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Maximizing Your Money In Retirement & What You Leave Behind

Interview with Alexander Joyce, CEO & President of ReJoyce Financial LLC

Are you ready to achieve your retirement goals? Moreover, what strategies should be deployed to help individuals increase their income in retirement while potentially reducing taxation on their hard-earned life savings?

Ultimately, protecting your assets is all about ensuring that your money lasts for your lifetime, and that more money passes to your loved ones.

Alexander Joyce is CEO and President of ReJoyce Financial LLC, a full-service retirement income planning firm based in Indianapolis, Indiana. ReJoyce Financial LLC provides personal retirement planning services to Clients in the Indianapolis area. The firm's team of Advisors are devoted to assisting Indiana residents in protecting their assets and in helping them in their effort to ensure that their retirement money lasts, and that it lasts longer.

Alexander Joyce is a licensed professional in Indiana who specializes in working with individuals who are nearing or already in retirement. As a Safe Money and Retirement Income Planning Specialist, he advises them regarding wealth management, income planning, and asset protection strategies.

In addition, Alex holds the NSSA (National Social Security Advisor) designation. This enables him to advise Clients working through the intricacies of Social Security to obtain their best benefits.

Mr. Joyce hosts informational seminars as well as the radio show "Retirement Halftime Show". He has previously hosted "Safe Money & Income", and "Ask Mr. Annuity". In addition, Alex Joyce can be seen monthly on "Money Monday", featured on the Indy Style program, broadcast by WISH-TV and myINDY-TV, Indianapolis, Indiana.

The following questions and answers are transcribed from a telephone interview with Forbes

- *Question 1 (a)*:

  Why is this topic (Maximizing Your Money In Retirement & What You Leave Behind) so important and in the minds of Americans, or why should it be important? Can you cite some statistics showing how many Americans are heading for an impoverished retirement based on present trends, and therefore reinforcing the importance of this topic?

- *Answer 1 (a):*

I feel this subject is on millions of peoples' minds right this moment. It's amazing how many seek education and information about funding retirement but really don't know how to or where to obtain it. We've found through our research that some people hide out of fear, some naturally procrastinate discussing this highly relevant topic, and some simply don't know what to do or where to start.

Some of the scariest statistics involve the amount of or lack of amount of money Americans are setting aside for their futures in retirement.

Here are a few of those numbers:

- Only 22% of U.S. workers are confident they'll have enough money saved for retirement.
- 45% of Americans have *NO* retirement savings whatsoever.
- 40% of Baby Boomers have *NO* retirement savings.
- On the average, today Americans save only 4% of their income. By comparison, in the 1970's and 1980's Americans saved approximately double that amount.
- Despite the lack of confidence in having enough savings for retirement, 38% of Americans refuse to add to their retirement savings (if they have any).

I believe that often Pre-Retirees and Retirees have a misconception about their monetary goals. Too often Clients and Advisors look at the overall goal in a way that confuses "wants" with "needs". At some time, the Client must make a decision on whether his goal is to fund his retirement for the rest of his life, or to use the funds for an immediate desire, i.e. a luxury motorhome or a winter home in the tropics.

One of the first things we do when we meet with our Client is to clarify and understand their goal. This is crucial to developing their plan. We ask two very specific questions to get right to the point:

"Is your goal to have money to live on or is your goal to have money to leave on?"

All too often, Clients don't understand that this is "the fork in the road". Many times Clients need help seeing the difference and comprehending that different strategies are needed to accomplish each goal.

Knowing this, however, allows the Advisor to determine which strategies will work best to meet the Client's goal.

I tell Clients, "You can't live off a portfolio, but neither can you live on a pile of money. It is how you plan and what you do with that pile of money that makes you successful."

- *Question 2 (a):*

What do you mean/who are you working with when you talk about people who are "near retirement"? How far from retirement are they? What are the challenges that these individuals face that Retirees don't face?

- *Answer 2 (a):*

We have Clients in their early 40's, and we have Clients who are 90 years old. One of the biggest differences between our firm and other firms is that our doors are open to anyone, regardless of the age diversity.

If you turn on your local conservative talk radio station or evening local news, you'll hear Advisors from other firms saying, "If you have $500 thousand or more, you need to talk to me!" Please don't misunderstand, growing one's nest egg is very important! However, we feel it's even more important to be able to strategically fund one's lifestyle using the current value of money as well as achieving longevity planning.

ReJoyce Financial LLC is not an investment firm. We are not here to simply manage wealth. We are a *PLANNING FIRM*. Plan first, Invest later. Our doors are open to give advice to the public through our experience, our knowledge, our passion, and our wisdom.

