KEEN ON
RETIREMENT

Limiting surprises in retirement, understanding taxes, and getting beneficiaries right

Welcome to Keen on Retirement
With Bill Keen and Steve Sanduski

Steve Sanduski: Hey everybody. Welcome back to Keen on Retirement. This is the podcast where we talk about helping you thrive before and during your retirement years. I'm your cohost Steve Sanduski and I am joined today by an all-star team. Bill, we've got you, Mr. Bill Keen, and we've got a couple other guests with us today.

Bill Keen: Yes we do Steve. I've got senior wealth advisor here, senior vice president, Joel Hamilton. I've also got Matt Wilson. He's managing director at the firm CFP. He's been here for some time, here for 15 years, both of these gentlemen are active financial advisors. They are in many meetings each week. They are some pretty talented guys. I think I've mentioned Joel in the past. He's been on once before. He's a Chartered Financial Analyst®, and he's also a CERTIFIED FINANCIAL PLANNER™ as well. Any of these questions you might fire at us today, I think we're going to be pretty good on getting you some answers that could makes sense. You know Steve, last time Joel was supposed to be on the program, he was a no show. Do you remember that?

Steve Sanduski: I do, and if I recall it was a pretty weak excuse for him to miss the show.

Bill Keen: Matt and I were, we were disappointed, but we had to see where his priorities were I guess at that time. What was happening that morning Joel?

Joel Hamilton: My wife was in labor.

Steve Sanduski: Yeah, yeah, like we've never heard that one before.

Matt Wilson: We promised him free Chipotle today so he showed up.

Bill Keen:	That morning Joel was having his first child, and as we've mentioned on prior episodes, we introduced Joel before ... Oh, is that Liddy?
Steve Sanduski:	Where did she come from?
Bill Keen:	A few episodes ago, you introduced these noises Steve, and I don't know what's going to happen now to our podcast.
Steve Sanduski:	I hope it's fun rather than annoying.
Bill Keen:	Joel, congratulations on your first child, that's a huge deal and it's quite an honor and a privilege and a responsibility and all those things. Life changes when you start having kids, it's not all about you anymore.
Joel Hamilton:	Oh, yeah. Nothing runs on your schedule either. She came a month early, so that was a surprise. We thought we had a little more time to prepare everything and we were in there looking at randomnames.com in between contractions. They told us, "Okay, as soon as she passes the car seat test, you guys can leave."
Bill Keen:	How many days was this, two days in or so?
Joel Hamilton:	We had no idea what to expect, so this was kind of right after delivery. They were just walking us through the process, and they said, "Yeah, as soon as she passes the car seat screen you guys are good to go home." We just kind of looked at each other, we were like, "We don't have a car seat." We said, "Okay, so you guys test those in in your car seats and then we'll bing one in later." "No, it has to be the car seat that she's going home in." I go, "Great," but then five minutes later I get a text form Carisa, Bill's wife, that says, "Hey, just wanted to know that we ordered the car seat off your registry and we were gonna give it to you at your baby shower this Friday, but it's still not here yet." Then Bill had to go himself to Buy Buy Baby.
Bill Keen:	And Matt. We abandoned the golf tournament that day. Matt and I are walking around Buy Buy baby looking for an infant car seat.
Joel Hamilton:	Which was really fun for me to really picture, those two walking around Buy But Baby. They showed up at the hospital and they brought the car seat which was the biggest relief.
Steve Sanduski:	Just remember Joel, now you're looking at about, what, $250,000 of expense over the next 18 years to raise that child?
Bill Keen:	That's right Steve.
Steve Sanduski:	I hope you have a good financial planner.

Bill Keen: He's got 11 brothers and sisters, so he can talk to his father about those expenses I would bet. He'll give him some insight on it.

All right. We're grateful to have Joel on the program with us today and also obviously grateful to have Matt back on the program too. He's on regularly and I think we can have some fun today again like we say, but also answer some questions. We found that episode that we've done before on listener questions to be one of the most listened to because I think people can relate to a lot of the questions, at least most of them.

Steve Sanduski: Al right. Bill, let's start off. I'm going to put you guys on the spot again, now we've go three of you that can answer the question. I've got a couple little brain teasers for you to get your brains going here. You ready?

