KEEN ON
RETIREMENT

# 5 Ways to "Retire Right" and Enjoy Your New Stage of Life

Welcome to Keen on Retirement
With Bill Keen and Steve Sanduski

Hello …

Bill and his team at Keen Wealth know that retirement is just around the corner for many of our regular listeners and readers. And for those of you that are already retired, this can be a nice review of the things to review and consider along your journey in retirement. In fact, some of you may have started 2019 with a resolution to make this your last year of full-time work. Once you've decided to retire and that reality starts to sink in, the scope of this life change can be daunting.

And then there's all the questions: Do I have enough money to retire? What am I going to do with all this free time? Where should we live? What happens to my health insurance? Am I going to drive my spouse crazy? Am I going to drive MYSELF crazy?

Well, don't worry, we've got you covered with this special episode of Keen on Retirement. Bill went back into his past podcasts and blog posts to put together this primer on five ways you can prepare to "retire right" and smooth your transition into retirement.

Regular listeners know that Bill and his team love checklists, so if you work your way through these steps I think you're going to come out feeling more prepared for retirement, and more excited about the possibilities for this next stage in your life.

Now, Bill has mentioned more than once on the podcast that the number one question he fields from folks is "How much money do I need to retire?" And there's really no one-size fits-all answer to that question. You might see articles online about numbers you have to hit in your saving and investment accounts, that sort of thing. But the truth is no two retirements are going to be exactly alike, so no two people are going to have the same financial needs in retirement.

So rather than answering the question, "How much money do I need to retire?" Bill starts his process by helping clients arrive at a **clear understanding of how much income they need to retire comfortably so they don't worry about running out of money.**

Now notice that word "worry." A key point that Bill is trying to make here is that so many retirees who have worked hard and been diligent in following their financial plan to get to retirement end up so concerned about running out of money that they don't enjoy themselves. Let's listen to Bill describe the importance of shifting from a saving mentality into a reward mentality once you do retire:

*That's exactly why the planning process is so important and you know we've talked many times about the checklist driven process for going through all the issues with related to getting yourself to be able to retire and that can be looking at what taxes will look like. Social security, of course. Healthcare costs in retirement. Inflation. Spending like we're talking about today.*

*All those things need to be looked at and accounted for, but when somebody has a plan in place, and they've looked through it, and thought about it, and pre-committed. Now what's happening is, yes technically, the plan is correct, but what we've also done is we've given people that permission; self-permission to spend the money they've allotted. There's a lot of people, a lot of people that we worked with over the years that end up having more money at the end of their life than they've ever had in their life, and that's okay. That's okay. If that was their plan and their intention, but one thing we like to say to folks is within reason now is enjoy this.*

*You worked so hard in your life to build these assets. Please don't feel guilty about enjoying these resources within the confines of the plan that we've all set down and put together. That's why it's so important to have a plan. Yes, the technical aspect needs to be correct, but also giving people permission to go ahead and live life, and not be under anxiety and stress all the time thinking that they're compromising themselves is every bit as powerful as having a technically accurate plan in place.*

One way to help yourself make that reward shift and feel a little more confident about your finances is … you guessed it, a Keen Wealth Advisors checklist!

To make sure you're financially ready to retire and won't run out of money, Bill recommends you start with 4 items:

One, make a budget. Some people go their whole working lives without budgeting, but once you switch from living off a salary to living off your savings and investments, budgeting is going to be critical to your peace of mind.

Two, pay down your debts. Specifically, Bill's looking at any credit cards or vehicle loans that carry high interest. If you have a mortgage you want to pay down before retirement, that can be beneficial too. But including fixed-rate mortgage payments in your retirement budget can make sense as well.

Three, make sure your preferred retirement age, retirement accounts, and plan for taking Social Security are all in sync. You need to make sure you won't be penalized for withdrawing from your retirement accounts if you retire early. And it's usually best to delay taking Social Security as long as possible to maximize your benefit.

And finally, number four, Bill wants to make sure you understand that once you stop receiving employer-subsidized health care, you and your spouse are both going to need individual coverage. That means Medicare if you're both over age 65, and buying coverage off the marketplace if one of you is younger.

So again, to summarize step one in Bill's "retire right" checklist, don't focus on how much money you need to retire. Instead, you and your spouse need to talk about how much money you need to retire comfortably.

