

# COMMENTARY

TIMELESS MARKET WISDOM THAT MATTERS NOW

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## Turning 60?



### Here's the Conversation You Need to Have.

**R**etirement. Deciding when and how to retire is one of the most significant challenges you'll ever face. The decision-making process itself can be emotional and frightening. When should we retire? Should we downsize? Should we rebalance our portfolio? Update our will? Assign a power-of-attorney? And most importantly, how do we know we're not missing something important?

Age 60 is the perfect time to start asking these questions, especially if you still plan to work for awhile. Most of the significant costs of early adulthood—college tuition for the kids, the mortgage—are behind you. You're healthy, your career is still going strong, and Social Security is just around the bend. At 60, you have time to ensure a smooth transition to retirement. And it can start right now.



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Here are some important parameters for that conversation.

### **Take a Deep Breath**

Retirement isn’t an event...  
it’s a process.

You’re about to leave the familiar comfort of a steady paycheck, and enter a

world where you’re essentially spending your savings. This shift, from a “save what you can” to a “spend only what you have to” mindset, can be harder than you think—it’s emotionally difficult for a lot of our clients. Give yourself time to get used to the idea.

Retirement doesn’t happen all at once; it’s a major life transition that takes years to get through. Having “The 60 Conversation” lets you start thinking about the key issues early on, so you can plan these details with the same smart and thoughtful strategy that’s expanded and preserved

generational wealth for your family.

So don’t expect everything to happen on your 65th birthday. Instead, carefully chart when and how you want your working income to stop or slow, and exactly when and how you’ll begin to replace it by taking retirement income.

### **Rethinking Your Budget**

Is your spending level sustainable?

The number one question we get regarding retirement is: “How much do I need to retire?” If only it were that simple. The answer to that question is different for every couple, and it has everything to do with what kind of lifestyle you want to lead and the spending you anticipate. If you plan on living a lavish life, with vacation travel and owning multiple pieces of real estate, you’ll need more retirement income to support that. If you’re more frugal, you won’t need as much. Whatever your retirement dreams might be, it’s careful budgeting that makes sure they can actually come true.

After years of contributing to a 401(k) or other retirement plan, you may have saved enough money to feel comfortable leaving the workforce, and living off the wealth you’ve amassed. But life is long, and you might have to draw off that savings for another 25 or 35 years. If you spend your wealth too quickly, there’s a risk you may outlive it.

How you manage your spending is of primary importance in retirement. You need to honestly assess the limitations of your assets, and make cost projections long before you actually retire.

McRae can help with this—we’ve guided many clients through exactly this transition. Here are a few of the major cost centers you’ll want to reconsider:

**Healthcare:** Will Medicare cover your prospective health care needs, or will you need a supplement like Medigap?

**Real Estate:** Are you maintaining

a primary residence and one or more seasonal second homes? Now's a great time to consider exactly how you want to live going forward, and consider liquidating any real estate assets that aren't a necessary part of your future.

**Life Insurance:** As you age, the cost keeps going up, and the need—if your family is well-enough financially—keeps going down. For most people, there comes a point when you simply don't need life insurance anymore, and can eliminate that growing annual cost.

**Caring for Extended Family:** Wanting to support your children's business opportunities, help a brother out of financial difficulties, or sponsor your grandchildren's college educations is wonderful, in theory. But it may not be realistic, depending on your situation, and you owe it to yourself AND them to carefully assess the true costs of such generosity.

We all want to do what's best for our extended families. But putting their financial comfort ahead of your own, noble as it may sound, can put you in a position where you unintentionally underfund your own retirement, outlive your wealth, and become a burden to your family later on. And nobody wants that.

**Philanthropy:** Another option for financial generosity is philanthropy. How generous do you want to be, either in life or, through your will, after you've passed away?

Whatever you decide, be comprehensive

in your assessment and be honest with yourself. The decisions you make here will go a long way toward determining the quality of your retirement and the rest of your life.

### **Replacing Working Income** What's the secret combination?

Once you accurately gauge your present spending needs and estimate what they'll be as you move forward, then you can properly use your productive assets, along with whatever other resources you have, to generate the income you'll need for what will hopefully be a long, happy retirement.

So what does post-paycheck life look like? For most people, your income will be a combination of many sources, including your personal taxable investment accounts, pensions, Social Security, interest on savings, the rental or sale of real estate assets, and retirement-savings accounts (your 401(k)s and IRAs). Each retiree's situation is different, and many of these decision points are taxable events, meaning you'll want to get professional advice so you can minimize the tax hit throughout the transition. McRae Capital can work with your tax accountant and others to help you make informed projections and smart decisions.

With the bulk of your working years behind you, you may be feeling a little more risk-averse than in your younger days, and increasingly focused on protecting the wealth you've amassed.

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# NINE Things to Consider at 60

**Here are a few of the many important things to consider as you begin to contemplate retirement.**

- Decide exactly when, and how, you want to wind down your work
- Prepare for the psychological hit of retiring, and losing that comfortable paycheck
- Predict your future spending, and consider downsizing or other reductions
- Rebalance your portfolio toward a more conservative strategy that protects income
- Develop a strategy for taking Social Security and retirement-account distributions
- Analyze your healthcare solution and options, and consider dropping life insurance
- Evaluate future family support—make sure you can afford retirement, and won't be a burden to them later
- Update important documents, like your will, healthcare directives, and funeral arrangements
- Name an executor, share your directives, and make sure loved ones can easily find key documents when you're gone



Many clients rebalance their portfolios to reflect that shift, protecting a steadier income and minimizing risk. (You might, for example, consider raising the percentage of your assets held in fixed-income vehicles.) A trusted financial adviser like McRae can help you make these tactical decisions in a thoughtful way.

### **Making Necessary Arrangements**

**How do I put my affairs in order?**

Like everyone heading into retirement, you and your family need to have some tough but necessary conversations around wills, health care directives,

funeral arrangements, and other end-of-life decisions and documents. Age 60 is the perfect time to discuss these things, while you're still working and in good mental and physical health, and nobody has to be paralyzed into inaction with fears that "the end is near." Not feeling rushed is important; these are very big and personal decisions. But don't wait too long, or your options may start to narrow.

Start by reviewing and updating your will, including updating executor and beneficiary information, adding a Do Not Resuscitate (DNR) order if that's your preference, and developing instructions about your funeral

arrangements. Then walk through the documents and decisions with your executor and family members, making sure they understand your decisions. Provide your spouse and children with a summary and key contact information, so they can easily access your will and executor instructions after you're gone.

Having these critical conversations can be unwelcome and difficult to set up, but will ultimately reassure your loved ones that they understand your wishes and are doing the right thing. You can't make the emotional pain of your passing any easier, but you can at least remove uncertainty and make the logistics easier.

### **We're Here To Help**

Retirement is a major milestone, and turning 60 offers a wonderful opportunity to take care of some tough-but-necessary decisionmaking to ensure that your family can reap the full benefits, long after you're gone, of the hard work of your lifetime. Obviously, many of these decisions involve investment and tax implications, and you shouldn't try to make them in a vacuum. A trusted financial adviser like McRae can be a helpful guide through these very rocky and confusing waters. If you or someone you know is ready to have "The 60 Conversation," we'd love to help.



### **MCRAE CAPITAL MANAGEMENT HAS A WEALTH OF INVESTMENT INFORMATION FOR YOU.**

If there's ever anything we can help you with, please don't hesitate to give us a call.

You can find this and other Commentaries on the Web at [www.mcraecapital.com](http://www.mcraecapital.com). Or find us on Facebook or LinkedIn.

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