Bill Keen: We're ready.

Steve Sanduski: Do we have a sound effect for this? Maybe a drum roll or something.

Bill Keen: I'm counting on you for that Steve. I don't know. Last time you had that.

Steve Sanduski: Let's see, what have I got here? Here I go. First question is, you put a coin into an empty bottle and insert a cork into the neck of the bottle, how can you remove the coin without removing the cork of breaking the bottle?

Matt Wilson: Okay. Does this involve magic?

Steve Sanduski: No magic.

Bill Keen: Reconstituting the actual bottle in some form?

Steve Sanduski: We're not suspending the laws of physics here.

Bill Keen: Please repeat the question just real quick if you don't mind.

Steve Sanduski: We're going to put a coin into an empty bottle and you insert a cork into the neck. Now we got a bottle, we got a coin in it, but we've got a cork on the top of that bottle. How can you remove the coin from the bottle without removing the cork or breaking the bottle?

Matt Wilson: If you lave it outside long enough won't it kind of just break down naturally? Might take several hundred years or so.

Bill Keen: I don't think that's the answer we're looking for.

Steve Sanduski: That's not the answer I'm looking for.

Bill Keen: The thing on these questions is, the answer is probably obvious, but whatever is processing in our brains hasn't allowed us to go there. We're all wanting to think the bottle has got to be melted down or something like that, because It actually pretty simply seems impossible. I'm going to say, you're going to have to give us the answer Steve, in the essence of time here.

Steve Sanduski: Well, all you have to do is push the cork into the bottle and then just kind of turn it upside down and get the penny or the coin to come out.

Bill Keen: Didn't you say we weren't going to remove the cork?

Steve Sanduski: Yeah, you don't remove the cork from the bottle, you just push it into the bottle.

Bill Keen: All right, okay. Thank you for getting us thinking.

Steve Sanduski: Heres a good one here. Number two, if you laid out trail of pennies from one coast of the United States to the other, roughly how much money would it be worth?

Joel Hamilton: They're side by side?

Steve Sanduski: They're side by side. You just lay a trail of pennies side by side from one coast of the US to the other coast. Roughly how much would that be worth in dollars.

Bill Keen: Complete guess. $400,000 dollars.

Steve Sanduski: Okay, that's Bill. What about you Matt, what do you think?

Bill Keen: Come on Joel, you're the charter financial-

Joel Hamilton: I know, but after the whole removing the cork thing I'm a little skeptical the answer is going to be like it's worthless because you three them away or something.

Steve Sanduski: Right, it's not even the answer.

Matt Wilson: I promise I'm not looking the answer up on Google here.

Bill Keen: Hey, I hear some typing going on.

Matt Wilson: My guess is going to be … a trillion dollars.

Steve Sanduski: Joel, what do we hear from you? A trillion, you just said a trillion?

Matt Wilson: I said a trillion.

Steve Sanduski: A trillion dollars, okay. Joel?

Joel Hamilton: 100 million.

Steve Sanduski: We have, what did you say Bill, 400,000?

Bill Keen: I said 400,000 and I'm thinking it's low now.

Steve Sanduski: We have a trillion. Joel, what were you again?

Joel Hamilton: 100 million.

Bill Keen: I would change the answer the answer to Joel, but anyway-

Steve Sanduski: The answer is, 2.5 million dollars. Bill, you were by far the closest.

Joel Hamilton: Price is right rules, you win for sure.

Bill Keen: I was actually the winner because you two were over so ... I hope our listeners are stimulated and interested by this information, they're brain teasers and that's good. I'm just saying, the relevance I'm not sure but heres the point to these brain teasers Steven is, it gets you thinking and conscious of the fact that sometimes what looks obvious isn't obvious. When you're talking about financial decisions and thinking about your future, we have to make sure that we're looking at all angles of things. That's the reason that we decided to have this fun first segment of our show this year on the podcast.

Steve Sanduski: Yeah, and we just like to have too.

Bill Keen: Yup, fun is good as well, that's right.

Steve Sanduski: Let's jump into a few questions here. I've got a list here of some of the questions that we're hearing here frequently from clients. I'm just going to go down the list and have you guys answer them. The first question is about going into retirement and having some debt. The question is, I'm getting ready to retire and I've heard that it is best to be debt free in retirement. The question is, should you be debt free, should you pay off the mortgage? What are your thoughts on that? Let's start with you Bill.