OK, so the second step Bill recommends is figuring out **how to spend your money in ways that help you live your best life possible with the money you have.**

Now I kind of touched on this earlier when I talked about why Bill doesn't think "How much money do I need to retire?" is the question retirees should be asking. If you're too focused on "how much money is enough," you'll never have enough. Bill and his team are trying to help clients understand that money is not an end, it's a means. It's a tool you can use to improve your life. And recently Bill shared a story about a conversation he had with referral to Keen Wealth who felt pretty confident about his return on investments. He was coming to Bill for guidance on how successful retirees use that money for a better return on life.

*We recently sat down with someone in the firm who was referred into us for some retirement planning help. This gentleman had been a 40-year veteran of the banking industry, even spent some time with the Federal Reserve Bank, and was in a high position at one of the most prestigious banks around, and came in to sit down to make sure that he was financially on-track to retire. He had a pretty good idea that he was financially on-track to retire because of his financial acumen, but he still knew he needed help understanding the tax planning, the social security integration, the investments, withdrawal rates, all the things we talk about in our podcast and that we council folks on here on the specific planning aspects of things, and then the investing as well.*

*Understood that he needed help with that, didn't want to do it himself, sure didn't want his wife to have to do it if at some day it was just her, if he pre-deceased her. He said, "Bill, I know you've been doing this 27 years, you've seen a lot of people transition from working to retired," and the thing that he really wanted to gain knowledge on and/or experience on was right up the alley of this return on life concept. He wanted to know, "What are people doing as they get on that glide slope to retirement, a year out, two years out, how are they thinking about what they will do each morning, what they will wake up and be excited to do?" Right, Matt? What will inspire them? What will their days look like? Will they still be happy in this new phase?*

*Most people we deal with are pretty well-adjusted to their, yes, a lot of their identity is around who and what they were in their career, but most people we work with can detach from that when they retire and move into the next phase reasonably easy, but he had some very legitimate questions about life satisfaction and the overall integration of emotion and psychology, with he and his wife, around his retirement.*

Now if you're interested in improving your own Return on Life, Bill actually has a great free tool available on his home page. Just go to Keen on Retirement dot com and you can take the ROL Index, which is a series of 20 questions that will get you thinking about how you're using your money to improve your life in three key areas: well-being, progress, and freedom.

So the first two steps in Bill's "retire right" checklist were designed to get you thinking about how you're going to use your money in retirement. We're going to move down to some important nuts and bolts issues with the third step, which is **have the basics of your estate planning documents in order so you don't have to make a life-changing decision in the middle of a crisis.**

Understandably, this is an area of the financial plan that folks tend to avoid, because it's just not fun to think about your life without you in it, your assets without you around to enjoy them. But if you don't have an estate plan in place when you or your spouse pass, then what happens is that the state in which you reside will settle your estate according to local law. And Bill knows from experience that this is not the way you want your affairs to be managed.

*About 15 years ago I worked with a client that was a high profile sports person, and they passed away unexpectedly and had no estate plan so it all became very public and one, this person had received a lot of money in their career that was public over the course of their career and they have very, very little to show for it but people came out of the woodwork against that estate. So one it was all public, one the beneficiaries that did get some money at least now became the targets of fraud, of you name it and if you think the fraudsters aren't looking at these probate estates that are public and using that to target unsuspecting beneficiaries, they definitely are. If they go to lengths that we talked about on our last podcast with special FBI agent Jeff Lanza to just scam us through the cyber world, just imagine where you have this stuff come public that's all factual, that they know who got what and when and that there's confusion and all those things. So the aspect of making things private, that alone would be a reason to get these affairs in order.*

Now another reason that people sometimes put off estate planning is that they get overwhelmed trying to figure out how decisions they make today might affect their heirs ten, twenty years down the road.

Here's what Bill had to say about this problem in a recent blog post:

*Steve reads: This is probably the only time you'll hear me say this about your financial plan, but the easiest way to get going on your estate planning is to narrow your perspective. Fretting about what tax laws and giving levels will look like 20 or 30 years from now isn't going to help you make the key decisions you need to make right now. Instead, ask yourself, "If something happens to me in the next three-to-five years, what would my last wishes be?" Use that vision as your guide. And as circumstances change in your life and in the world, we can help you revisit your plan down the road and fine-tune specific details as necessary.*

So what are those details that you need to nail down? Well at the bare minimum, Bill says that everyone needs to make out a Will that outlines your last wishes and explains how you want your estate to be distributed, a Power of Attorney that authorizes someone you trust to act on your behalf in the event that you are incapacitated or unable to make decisions, a Healthcare Directive dictating how you would like to be cared for in the event that you become incapacitated, and a Living Will designating a person to be in charge of making important medical choices on your behalf if you are unable to. Beneficiary designations on life insurance policies and retirement accounts should be reviewed and confirmed that they are correct and using POD"s or TOD's on bank and brokerage accounts and other assets can be an option as well.

