2024 FPA DFW CONFERENCE

THURSDAY, FEBRUARY 15, 2024
IRVING CONVENTION CENTER

My Perch

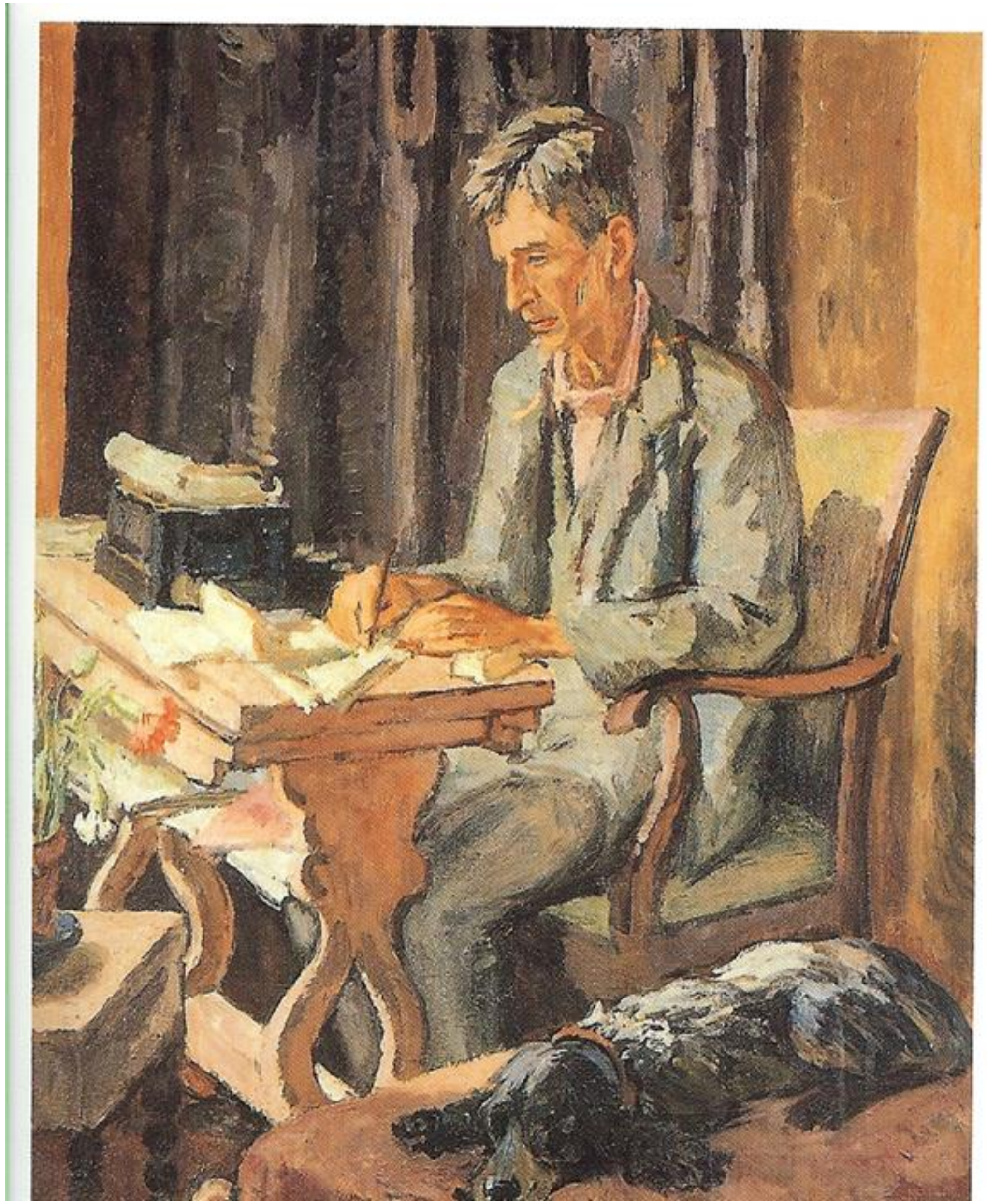
- Robert Powell, CFP®, RMA®, is an award-winning financial journalist, renowned for his contributions in esteemed publications such as MarketWatch.com, USA Today, TheStreet.com, The Wall Street Journal, Investor's Business Daily and AARP. He serves as the editor and publisher of TheStreet's Retirement Daily.
- Named a 2022 Robert N. Butler–Jack Rosenthal Age Boom Academy Journalist Fellow for the Columbia Journalism/Columbia Aging Center signature press training, Caregiving and Our Longer Lives: The $500B Question
- Won the 2021 Radio Television Digital News Association and the National Endowment for Financial Education Excellence in Personal Finance Reporting Award.
- Serves as the editor-in-chief of the Investments and Wealth Institute's (IWI) Retirement Management Journal, the world's first peer-reviewed journal solely dedicated to retirement income. And hosts the Exceptional Advisor podcast by IWI.
- Co-founder of finStream.tv, a streaming channel focused on short-form personal financial education videos, he has been instrumental in its establishment.
- Co-founder and instructor of the Financial Planning Association's Online Elder Planning Specialist program.
- Cofounder of Parting Glass Productions, currently involved in co-producing a film in Ireland based on Fiche Blian ag Fás by Muiris Ó Súileabháin.
- Managing director of Acadient, developer of Boston University's first Online CFP Program, DALBAR, creator of QAIB