Bill Keen: Steve, this question, if I had to rank this, is one of the most asked questions that we receive. The two of the most asked questions we receive actually is around, should I go into retirement debt free, should I pay my mortgage off? Then the second one is around living expenses. How much will I need to live in retirement? Those are the two by far most asked questions that we receive. In my opinion, it's an individual situation. I always say I want to eliminate surprises in retirement, so if you're at a point in your life where the paycheck has stopped coming in by choice because you've retired, and you're living now on your, call it social security, pension if you have it, in most cases living on IRA assets, other assets. You're living on your investments, so you entered the distribution phase form your investments of your life. I want to avoid surprises.

If you have a mortgage in retirement, it should be a fixed mortgage, not a variable mortgage. That's one. Then number two, it comes down to me as a tax question. If you're going to make a huge distribution out of an IRA or a 401(k) to pay your mortgage off just to be debt free, you're going to experience a 20, 30, 40 percent tax hit just to be debt free. I'm not in line with that. I would rather see someone pay off their house over time as long as that mortgage is a fixed rate. You gentlemen can pipe in, there's a couple other factors, mortgage the rates on the ...

Matt Wilson: There is that, that is true and rates are lower now, so if someone has a higher rate, we would counsel them to look at refinancing it into a lower rate. In addition to that, there's also clients that have a strategy to make sure it's paid off prior to retirement. They might be making double or triple payments while they're still working, and I have no problem with that whatsoever if a client already has that in place to make sure that that mortgage is paid off and then go into retirement with a lot less expenses.

Bill Keen: There's a whole pice of mind factor to it as well. Because we have a show I also listen to other prominent financial shows out there, whether it's radio shows or podcasts, and there's a couple of folks that are prominent that say, get the biggest mortgage you can in retirement, before you retire, while you still qualify ...

Matt Wilson: As long as possible too.

Bill Keen: ... and get it stretched out 30 years.

Matt Wilson: 50 years if you can find one.

Bill Keen: Right, and use that money other places. Respect them and all that but for most people the piece of mind, when we go through the next market correction, the piece of mind for someone who has their house paid off I just seen that it's been greater. It reduces the possibility of someone making an emotional sell decision.

Matt Wilson: When it's going down people tell us, "Well, I could have used that money that we lost to pay off my mortgage." That is one of the things we hear a lot when markets go down.

Bill Keen: Our clients mostly understand. They really do because we spend so much time on it. At least the history of market has been, the advance has been permanent, the declines in the market have been temporary, but you got to get through the declines without having to sell things at a bad time or without panicking. There's a lot to that and I think sitting down with each client, getting to know them and understand their situation, that's the key to it.

Steve Sanduski: Bill, in starting off the answer to that first question, you actually mentioned the second question that I want to ask you guys, which is, how much money will I need to live on in retirement? I'm going to imagine that is going to be somewhere that will be different for each person and you'll have to look at their specific situation, but what are your initial thoughts on that?

Matt Wilson: Great question, and it is. What some people say the 64-million-dollar question everyone wants to know is how much money can I live on. For us, many of the people that we work with they haven't had a budget. None of them are sitting there budgeting out every last penny that they spend. That doesn't mean that they don't track it, but in terms of focusing on a budget.

Bill Keen: Their budget was, they max their 401(k)'s typically, they had money going into like maybe a credit union or other savings vehicles after taxes automatically. They had a check deposited in their bank account every two weeks, and then they simply spent less that was deposited.

Matt Wilson: Or at least no more than was deposited.

Bill Keen: There's a few that collect against that average but that's typically been how it's worked. There you have in essence a budget or a spending plan that's worked. It's funny, when we sit down with a client, we can look at, by getting to looking at their balance sheet, if they have consumer debt, we can see that that strategy's not working. If they have no consumer debt like credit cards and they have assets building up in their money market account, then it tells us pretty quickly, what they're clearing now is working for them.