In most cases though, taking the time to create a living trust will keep things private and provide more flexibility and customization of your wishes than just a simple will.

So again, a Will, a Power of Attorney, a Healthcare Directive, and Living Will. And we would encourage you to consider a living trust. And if you're driving around listening to this don't worry about taking notes, you can go to Keen on Retirement dot com when you're done listening and we'll have all these items listed in the shownotes so you can review later.

OK, so now that you've got your estate plan in order, next on Bill's "retire right" checklist is step four, **know how to keep financial market fluctuations in perspective so you don't get scared into losing part of your nest egg**.

This is a really important point to discuss if you're newly retired or about to retire because, as I'm sure you're well aware, last year was a bit of a roller coaster for the markets, and there were some volatility spikes that made folks nervous.

But one key point that we've returned to time and time again on this podcast is that volatility is normal.

Of course, me telling you that volatility is normal probably isn't much comfort if you're about to retire and preparing to live off your investments. And on a recent podcast, Bill talked about how market movements and market history aren't just theoretical concerns for his team at Keen Wealth: they're the reality that they help clients cope with every single day.

*This is not theoretical now, the majority of our clients are in what we call the distribution phase of their investment career. Not all, but most. If you're retired and you have a pool of assets, stocks and bonds and other investment classes, you and your family are relying on that investment collectively to produce income for the rest of your lives, and hopefully that income will increase as well with the cost of living, as inflation proceeds forward out into the future. So this becomes very real. And again, it's not just something that we're theorizing about or talking about on CNBC, this is something we're having to do on the ground, in the trenches for clients, and I've been at this for over 25 years through a couple of the worst corrections that the markets have ever seen. So when folks start to ponder this, we have this environment, this market, these capital markets. The political environment, the geopolitical environment, all these things that are happening, and they feel, at times, kind of out of control, or ominous, or scary.*

*So to your point, a month like October can make folks think, "Wow, are we going to be okay?" And the first thing we say is you have to have a financial plan in place where you've articulated how much money do you need to live on, what will the taxes be, how will social security integrate with those things, what are the right decisions there, what will healthcare costs look like? Really get a plan for all those things, and work within the guardrails of the financial plan, but then the engine to the plan, these investments that we are talking about today, have to perform for you over the long-term.*

*So it's where the rubber meets the road, and for us, the strategy that's gotten our clients through is making sure that we don't have investments in the equity markets, and sometimes we use words like equity, well that means stocks, and when I say it, it means a diversified portfolio of some of the strongest stocks in our opinion that exist, and it means that we don't have money in those things that can be volatile, that were going to need back within, call it five years or so. That's kind of the minimum we look at, Matt, isn't it? And then some folks, if you talk about it in that context, they can get their mind around, "All right, we have investments in the stock market that will be volatile." But we talk about that up front. We're not saying it won't be, it will be, but we don't need those dollars back within, call it five years, and* *in some cases, folks have more than that, they have maybe 10 years of their income needs invested in things that are more fixed.*

*And that ... folks having an understanding of that strategy is what gets them through these times and helps them sleep at night, and helps them understand why we're doing what we're doing, and it's not just some thing, Steve, like hey, if you're 70 years old, you should have 70% of your money in bonds, which was an old back of the napkin thing from years ago. It's more about what do you need these assets to produce for you? Now let's think through it, let's reverse engineer where you should be, and then understand what volatility you're going to be looking at. But for our talk today, we go back in history and we talk about how things have worked, and what we see is that time has, like you say, past performance doesn't guarantee future results, but time up to this point has always healed. So if you can get through the down times and not panic and make an emotional decision, sell everything out at the wrong time, where you don't have money in the markets that you need back, so you have no choice, you have to sell at a bad time, then we can navigate these times that they're coming at us, whatever happens, and be okay.*

Once again, for Bill's team it comes back to customizing financial plans to suit the unique needs of the client. Their strategy of diversification, strategic rebalancing, and a five-year reserve of emergency cash is pretty dependable across the board. But the specifics of how those assets are allocated and which levers to pull when will depend on your financial situation and your retirement goals. And again, you can check out the shownotes for some links that explain how this strategy allows you to maintain an income stream during volatile times.

