

# APRIL

## 2024

# THE ROAD TO RETIREMENT

OUR MONTHLY GUIDE TO EVERY MILEPOST, JUNCTION,  
AND LANDMARK ON YOUR ROAD TO RETIREMENT.



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## WHAT'S ON OUR MINDS THIS MONTH

Spring is officially here! For most people, that means it's time for spring cleaning. But wait! Before you pick up that dustpan, give a thought to spring cleaning your *retirement plan* first.

These days, the term *spring cleaning* is often used as a metaphor for getting organized. As you can imagine, getting your retirement plan organized is critical if you intend to actually retire when and how you want. There are many things to do, keep track of, and decide.

Of course, that's why we offer this *Road to Retirement* newsletter every month!

This month, we are covering some important questions you should ask yourself regarding your retirement plans. By determining the answers to these questions, you will be more likely to keep your retirement plans organized and stay on track to reach your goals.

As always, if you ever need help with answering these questions, we are here!

Have a great month!

# WHAT'S AROUND THE BEND: AM I MISUSING TAX-DEFERRED INVESTMENTS?

Tax-deferred investments allow your money to grow tax-free until you make a withdrawal. (Ideally, after retirement.) Withdrawals are then taxed as ordinary income. Traditional IRAs, 401(k)s, and annuities are examples of tax-deferred investments. Unfortunately, many pre-retirees misuse these types of investments in the following ways:

**Taking withdrawals too early.** This can rob your retirement of *much* needed savings. In some cases, it can also come with additional penalties. For example, if you make withdrawals from an IRA prior to age 59½, the money would be subject to a 10% penalty from the IRS in addition to being taxed.

**Not contributing the maximum annual amount.** Most tax-deferred investments have a cap on how much you can contribute each year. But many people *vastly* undershoot this cap. It's quite common to see people put their tax-deferred accounts on the bottom of the pole. Other types of investments, or even just spending, take priority. As a result, these people are not benefiting from all that tax-deferred investments have to offer.

**Contributing *after-tax* dollars instead of *pre-tax* dollars.** Sometimes, it's easy to get careless and contribute money you have *already* paid taxes on. Remember, when you withdraw that money later, it will be taxed again as ordinary income. That's called **double-taxation**, and no one wants that! Instead, make contributions with pre-tax dollars whenever possible.

**Not choosing the right investments.** Tax-deferred accounts may be great from a tax standpoint, but if you want the money inside them to grow, you must choose the *right* investments. Some may lead to higher taxes in retirement than they would through capital gains in a taxable account. Always pay attention to which investments are going into each account you own.

If you are concerned you may be misusing your tax-deferred investments let me know and we can help you figure it out! Our firm does not offer tax or legal advice.

QUOTES WE'VE  
BEEN THINKING  
ABOUT:

**“Investing  
should be like  
watching paint  
dry or watching  
grass grow.  
If you want  
excitement,  
take \$800 and  
go to Vegas.”**

– PAUL SAMUELSON,  
NOBEL PRIZE-WINNING  
ECONOMIST



# WHAT'S OVER THE NEXT HILL: SHOULD I RETIRE EARLY OR NOT?



This is a common question, and definitely one every person should ask themselves sooner or later.

“Early retirement” is usually defined as retiring before the age of 65, when you are eligible for Medicare benefits. (Others may see it as retiring before the age at which they are eligible to claim full Social Security benefits.) The idea of retiring in your 50s or early 60s can be an extremely alluring one. But there are definite pros and cons to consider:

## Pros:

- More time to do things you love with the people you love.
- Take advantage of having a younger body and better health.
- Opportunity to go back to school or move abroad.
- Can start a new career/business that is personally rewarding but *not* critical to your financial success.

## Cons:

- Can be a *major* drain on your finances. You may not notice it at first...but it could become very apparent in your seventies and eighties. Retiring early also means dipping into your savings early, reducing them over the long term or forcing you into riskier investments in order to keep up.
- Smaller Social Security benefits, depending on when you begin taking them.
- Can actually be a *detriment* to your mental health. Some who retire early may find themselves missing the social aspects of work...or may realize they still had more “gas in the tank” than they thought.