Matt Wilson: That is where we start. What are you currently getting on your paychecks on an after-tax basis? What's getting deposited into your bank account. That is first place to start, and then we'll factor in additional expenses they might not have today like health insurance. That's one of the biggest expense they're going to have in retirement and if it's employer paid today, that's net on your paycheck. We've got to factor in what that might cost in retirement. Whether the pre-Medicare or post-Medicare, we have tools to evaluate that for everybody.

Bill Keen: That's right, and we always talk after taxes too, don't we?

Matt Wilson: That's right.

Bill Keen: People can, they can understand an after-tax number. If you talk gross numbers, then people often try to do the tax work in their heads and they don't relate very well to that.

Matt Wilson: If you Google this, you might see some financial articles say, you live on 60% of your pre-retirement income.

Bill Keen: You're not driving, you're not buying clothes and all that.

Matt Wilson: They're referring to your gross income too, not your after-tax income in most cases, while we look at 100% of your after-tax income first because that's what you're living on, and then factor in the taxes from there, above and beyond it.

Bill Keen: As far as ancillary extraordinary expenses, what are you guys seeing in the trenches every day?

Joel Hamilton: A lot of people, typical thing that they forget are cars, healthcare, we have to break out the travel separately, if you budget for it then you don't feel bad about spending it later. You're not thinking in retirement, "Okay, is this money coming from my future gas and electric bill, or what is it?" You budget your core spending needs and then you try and break it out separately with, "Okay, now I want to spend $10,000 a year on travel for the next 10 years, and then it'll go to five for the next five years, or however it is. The program that we use picks it up like that. Cars, people always forget about cars. I always ask them, "Okay, so the car that you're driving today, that's the last car that you'll ever own?" "Well no." We'll maybe put in three cars. One car every 10 years for the next 30 years. Three total cars.

Matt Wilson: Home maintenance is another one too. We've got to factor that in in retirement also.

Bill Keen: The wonders of home ownership, you know. replace your windows.

Joel Hamilton: Even after you pay off your house you still have insurance and taxes on it too.

Steve Sanduski: That car one is an interesting example. I was just talking to my dad, he's 87 and he just leased a new car for three years at age 87.

Joel Hamilton: Very nice.

Bill Keen: What did he lease?

Matt Wilson: Yeah, what did he get?

Steve Sanduski: He leased a Hyundai Sonata.

Bill Keen: Those are nice vehicles. I think you'd probably love that car.

Steve Sanduski: I asked him. I said, "Dad, was that made in Korea?" He said, "No, it was made in," I think he said Tennessee. I should say it's assembled in the US, but like 54%

of the parts were imported or something. Anyway, yeah, so I thought that was interesting.

Matt Wilson: He can be an Uber driver. Is he going to be an Uber driver?

Steve Sanduski: He can only drive during the day and I'm not sure that he should be driving, but hopefully you're not listening dad.

Bill Keen: That speaks to working in retirement now.

Matt Wilson: We've got a couple clients that have done that.

Bill Keen: We have a couple of clients who they're up in their 70's, and I have a deep respect for them because they didn't want to just be sitting idle. Actually, frankly the money it was helping. It does make a difference. Several that are Uber drives Steve for real. When Matt said that-

Steve Sanduski: I think that's great. We've done a show earlier or a blog post on should you work in retirement, and I think gosh, we all need to stay active. Whether that's working for pay or volunteering, I think that we all have to be doing something. Let's jump into question number three. You guys might want to have a piece of paper and pencil in front of you, because these are some number some going to be throwing at you.

This is a person who says, hey I'm retired and recently widowed and have social security of approximately $30,000 per year, with $1.7 million in an IRA and approximately $500,000 in a trust account. I don't have any debt and I'm considering buying a place in Florida to spend several months per year. I just inherited approximately $250,000 unexpectedly. How does this play into my plans to obtain my second house in Florida and how will this affect my income for the year? I'm expecting to receive the inheritance later this year. I guess this is really a question about, I received an unexpected inheritance, and I'm just wondering how does that affect my income for the year and, so what are your thoughts on that?

Matt Wilson: Basically is that inheritance taxable, it sounds like it's one of the questions. Then how to pay for the house.