All right, we've reached the final item on Bill's "retire right" checklist, and that's number five, **have an idea of how you'd like to spend your time in retirement so your days are fulfilling and you look forward to each one**.

Now the good news about your retirement compared to your parents' or your grandparents' retirement is that, knock on wood, it's going to last longer. The advances in medicine, preventative care, nutrition, and exercise we enjoy today mean that people are living longer than they ever have.

The bad news is … you gotta find more things to do! Here's Bill:

*This is just the last couple of generations issue to deal with. As you mentioned, people weren't working a full lifetime and then having 20 and 30 years to enjoy things. It truly was 9 to 5 to 65, watch TV maybe for two or three years and pass. This is a problem or prosperity, I like to say, these issues that folks have to think about and get their arms around. Let me talk about the things that I'm seeing most people doing that are helping them thrive at this point.*

*One of the things I would say initially is identifying what's most important to them: what means the most, and focusing on that. We'll get clarity on it here in our talk today and focus on some of those things, but what really means the most? This is something that I coach people to do several years before they actually retire. Number 1 at the list for most people is time, so the opportunities that come into play with retirement is time, and that would be time with a spouse if they're married, time with children, time with grandchildren. Right behind those or even almost equal is being able to focus on health, being physically fit, working on those things that in most cases got set aside when someone spent 40 hours or more at a desk all week.*

Now in a recent blog post, Bill talked about retirement being an ART, that's A for activity, R for relationships, and T for time. Bill explained, *"The things you do in retirement should be meaningful, stimulating, and energizing. Your passions should be your guide to a new routine – both with your spouse, and apart from him or her."*

So what is Bill talking about here? Well, it could be things like taking professional lessons to improve your golf swing. It could be travelling more, visiting friends, visiting your grandchildren. It could be devoting more time to hobbies like writing or painting or crafts. And for some people, it's working part time, volunteering, or even starting a new company.

Here's Bill with some more examples.

*I have someone who was a commercial pilot his entire career, well-respected gentleman, and retired. That was his passion, and he now, in retirement, flies charter work, just very part time, but this is something we'll talk about this as well, he's actually generating some revenue from that but he's doing something that he's loved his entire life, but now he has time to do it on his terms in this case.*
*I had another fellow who was into cycling when he was much younger and had gotten away from it over the course of the years he was working, and retired, got back into cycling, lost a substantial of weight, and got into literally some of the best shape of his life, and was able to ... Now he's a competitive cycler, even rode in the Senior Olympics down in Texas here in one of the past years.*

*Seeing these things, whether it's a hobby that someone has done in the past or it's a brand new one, it's pretty inspiring to watch people involve and grow, and really focus on the things that help them thrive.*

Figuring out what your ART is going to be, how you're going to spend your time in retirement and who with, isn't always as easy as it sounds. In fact, Bill tells his clients to expect and even embrace some trial and error as they discover what's going to make their retirement fulfilling:

*Look, everybody's different. When we sit down with folks on the traditional financial planning side of things, we say, "Hey, this is your life, these are your resources. What do you want it to look like, not what some financial firm tells you your life should look like, or not what the culture tells you your life should look like. What do you want it to look like?" We're just trying to shine a light and help people, give them new tools for thinking. It's interesting because, not many places do we have tools for thinking about these things. I think the traditional financial planning focus is just on numbers. Yes, it's great to have the numbers right, measurement, those kind of things. This provides a baseline and a way to measure these things in a way that each person wants to design their own life for.*

So, to recap, Bill Keen's five keys to "retiring right"

One: Have a clear understanding of how much income you need to retire comfortably so you don't worry about running out of money.

Two: Know how to spend your money in ways that help you live your best life possible with the money you have.

Three: Have the basics of your estate planning documents in order so you don't have to make a life-changing decision in the middle of a crisis.

Four:  Know how to keep financial market fluctuations in perspective so you don't get scared into losing part of your nest egg.

And number five: Have an idea of how you'd like to spend your time in retirement so your days are fulfilling and you look forward to each one.

I hope you'll click on over to Keen on Retirement dot com, on the shownotes page we'll have links to past blogs and podcasts with a lot more information on these important topics.

And if I can add a step six to Bill's list, it would be to reach out to Keen Wealth with any questions or concerns you might have. When it comes to financial planning, there's real value and real peace of mind to working with fiduciary advisors like Bill and his team. If this is the year and you're getting ready to make this major transition into retirement, or you are already retired and want to make sure your plan is on track, make an appointment and talk to Keen Wealth about how they can make this process as smooth as possible.

Thanks for listening …