As you can see, there’s a lot to consider when mulling over an “early” retirement. That’s why this is a question you’ll need to ask yourself now or in the not-too-distant future. Of course, if you have any doubts about whether you *can* or *should* retire early, I can help you project the outcome of any and all scenarios!

## FUN FINANCIAL FACT

**When Frank McNamara took his wife out to dinner one night at a fancy restaurant, he didn’t know he was about to change the world of finance forever. Unfortunately for him, when he went to pay the bill, he realized he had left his wallet at home. Luckily, his wife was able to step in and save the day, but he never forgot his embarrassment. So, he decided to find a solution for people in similar predicaments. A year later, he and a partner introduced cardboard “Diners Club Cards” that could help people pay for a meal when they were short on cash. This was one of the first modern credit cards, and it launched a revolution in how society pays for things.**

# WHAT'S ON THE HORIZON: WHO DO I WANT THE EXECUTOR OF MY WILL TO BE?

Over the next few issues of this newsletter, we're going to take a deeper dive into the topic of estate planning strategies. This month, let's discuss a third important question you need to ask yourself: Who do I want the executor of my estate to be?

There's an old saying that you should never tell anyone "your favorite fishing hole, where you keep your whisky, and where you keep your money." But that last is certainly something the executor of your estate will need to know. You see, your executor is the person you appoint to administer your will and see that your estate is handled appropriately. If you don't choose one, the government will do it for you...and that tends to be messy. So, the choice should be yours.

But *whom* you choose is critical. Because your executor will be tasked with making sure every item in your will is accounted for and handled appropriately, you need someone trustworthy, reliable, clear-headed, and ideally, detail oriented. Someone who will not be daunted by the task...or the idea of paperwork.

Of course, you should *not* choose someone who:

- Does not *want* the job.
- Is in dispute with a third party who *also* wants to be the executor. (This is not uncommon when one family member is chosen over another.)
- Is generally distrusted by other members of your family. Even if *you* trust them, this can lead to disputes.
- Has an uncertain financial situation, i.e. has liens, a poor credit history, debts to pay off, or a history of bankruptcy.

This is not a choice to be taken lightly or made quickly. (That's why we're covering it under the "On the Horizon" section of this newsletter.) But it *is* a question you will need to answer...or revisit if you're concerned you made the wrong choice.

Being an executor is hard. The process can be long, demanding, and sometimes stressful. But if you choose the right person well enough in advance, and make sure they know exactly what to do and what's expected of them, the experience can go much more smoothly for them...and lead to peace of mind for you.

## WATCHING THE WEATHER: MARKET CONDITIONS ON THE ROAD TO RETIREMENT (MAR-APRIL)

March was a month of peaks and valleys in the markets. The S&P 500, for example, went up, then down, then up, then down, and so on, all throughout the month. But the good news for investors is that each peak rose successively higher, leading to higher valleys as well.

Much of the market's momentum continues to be driven by expectation that the Federal Reserve will lower interest rates later this year. Indeed, after their monthly meeting on March 20th, the Fed confirmed their intention to decrease rates by 0.25% on [three different occasions in 2024](#).

Now, this is not a guarantee. The Fed has shown itself to be quite comfortable with keeping things where they are if inflation does not improve. And the most recent inflation data suggests that prices are not coming down as fast as anyone would like. So it remains to be seen whether rates will hold steady this year or not. For now, though, investors are hopeful...and the bull market continues to roll on.

### HERE'S WHAT WE'RE KEEPING AN EYE ON IN APRIL & BEYOND

As usual, inflation. The recent spike in consumer prices can largely be explained by seasonal demands. (Prices usually go up around the holidays and then slowly normalize afterward. Cold-weather gas prices also typically cause inflation to tick up.) But as winter makes way for spring, investors will be watching carefully to see whether warmer weather will help bring cooler prices...or if prices will continue rising as the temperature does.





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