Bill Keen: First I don't want to skip over something that would have been easy to skip over. This I'm retired and recently widowed. Just briefly. I've been doing his 25 years and we build relationships with clients, deep relationships over time. The most difficult thing, at least one of them, probably the most that I've seen is folks having to lose a spouse. I've seen people that have been married 30, 40, 50, 60 years in some cases, and they lose a spouse. I just briefly wanted to say, I just acknowledge that path and that journey and what that takes to kind of come back from that and go on. The other thing I wanted to say is, I think this person is in great shape. I wanted to acknowledge recently widowed and I wanted also to say congratulations on being in really good financial shape.

Matt Wilson: To expand on that too on the recent widow is, many times when we meet with clients, one of the spouses is what we would designate as the CFO, is controlling the household finances and understands where money's at and what's happening. I think that's one of the reasons they decide to higher us, is because if they were to get sick and pass away, they want to make sure that the surviving spouse is taken care of with somebody they trust, who they've already vetted beforehand, they don't have to scramble in those tough periods and make decisions, and then get wooed by somebody they don't even know into some investment or product that is not in their best interest. It's important for these relationships to be built over time and ahead of time, so that when these things do happen we're prepared and they have a sounding board. Someone they can trust and bounce these things off of.

Bill Keen: That's a great point Matt, thank you.

Steve Sanduski: How does this affect the inheritance piece? Is that taxable income? How does that work?

Bill Keen: We get this question all the time. I'm glad, I know this had a lot of factors to it here but if we just focus on that there's a couple things. One is if this money is being inherited and it's after tax money, so it's property that is not held in her uncle's IRA accounts or 401(k) accounts, there would be no tax effect to her this year. A lot of people think any time they inherit money there's going to be some big tax, and it's not the case. If you inherit an IRA or an annuity in some cases or a 401(k), yes that money does have to be taxed, and there's schedules for that, but in this case, the way I read this is that this $250,000 probably isn't taxable.

Matt Wilson: It's just a cash distribution, it sounds like.

Bill Keen: That's right, that's right. I wouldn't have a problem with her paying cash using that $250,000 to buy her house in Florida.

Joel Hamilton: Did the question say how expensive the house was in Florida? That's another aspect to it.

Bill Keen: It did not.

Matt Wilson: That's a factor, that's right. The other piece to that too is that inheritance now is tax free. If it was a cash distribution versus this person had $500,000 in a trust account, I would assume it's probably invested and there's probably some unrealized capital gains taxes. Whereas the $250,000 is totally unencumbered by any tax consequences. Even if that didn't pay for it all completely, that would cover probably a big chunk of a place in Florida depending on where they're looking.

Bill Keen: I wouldn't have a problem if she bought a house for 400 in Florida, as long as all this was in within her budget, right? Within what her plan was capable of handling.

Joel Hamilton: Going back to her budget, it sounds like something may have changed recently, because didn't you say that they were receiving x amount of dollars of social security.

Bill Keen: That's right.

Joel Hamilton: Was that what they were receiving before she was widowed?

Bill Keen: It's got to be the survivor benefit. $30,000, guaranteed it's the survivor benefit. These are great questions, because what happens is it gets you thinking about the different aspects. I'm glad they were so detailed in that one, because yes, every situation you have to be thinking of all the facets and the interplay between them.

Steve Sanduski: Let's go to question number four. This is going to be a shorter one. I don't think you're going to need to write anything down on this one. This is about, when can you file for your tax returns. The question is, I'm starting to see my tax documents roll in and I'm wondering when I can file my tax return for this year. This is my first year of retirement and we are planning to be away for the month of march in a warm place. I'd like to file before we go out of town, so when can you actually file your tax return in any given year?

Matt Wilson: I was going to say technically first day to file your taxes is January 23rd, 2017.

Bill Keen: Really, there's date they put out?

Matt Wilson: That's the first day you can file your taxes. That's step one.

Bill Keen: Okay, we're passed that.

Matt Wilson: You got to wait till then, and then post that. Depending on your type of investments and accounts, you've got to wait for your various types of accounts tax documents to come in, specifically 1099.

Bill Keen: We typically recommend that you gather your 1099s, gather your W-2 if you're still working of course and then get them in place, maybe even provide them to your tax provide. Get all your information set up and sent to the provider, which in this case, I would recommend this listener do, but not to file Steve until mid-March or so. If you have money in taxable accounts, some of the 1099s can actually be amended. If it's a fund or an index or even a stock holding.