I believe the true challenge when approaching retirement is looking at assets in such a way that it doesn't become an aggressive race to build those assets by taking huge risks.

For those already retired, the biggest question mark is in regard to a steady and reliable income from their assets. Part of this concern is because of health concerns, health care, and the need for long-term care. Retirees recognize the often-prohibitive, income-draining costs associated with long-term care.

Again, planning is the key. For these individuals, we work through reallocation strategies and asset-based long-term care vehicles. We have found that when a lifestyle is funded through fixed-income positions in retirement first, life becomes easier. The fear most Retirees have of outliving their assets is alleviated.

- *Question 2 (b):*

In relation to wealth management, income planning, and asset protection strategies, can you describe a sensible approach for both the Pre-Retiree and someone already retired?

- *__Answer 2 (b):__*

At ReJoyce Financial LLC we help individuals every day. Over the years, we have become aware of a trend, a common fear, a concern, a recurring question. Many of our Clients have portfolios when they come to us. Many of these portfolios are designed for growth, which is a good thing *unless* the portfolio is designed only for growth. For Retirees, growth-only portfolios are not good things.

In our educational seminars, we see people of all ages. One of my favorite questions to pose to the audience is this:

"If the stock market dropped today, or tomorrow, or next week, how much of your hard-earned money are you willing to lose?"

Of course, the answer is simple: None!

But looking at it another way, I'll ask:

"If the market dropped 50%, how much does it need to come back up for you to break even?"

This answer is not so simple. It would need to return 100%, which takes time. We have seen this in recent years.

Time, of course, is what many Retirees do not have. Time is what those nearing retirement want more of when they do retire.

With this in mind, our strategy is to *not* keep the Client's portfolio structured the same as it was during their working years when they were aggressively growing their assets. We feel income should always be fixed in order to guarantee that the Client's lifestyle will always be funded. This comes from a portion of the assets.

Next we look at ways to hedge against inflation so the Client's lifestyle is sustainable, predictable, and reliable. After this is accomplished, we will look at longevity planning in terms of future need for additional health care or long-term care, which are out of the realm of inflation and need to be planned for.

At the same time we are looking at longevity planning, we look at estate planning. We make sure our Client has a will, a power of attorney, and a trust if needed. The final step would be tax efficiency and planning for wealth transfer, if the Client so desires.

- *Question 3:*

How can an individual secure a sustainable and predictable income in their retirement years? What does it require them to take on board? Do they need to plan early and seek professional advice?

- *Answer 3:*

Honestly, the sooner an individual begins to plan for retirement, the better. Unfortunately, retiring in today's workplace isn't the old-fashioned deal of working for 20 to 30 years at the same place, hanging up your hat after that period, taking your pension and your health benefits, receiving your Social Security, and living happily ever after. While many struggle with the fact that it isn't that way, the facts today are that the market is more volatile than ever, interest rates are at an all-time low, pensions are a thing of the past, and people ask everyday if Social Security will be there for them.

This is extremely tough for the older "Boomer" generation to adopt and to adapt to. In today's world it is about personal savings. It's crucial for an individual to work with an advisory planning firm that will first listen intently to their concerns, goals, wishes, and desires *before* making any recommendations. As I was taught early in my career: "2 ears, 1 mouth".

- *Question 4:*

Is there a road map or steps that ReJoyce Financial's Advisors generally recommend to Clients in this regard? What is the starting point of the process? Could it be described as not being a "one size fits all" solution to Client needs?

- *Answer 4:*

It would be impossible to have a "one-size" recommendation. Some goals may be the same, but everyone is unique and has their own story.

Our first step is to understand the Client. We have to know not only what the Client wants, but why they want it. One person may want to travel the world and has a descriptive road map of how they are going to do it. Another may have $3 million in wealth but are doing fine living on their Social Security and upset that the IRS is requiring them to take the minimum required distribution from their funds at age 70½. Yet another Client may work 40 years, find out from HR at retirement that they have $900 thousand in a profit-sharing plan, and have no idea what to (wisely) do with it.

At ReJoyce Financial, it doesn't matter who the Client is. We feel everyone needs someone they can trust, who they can rely on, and who they know has their best interests at heart. Our recommendations are not the same for each of our Clients, but our process is:

1) To know the Client and their family
2) To determine together where we can add value to their life

Topics of Discussion

- What are some strategies to take control of your taxes in retirement?

Reduce your expenses. Pay off your mortgage before retiring. Minimize the taxes on your Social Security benefit, dividend income, and long-term capital gains.

