational and that's what happens when you work with an adviser, like you for example, where you really want to get to what is it that the client is trying to accomplish here. "It's the goal to be debt-free at all cost, even if that means I'm going to pay a lot of tax just so I can be debt-free?" Or do they just need to understand the options here that, "Okay, well if you do want to be debt-free on the house at retirement, here's how much it's going to cost you in extra taxes?" Or here's the alternative that you can carry this mortgage into retirement and not pay all these taxes, yet you still got all that money in your IRA or your retirement plan. It's not as if you couldn't pay it.

Yes, you talked about the good debt versus the bad debt, that there is that distinction, good, thank you for sharing that. All these questions, I've been a CFP for a long time and I'm thinking, "This stuff can get complicated," that's why we need good financial advisers out there and we need folks out there who have situations like this, make sure you're getting good advice.

Bill: That's right. You know, Steve, that's why I love being in Think Tank groups with other qualified financial advisers. Next week, Matt Wilson here, Managing Director and Wealth Adviser at Keen Wealth and I, are going to the Barrons Conference, The Barrons Magazine Conference. It's a top advisers summit that happens each year. We're honored to be invited to that again this year. I'm looking to be around people that are all wanting to continue to learn. Bring opinions, bring experience and let's all talk about it and let's think about how we can apply that to folks we're helping.

Steve: We were talking about Stephen Covey earlier, another one of his things was sharpening the saw. That's exactly what you're doing.

Bill: That's right. That is correct and I think our listeners can probably understand what that means, right? You can't just keep chopping forever, you've got to stop and sharpen that thing every so often.

Steve: Well Bill, I know we're running a little bit long here and we've got a handful of other questions here but do you want to look at the list? Do you want to pick one or do you want me to pick one for you?

Bill: Go ahead because I'm so used to you now surprising me. Call me crazy but I'm kind of liking that.

Steve: All right.

Bill: It's challenging, Steve.

Steve: This is a short one and I think this is one that probably happens frequently. The person says, "I recently inherited an IRA from my spouse. What do I do now?"

Bill: First off, I'd just like to say I'm sorry to hear that someone has loss a spouse. Secondly, when you inherit an IRA from your spouse you're able to treat it a couple of ways and it can be complicated but let's simplify the answer, at least for our program today. That IRA can be rolled right over as if it was their own. It would be treated the same as if it was their own, which means it would be subject to the 59 1/2 rules which means you can't touch the money under certain circumstances without having to pay a 10% penalty.

There are reasons to own, to leave that even if you're a spouse in what's called an inherited IRA, and one of the reasons would be if you were under 59 1/2 and you wanted to access the money and not have to deal with that 10% penalty, you're working around it. You're able to access that capital at any age if it's left in what's called the inherited IRA. If you roll it to your own now you're subject to all the rules of an IRA with respect to the 59 1/2 rules.

Steve: All right. I know with, when we're talking IRA's there's all kinds of rules and regulations related to that. This is not amateur hour here when we're talking about these things, like what we're doing with IRA's and retirement plans and qualified plans, those sorts of things.

Bill: We're doing this as an interesting format and I enjoy it, but what I'd like to be able to do in the future of this, just me thinking about this is actually have folks call in and have them on the program so I can ask additional questions and probe further about the different dynamics. I'm able to come up with what I think are the most important things. I think it's probably effective for what we're doing here but I think if we could probe a little deeper on this questions with people live, I think that even gives it even some more depth.

Steve: Well, I think you're throwing down the gauntlet here. Anybody listening, if you would like to be on the Keen on Retirement Show there is your cue. Just let us know, reach out to Bill, contact his office and say, "Hey, I'd love to be a guest on the show." If you've got some questions about retirement planning, financial planning, your financial situation, and yeah, that'd be fun. That'd be fun.

Bill: We would have a good time with it, Steve, and you'd be easy on them, wouldn't you?

Steve: Of course.

Bill: You wouldn't be tough on them and try to quiz them or anything?

Steve: No, no, I'll save my toughness for you.

Bill: Because we're bringing you into Kansas City and so, you know, if we team up on you over here ...

Steve: All right, well hey, Bill, as we wrap up here, anything, any final words from you today?

Bill: The one thing that we didn't get to and I think we saved it for another episode is just understanding how the Roth IRA could come into play for folks. Roth IRA is something that's a, it's a mechanism that allows resources to grow tax-free, as opposed to tax-deferred in a regular IRA. As folks are navigating up toward their age 70 1/2 and beyond, where you're forced to pull money out of an IRA account based on formulas, you don't have a lot of control over your tax bracket at that point.

If you're not quite 70 1/2yet or you have some years to go, there can be some real thoughtful ways of either converting some of your IRA to a Roth. Also, different deductions that could happen, w had someone who bought into a retirement community and they didn't realized it ... They did in time, because we asked them to talk with their CPA and had several meetings but the buy-in to this retirement community was very substantial, several hundred thousand dollars, but then they're in the community and they're set basically for life with all levels of care.

Well, that particular year, a one-time deduction for prepaid medical expenses, qualified medical expenses applied. When all the numbers were ran we were able to actually convert about a 100,000 over into a Roth IRA from a traditional IRA based on that deduction. We just hit the Roth IRA a little there but we'll hit it later more. I just want our listeners to know that there are ways to be thoughtful about the rules that exists and the different laws, the brackets, and all the different scenarios, and to be intentional, not only about the personal lives but about these financial decisions, and really move the needle, really make a difference on things.

Steve: Well fantastic, Bill, thank you, appreciate it, lots of great advice and wisdom here, and again, folks, I encourage you, check out the website keenonretirement.com. If you want to ask us a question and would like us to answer that on the show just go to Contact Us on Keen on Retirement, fill that out or just send an e-mail to Bill directly at bkeen@keenwealthadvisors.com. Also, as Bill mentioned, if you'd like to be on the show live with Bill and Steve-

Bill: Yes.

Steve: We can definitely have some fun with that. Gosh, great show today, Bill, as always and we look forward to our next time together.

Bill: All right, Steve, I always enjoy it. Thank you.