Matt Wilson: A partnership.

Bill Keen: A partnership or a stock holding could change a dividend to a qualified dividend from non-qualified. There are things that happen, there are so many moving parts and then these accounts where taxes have to be tracked that are let's say non-IRA accounts, we just recommend folks wait till mid-March to actually do the final filing. We just would not want them to have to do an amendment if they get an amended 1099.

Matt Wilson: The worst on these deals are K1 partnership distributions. Sometimes those don't come out until April 15th, or later.

Bill Keen: We have none of those, do we?

Matt Wilson: No. In our investments, we don't hold those investments that issue those, but we've had clients that have had different investments that have issued K1s, and it did not come until, I think one of them came after the deadline one time.

Bill Keen: Yeah, it's something else. I know it's frustrating for folks. The short answer here is for this client that's going out of town, and congratulations on spending March somewhere warm. That sounds like a pretty good program for me. It's 28 degrees here in February in Kansas City. I would say get everything to their tax person and get it all ready. Get everything there and then when they get back if it's early April, see if anything's come and then be able to go ahead and finalize in early April. That would be the answer.

Steve Sanduski: I've got question number five here, it's another tax question. This might require some paper writing again. I accepted an overseas assignment working on a project with my firm that was supposed to be short term in nature. It ended up being five years. I kept my house here in the Kansas City area and was looking to sell it and downsize when I returned. I just received information that I no longer qualify for the home appreciation exemption because I hadn't lived in my house for over two years. I have a low-cost basis on my house with a gain of over $250,000 and was expecting to be able to sell it with no tax due. Is this correct?

Joel Hamilton: We actually have gotten this similar question a couple times recently. A client will take an overseas assignment like the question says, and they keep their personal residence here in the States. What the IRS says, is you have to meet the ownership and the use test is what they call it. It has to be your primary residence and you have to own it and live in it for two of the last five years to be exempted from any gains when you sell it.

Steve Sanduski: Right now if you're married couple you can make $500,000 on your house and have no taxes as long as you meet these x requirements.

Joel Hamilton: Yeah. As long as you meet the five and two rule, is how I refer to it. You move overseas and then you come back year four, midway through year four. Now you haven't lived in it for two of the last five years. Now if you wanted to sell your house right when you come back, you're going to get hit with a capital gains tax on the appreciation. It doesn't have to be an overseas thing, it could be local. Say that you're in Kansas City, if you had a house at the Orzarks and you moved down there for four years, and then you said, "Hey you know we like it down here. Now we're going to sell our house in Kansas City." Now since you haven't lived in your house in Kansas City even though you've had it for 30 years and it has a huge appreciation on it, since it hasn't been your primary residence for two of the last five years, now you're going to pay capital gains tax when you sell it.

Matt Wilson: The solution is they have to stay there for the next two years.

Steve Sanduski: Here's question six. I have access to a 401(k) plan and I am contributing the max amount that my employer will match, which is 6.5%. I would like to save more on a monthly basis but since my employer doesn't match above the 6.5%, should I save this extra money elsewhere? What do you think?

Bill Keen: We get this question more often than you might think. We always want to let folks know, in a qualified retirement plan you're saving money before taxes. It's a pre-tax savings. You do pay FICA tax on money that goes into your 401(k). A lot of people don't realize that. You're still paying FICA tax, so if you look at the end of the year like right now at your W-2's you'll see your Medicare earnings were higher than your gross earnings I guess Matt. Is that what the boxes said?

Matt Wilson: Your wages, yeah wages.

Bill Keen: Than your wages, yeah. You do pay FICA tax on your 401(k). Money you put in your 401(k), you don't pay federal and State tax on it. The answer is, I would say, just because the company's not matching, some 401(k)'s have no match. Still maximize that as much as you can in my opinion because you might have to make 30% just to be even. If you brought money over to our firm after taxes, as opposed to doing your 401(k), forget the match, we'd have to make you 30% or so just to get the tax back and be even. That's my short answer to that. I always encouraged people max that 401(k) first as long as you know it's long term retirement money.

