

Finding Fulfillment in Retirement

- A Couple Approaches Retirement from Different Perspectives •

Profile: Married couple

Ages: 62 and 64

Annual Income: Approx. \$550,000

Children: 1, age 31



Reaching the point where you are financially ready to retire typically takes decades of planning, saving, and thoughtful investing. Typically, finances are what people think about when they ask themselves, “am I close to being ready to retire?” However, there is much more to making that decision than knowing you are financially ready.

It should involve abstract thoughts.

- How is your self-image linked to your work?
- What different modes of retirement might be available and would you like to stay engaged in the workforce in some other capacity?
- What do you want to do, specifically, when you have more free time?

In this Client Case Study, we describe how one of Gold Medal Waters’ advisors helped a couple through this process. The couple came to GMW when the wife, who we will call Katherine (not her real name), was 62, and the husband, who we’ll call Steve (not his real name), was 64. They were both still working, but at their ages, the retirement question was something their GMW advisor raised early on in their conversations.

Not In the Same Place

Katherine, a small business owner, immensely enjoyed her work and had derived a great deal of personal satisfaction from guiding the company over the years. Yet, she was involved in other activities and looked forward to spending more time on them in the not-too-distant future (“but not right now,” as she told her GMW financial advisor). In other words, she knew that when she did retire, she would let go of her business. Steve, a college professor, resisted attempts to explore what retirement could look like for him. When the advisor asked them, “When do you think you might want to retire?” Katherine said, “Not yet, but maybe in the next year or two.” Steve said, “Never.”

We note that this is not unusual – women are often more open to the idea of retiring than men. This feeling is likely due to many societal factors, and to that self-image issue we mentioned above, as work often “defines” men much more than it does women.

One of the first things we do with new clients is to have what we call a purpose discussion. The focus is on exploring the “why” of saving and investing – in other words, what do you want your money to do for you over the rest of your life? While Katherine was open to exploring this, Steve remained relatively withdrawn during the purpose discussion. There are many possible explanations for this resistance. Steve may have been affected by how his parents handled money – perhaps they did not have enough money to retire comfortably, or it could be that his family’s culture frowned on spending money “frivolously” to enjoy life. Understanding these influences can be extremely helpful in determining what you want your money to do for you.

Is Enough Money Enough?

The purpose of the discussion is whether an individual or couple has or will have enough money to retire comfortably and pursue the activities they value. That could be visiting grandchildren, taking trips around the world, learning a new skill, volunteering, or any number of things. Katherine and Steve had amassed significant wealth, more than enough to provide the income they needed to cover their current lifestyle. Yet, less than a year after their initial meeting, when their advisor again asked, “When do you think you might want to retire?” Steve’s answer was still “Never.”, but Katherine said, “I think I’m getting ready, but I don’t know if we can afford it. How will we generate the income we need?”

Her response highlights the psychological issues that arise in giving up a paycheck to retire. Of course, the reason for saving and investing over decades, in both taxable and tax-deferred accounts, is to replace that paycheck. Frequently, the source of most of our savings over the years is paychecks, so when we retire and start living on that saved working income, you can think of it as still using part of your old paychecks, but in a different form. It often takes clients multiple years to become comfortable with spending down their nest egg.



Waiting Too Long

Katherine and Steve's GMW advisor restructured their overall portfolio to be adequately diversified and generate income to replace her paycheck. If they had come to us some years sooner, we would have been able to optimize the location of their investments across their taxable, tax-deferred, and tax-free (Roth) accounts much more effectively. They had a high percentage of their total savings in tax-deferred accounts, which means their required minimum distributions (RMDs) would be pretty significant, money that would be taxed as ordinary income. Again, if they had come to us sooner, their GMW advisor would have been able to address that deficiency meaningfully.

With Katherine expecting to sell her business, some things could optimize the sale from a tax perspective. Since the couple had charitable giving goals, donating shares of the company to a Donor Advised Fund would provide substantial tax benefits and accomplish those goals.

Suppose Steve had been a more active participant in the discussions. In that case, they could have constructed various versions of a financial plan around alternative scenarios such as having him working full-time for the next five to six years or shifting to a "partial retirement" in three years. While that would have provided more opportunities for tax optimization, as advisors, we think it is more important to pursue what you value in life than to squeeze the last dollar out of an optimized tax strategy.

Follow Up

Two years after they became GMW clients, Katherine has sold her business and is doing some consulting work and business coaching with small business owners through a program with the SBA. She is also doing a little bit of gardening. Steve is still at the university and doing research but is only teaching one course per year. They downsized from their main house, moving to a smaller but upscale condo in the downtown area in their city. They also bought a vacation home with an office for Steve, and they are spending a reasonable amount of time there, enjoying being together.



If you have colleagues or friends that might identify with the clients we profiled here, please forward this resource to them. Or if you would like to meet with a Gold Medal Waters advisor for a no-pressure, conversation **please reach out to us**.

Reach Out To Us



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