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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

Andy Williams once sang that the holiday season is “the most wonderful time of the year.” We think that’s true! But it can also be the most expensive. Every year, families around the country save, set aside, and occasionally scrimp to help ensure they have enough for their holiday spending needs.

The more income you have, of course, the less stressful holiday spending tends to be. That’s especially true for those nearing or entering retirement, for whom the topic of income is never far from their minds.

Income is one of the most important aspects of any retirement plan. For that reason, we are going to devote the next few issues of *The Road to Retirement* to the topic of income planning. Each article will cover a different source or strategy regarding income in retirement.

On behalf of our entire team, I send you our warmest holiday wishes. We look forward to helping you move further along the *Road to Retirement* in 2025. May your New Year be happy and prosperous!

WHAT'S AROUND THE BEND: MAXIMIZING SOCIAL SECURITY PART I



When it comes to income, few sources are more important – or currently more reliable – than Social Security. And guess what? There are ways to potentially maximize your Social Security benefits, there by increasing your post-retirement income.

The first method for potentially maximizing your benefits is to delay collecting them in the first place. Too many people rush to collect their benefits as soon as they retire. This is sometimes a mistake, especially if you retire early. Technically, you can begin receiving benefits as early as age 62, but if you do, your benefits will be reduced significantly. For example, people born between 1943-1954 would see their payouts [permanently reduced by 25%](#).

Waiting until your “full retirement age” might be a better option— it means you won’t face any reduction. What’s your “full retirement age?” It’s the age at which you first become entitled to “full” or “unreduced” benefits. This chart gives you the specifics:

Year of Birth	Full Retirement Age
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

The latest you can begin collecting benefits is at age 70, and there’s good reason to hold off until then if possible. Benefit payments go up 8% every year you wait after your full retirement age up to age 70. In other words, the longer you can keep your hand out of the cookie jar, the more sweets you can receive.

In the next issue, we’ll cover another maximization method: Claiming spousal benefits.

Source: SSA.gov/

THE ROAD TO RETIREMENT

QUOTES WE'VE
BEEN THINKING
ABOUT:

**“The best way to
treat obstacles is
to use them as
stepping stones.”**

– ENID BLYTON,
CHILDREN'S BOOK
AUTHOR

WHAT'S OVER THE NEXT HILL: CREATING AN INCOME SCHEDULE

An oft-neglected way to help ensure you have more income than you'll actually need in retirement is to plan out the specific ways you will fund both your short-term needs *and* your short-, medium-, and long-term *goals*. In other words, every retiree should have an **income schedule**.

Now, everyone's situation is different, which is why your investments should be coordinated with your specific requirements for income, growth, protection of principal, and liquidity. However, here are some general guidelines:

Short-Term Needs: These are essentially your monthly living expenses. With careful planning, many retirees find they can often meet these needs through their Social Security alone, supplemented with careful withdrawals from their savings and, if necessary, distributions from their retirement accounts.

Short-Term Goals: These could be fixing your roof, attending your relative's destination wedding in the Caribbean, or making a major — but not life altering — purchase. (For example, a retiree has devoted much of his now ample free time to mastering the art of pottery and decided to purchase a very expensive, very high-end kiln. This is obviously not the same as buying a car or moving to a new home, but it was also something he didn't want to just stick on his credit card.) These types of goals can often be met through the use of short-term investments like money market funds, CDs, and Treasury bills.

Intermediate Goals: When you need income for something that's between 2 and 10 years away, it can often be funded through fixed-income investments like municipal and government bonds.

Long-Term Goals: For longer-term income needs, goals that are far off on the horizon, or just to combat inflation, many retirees turn to long-term investments like stocks, mutual funds and exchange-traded funds, and even real estate.

WHAT'S ON THE HORIZON: ALTERNATIVE INCOME SOURCES

There are more sources of income out there beyond Social Security, bonds, and CDs. These alternative sources of income are not right for everybody, but they may be worth exploring to see if they fit you and your situation.

For example, one alternative source of income in retirement is real estate. Many retirees like the idea of owning or investing in real estate because of its appreciation potential. But buying and selling real estate can be extremely risky and beyond some people's financial reach. Meanwhile, owning real estate and deriving income from, say, rent, can be extremely time consuming.

But there are other ways to use real estate for income. One method is through a Real Estate Investment Trust, or REIT.

A REIT is a company whose sole purpose is to own and/or operate income-producing real estate, such as apartments, shopping centers, offices, and warehouses. Some REITs engage in financing real estate. What makes REITs unique is the requirement that they pay at least 90% of their taxable income to their shareholders. This payout can also include non-taxed income representing cash flow from depreciation.

As an investment, REITs offer a number of attractions. Foremost is the fact that public REIT shares trade on the stock exchange, giving investors liquidity with their real estate investments. They may buy and sell a diversified portfolio of properties, as well as the management, on an instantaneous basis. REITs can also offer the security of owning real estate with a long life and the potential to produce income. When compared to owning public company bonds or dividend-paying stocks, payment of rents to an investor take priority over payment of bond interest and stock dividends.

Of course, like all investments, REITs come with risks, too. Their value can be less attractive when interest rates rise and other types of investments, like Treasury bonds, become more appealing. REITs can also be vulnerable to fluctuations in the economy. And since REIT dividends are taxed as ordinary income, they can have an adverse effect on your tax situation.

For these reasons, REITs aren't right for everyone. But if you are interested in the idea of using real estate as an income source in retirement, they are may be worth exploring, so let me know if you have any questions!

WATCHING THE WEATHER: MARKET CONDITIONS ON THE ROAD TO RETIREMENT (NOV-DEC)

November was a strong month for the markets. The Dow [rose 7.5%](#) in November, its best month of the year. The S&P 500, meanwhile, [gained 5.7%](#). Both indices were driven by certain companies getting a boost after the election, with investors feeling certain sectors of the market will benefit under the new term administration.

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

November 29, Black Friday, officially kicked off the holiday shopping season, which often provides a boost to both the economy and the markets. Some data suggests that, with inflation lower and interest rates coming down, [consumers will break spending records this year](#). If so, that could likely continue propelling the markets higher.

However, the future does contain question marks. One of the major aspects is the potential for higher tariffs. Some economists project that higher tariffs could increase consumer costs. If this happens, and inflation spikes again, it could cause the Federal Reserve to hit pause on further interest rate cuts. That would likely have a dampening effect on the markets.

So, as investors, there are reasons to be both optimistic and cautious about the coming months. As always, my team and I will continue monitoring the markets carefully. In the meantime, we wish you...

HAPPY
HOLIDAYS

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