Matt Wilson: The limit this year is $18,000 if you are under age 50, well for anybody. Then if you're over age 50 you can add another $6,000 in there. If you're in a high tax bracket that comes right off the top, that's a great tax deduction. If you're in a lower bracket you can put that money in a Roth portion of your 401(k).

Bill Keen: That again is all about what we think the tax bracket will be down the road, what are they today, doing some calculation that I know, none of it's guaranteed or set in stone, but I think it's big to have that money. Upfront you would have paid in tax working for you over the years.

Joel Hamilton: It kind of depends on the goal for the money too. If they say, "Okay, well I want to save extra but I want it back in five years. I want to make sure that I have access to it then it's, well maybe put it into some other type." It gets really individualized with everybody. There's not just one straight answer to any of these questions really.

Bill Keen: I would just say save an extra 401(k) and save money outside of the 401(k). One more Steve.

Steve Sanduski: One more. Here's one about, I am declaring the beneficiaries for my IRAs, my IRA accounts and a transfer on death accounts. Instead of naming all four beneficiaries outright, can I just name the one that I think is the most responsible, and then let her split the money up among the other beneficiaries after I'm gone? Boy, this sounds like a recipe for disaster here.

Bill Keen: Sounds so simple doesn't it?

Steve Sanduski: It does. My most responsible child, let's just let her decide how to split it up.

Bill Keen: This poses some huge problems. One being that, she says IRAs here.

Steve Sanduski: That says IRA, and transfer on death, so both types of accounts.

Bill Keen: Both types of accounts. If one person is named the beneficiary, one, they have complete control. That's number one.

Steve Sanduski: They could just fly off to the Bahamas and ...

Matt Wilson: Yeah, they don't have to give anybody anything.

Bill Keen: They do not, they do not. They'll get hit will all the tax too though.

Matt Wilson: Yeah, on the IRA count.

Bill Keen: On the IRA. Let's say that they really were going to try to execute on this woman's wishes and split the money up in four ways. That's going to be way more complicated than you'd think. That IRA money pays out and it will be all taxed to her in one tax bracket, her tax bracket. She would have to do some calculations about, "Okay, what did I clear" and then explain it to the others and split it up. Heck, there might even be, if it's over the gifting roles, she might have to declare that she gave gifts to these other.

Steve Sanduski: In other words, it's pretty ugly.

Bill Keen: It's ugly from all kinds of different avenues. People think that having a will or having a simple living set up where there's a trustee and it's all laid out is complicated, actually this is complicated.

Matt Wilson: It ends up costing a lot more money than necessary. If this person was really concerned about maybe their children and a couple of them being irresponsible with the money, they can set up provisions within the trust to account for that if they were to go through the trust route of naming the beneficiaries. They don't have to put the onus on to one of their children to handle all this for them.

Bill Keen: That was the last point I was going to say. It could create this horrible familial issue between these kids and their money, and gosh knows what might happen there to create dissension with the family so ...

Steve Sanduski: All right, great. Lots of good stuff here Bill. I'll turn it back to you and have you wrap up.

Bill Keen: Steve, thank you for letting us add an episode here that we were able to go a lot of different directions in a time where things are confusing, there's policy changes being enacted, clients are asking, "How does this affect me, what's the big picture look like?"

I was asked recently by somebody, why do I do the podcast, why do I do my educational seminars. I had Greg Vallier come in this summer. We're looking at bringing in another really fun and interesting speaker this summer. Why do I put the resources into those things. We do educational forums and lunches and breakfast for clients. It's a commitment, it takes resources to put those on. To me it is an investment back in our clients. When I talk to financial advisors around the country I say, "Are you willing to make an investment back into your clients. To bring them forward, to help them to be educated, to be engaged, to provide information in a format, whether it's a blog, a podcast, educational seminars." I think in the world we live in today if you're going to provide value for people, you really have to be willing to go outside the box and make an investment back into your clients.

Steve Sanduski: Fantastic. Great way to wrap up the show Bill. Bill, Joel, Matt, thank you guys, the all-star panel came through again.

Matt Wilson: All right, great to be here.

Steve Sanduski: Fantastic. Hey guys, we'll wrap and we'll talk to you soon. Take care.

Bill Keen: All right Steve, thank you. We'll talk soon.