Qualified dividend income is taxed at 0%, 15%, or 20% dependent on your tax bracket, Roth IRA, and Roth 401(k).

Your retirement funds in a Roth IRA or Roth 401(k) won't be taxed if your withdrawals are qualified. Generally, if your age is over 59½ and your contributions were made more than 5 years ago, the withdrawal will be qualified.

As you can see, it's important to diversify your after-retirement income.

- How can you pass your IRA to your children or grandchildren – without giving most of it to the IRS?

If someone wills a generous amount of money to their children, the federal estate tax may eat up a large portion of the inheritance. The tax kicks in if money and property – the estate – exceed a specific amount, which the IRS adjusts annually based on inflation. For 2016 it is $5.45 million per person. Estates worth more than that will be taxed, up to 40%.

You can whittle down your estate by gifting some of the money tax-free while you're alive. Even if you're not trying to minimize the estate tax, it's nice to see your kids enjoy whatever you've gifted them. ReJoyce Financial has a CPA in our office to work with all of our Clients for tax-related needs.

- How do you know if you have "lazy money"?

"Lazy money" is what we use to paint the picture of a conservative person being too conservative. Another way of saying this is "Going broke safely".

After the 2008 financial debacle, many people swore they would never put another dime in the stock market. They tucked their money away in CDs or similar interest-bearing accounts to keep it safe. These instruments have fees, taxes, inflation, and interest rate risks that are steadily taking money out of the accounts, often in greater amounts than the interest being earned. That's how to go broke safely.

ReJoyce Financial has several ways to wake that lazy money up!

- How can you dramatically increase your interest earnings – while safeguarding your investments from risk?

It is natural for those nearing or in retirement to be more conservative since no one wants to bear the thought of losing what they've worked so hard for over the past 30 years. It is essential to seek education on the different investment options available to preserve principle while keeping up with inflation and avoiding loss of purchasing power. Indexed annuities could be a good fit for some, while laddering bonds will work for others. Asset class risk tolerance and liquidity are very important factors to consider.

- *Question 5:*

Should Clients opt for traditional or alternative strategies or a mix of both to fulfil their retirement visions? What will it depend on – risk appetite, income Clients already have, years to retirement? What asset classes (equities, fixed-income, ETFs, annuities, etc.) are you recommending to achieve investing goals for individuals' retirement?

- *Answer 5:*

Most individuals, when planning for successful retirement, struggle with the concept of asset classes, although most understand the fundamentals of conservative, moderate, and aggressive. We feel there is a need for multiple asset classes to achieve the Client's goals for income more than anything.

We could use equities for an inflation hedge as well as ETFs due to expense and a bit more certainty. We could use fixed income as well as annuities for income creation, positioning or income targeting.

These strategies all rely on individual need. Many Clients come in with at least one of these, whether an annuity or bond portfolio, a portfolio full of blue chip stocks or a portfolio full of mutual funds.

The true resolution is coaching and educating each Client as to how to fill the gaps and how to position the portfolio in its entirety to work efficiently.

- *Question 6:*

ReJoyce Financial LLC provides alternative strategies that protect your Client and their family from high-risk investments in their retirement years, yet still assures market gains. What is ReJoyce Financial's approach to achieving this objective and how do you still assure market gains?

- *Answer 6:*

Over the last 5 years, annuities have grown to be very popular, or have at least garnered a second look from the individual investor. They still seem to have a love-or-hate relationship with whoever is examining them, however. For a long time, annuities had a terrible reputation and I believe a lot of this attitude still persists. I think what individuals and certainly Advisors decided is that it isn't necessarily the product but the recommendation that was bad.

In most cases, annuities are an income product, which would be less attractive if used for a growth position. Indexed annuities, on the other hand, allow an individual to have both a growth component and an income component. They are still interest-bearing accounts, but they allow crediting options tied to an index. These vehicles offer a floor of zero which means you can't lose money, but to be sure, cap your upside.

Some indexed annuities are very comprehensive in terms of the crediting options available. Just like mutual funds though, there are a lot of products in the marketplace. Education is the key along with understanding the ups, downs, ins, and outs before investing to assure a sound decision.

- *Question 7:*

ReJoyce Financial's website states: "*For clients not yet ready for retirement, strategies that maximize Social Security benefits and reduce benefit taxation are available. Clients can potentially add an additional $200,000 in lifetime benefits and assets to their lives by taking advantage of these ideas."*

Can you further elaborate on this, and how do individuals in Indiana "take advantage of these ideas"?

- *Answer 7:*

Social Security is extremely complex. While the surface figures may seem to be straight-forward, i.e. at age 62 you're eligible for 75% of benefits; at age 66-67 you're eligible for 100%; at age 70 you receive an 8% per year delayed credit or an additional 32% plus your 100%. The tricky part is looking at SS as an overall part of your retirement or income plan.

The first thing to consider is the health and longevity of both the Client and the spouse. This will help eliminate any useless strategies. The administration recently eliminated maximization strategies for those who hadn't implemented them by December 31, 2015 at age 62, but people 66 and older still have options.

The restricted application is still a viable strategy if implemented properly. For example, a 67-year old man who is the primary wage earner and his 66-year old spouse, both with good health, can expect to live to 100. His SS benefit is $2500 monthly, while hers is $600 due to less earned income. To maximize their SS benefit, the wife should file for a spousal benefit, which will be half of the husband's, or $1250. (This will in no way decrease the husband's benefit.)

Their combined monthly income will then be $3750 instead of $3100. This additional $650 per month translates into another $7800 annually. Multiply that by the additional years this couple expects to be living, and it represents a sizeable sum.

There are other maximization strategies, but this example will suffice to illustrate why it is important to work with an Advisor who is knowledgeable and able to help the Client navigate the intricacies of Social Security. Alexander Joyce holds the NSSA designation (National Social Security Advisor) that gives him the ability to knowledgeably advise Clients in regard to the complexity of Social Security.

- *Question 8 (a):*

In relation to the statement on the website: "For clients not yet ready for retirement, strategies that maximize Social Security benefits and reduce benefit taxation are available. Clients can potentially add an additional $200,000 in lifetime benefits and assets to their lives by taking advantage of these ideas."

Can you explain how that figure ($200,000) can be achieved? Is it a maximum, minimum, or conservative figure? What sort of investment is it based on?

- *Answer 8 (a):*

See Answer 7 for one detailed option.

- ***Question 8 (b):***

In relation to the statement in 8 (a): " … strategies that maximize Social Security benefits and reduce benefit taxation are available." Can you add some extra comment on this?

- ***Answer 8 (b):***

In practice, it seems that more individuals are looking for ways to maximize their Social Security benefits more than ever before. When presented with this topic however, what comes through is not just a maximization of SS benefits, but a desire to increase retirement income altogether.

For example, if a husband can afford to delay taking SS until age 70, assuming there are other assets in line in terms of filling the income gap with systematic withdrawals or earned income, he could be increasing survivor's benefits as a maximizing strategy. In this scenario, let's say the husband's delayed SS benefit is $3600 and his wife's benefit is $1000. If the husband passes away, his wife's benefit will increase to $3600. Therefore, delaying or delayed credits can increase retirement income and benefit the surviving spouse.

For Clients who are not yet ready for retirement, strategies that maximize Social Security benefits and reduce benefit taxation are available. As noted before, Clients can potentially add an additional $200,000 in lifetime benefits and assets to their lives by taking advantage of these strategies.

- ***Question 9:***

Are you able to give a couple of real-life examples of advising Clients who were either nearing or in retirement and how the investment advice (assuming they followed it) will help or has helped them make their retirement income go further?

- ***Answer 9:***

At ReJoyce Financial we have helped thousands of people. We care about each and every one of them. We were once a national firm, but I personally pulled back so that I could focus on my local market. I have a great passion for what I do and I pay great attention to detail. This focused, caring attitude comes across to my Clients as well as my staff. I feel every day is a blessing.

- *<u>Question 10:</u>*

In your experience, is there an ideal or non-ideal time when Clients nearing retirement should come to professional Advisors for retirement planning advice? Is there a danger if people wait before seeing an Advisor until there is not enough time for an Advisor to be able to do everything a Client seeks to achieve? Finally, is the type of Advisor important, i.e. fiduciary advisor, financial advisor, etc.?

- *<u>Answer 10:</u>*

At ReJoyce Financial, we believe the younger the better. Often we have Clients who bring their children and grandchildren to our office, or ask if we will meet with them, even through the process of setting up accounts for their children and grandchildren. The most successful Clients are those who planned.

You can't live off of a portfolio, nor can you live off a pile of money. It is what you do with that portfolio and that pile of money that creates success.

You want to be sure the advisory firm chosen is able to continually meet and exceed expectations. Being a fiduciary is important, as is knowledge of the financial landscape, Social Security intricacies, etc.

Today, a retirement plan is a blend of asset classes and strategies. A portfolio that is solely based on Mutual funds, or bonds, or an annuity won't do the trick.