My Perch - continued

Stockbroker, DeanWitterReynolds in 1984-1986

My Perch - continued

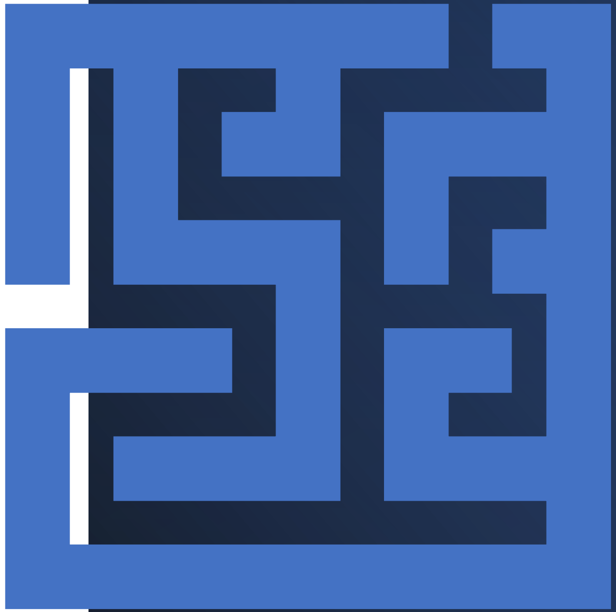
Ink-stained wretch



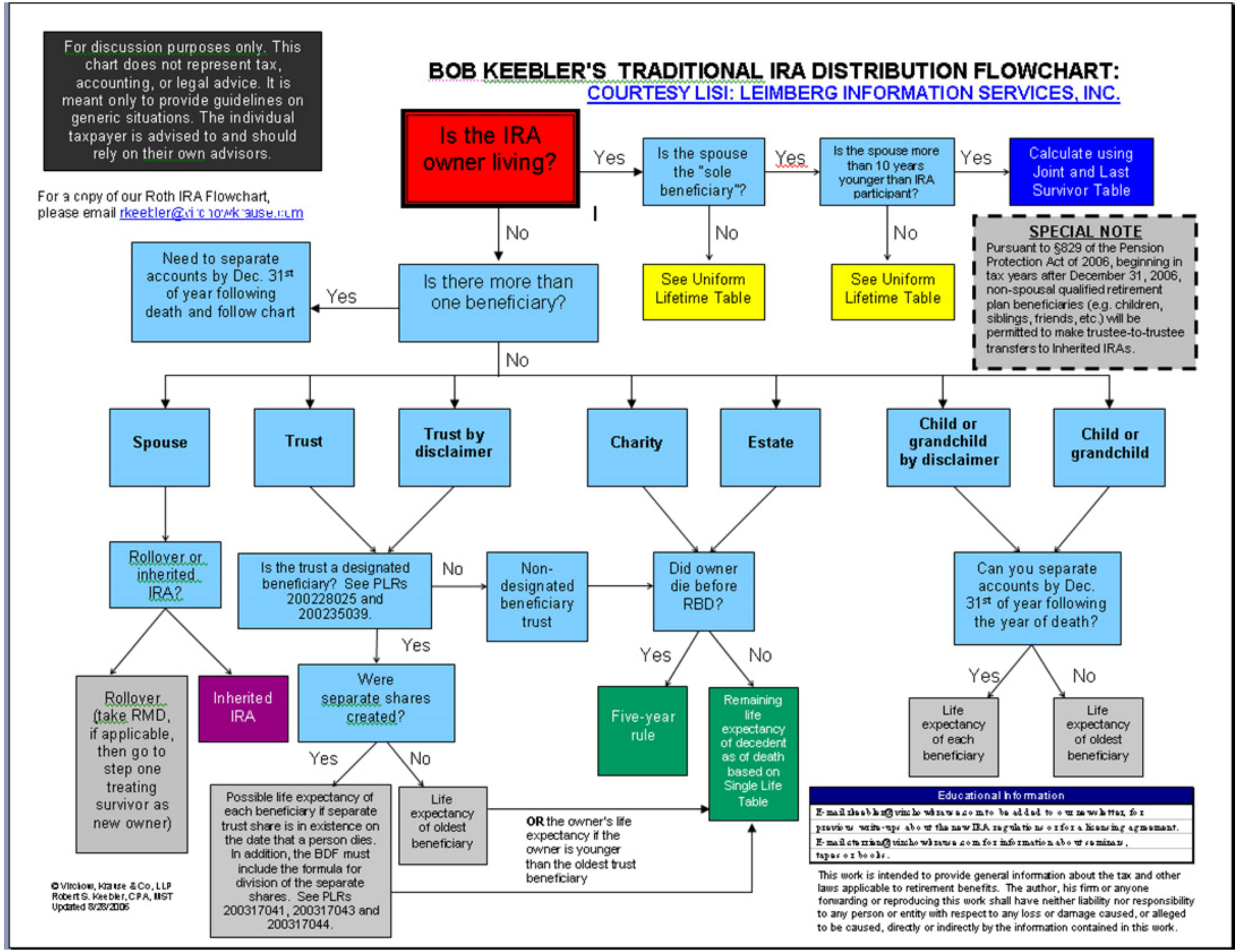
OK to Heckle Me

Planning for retirement

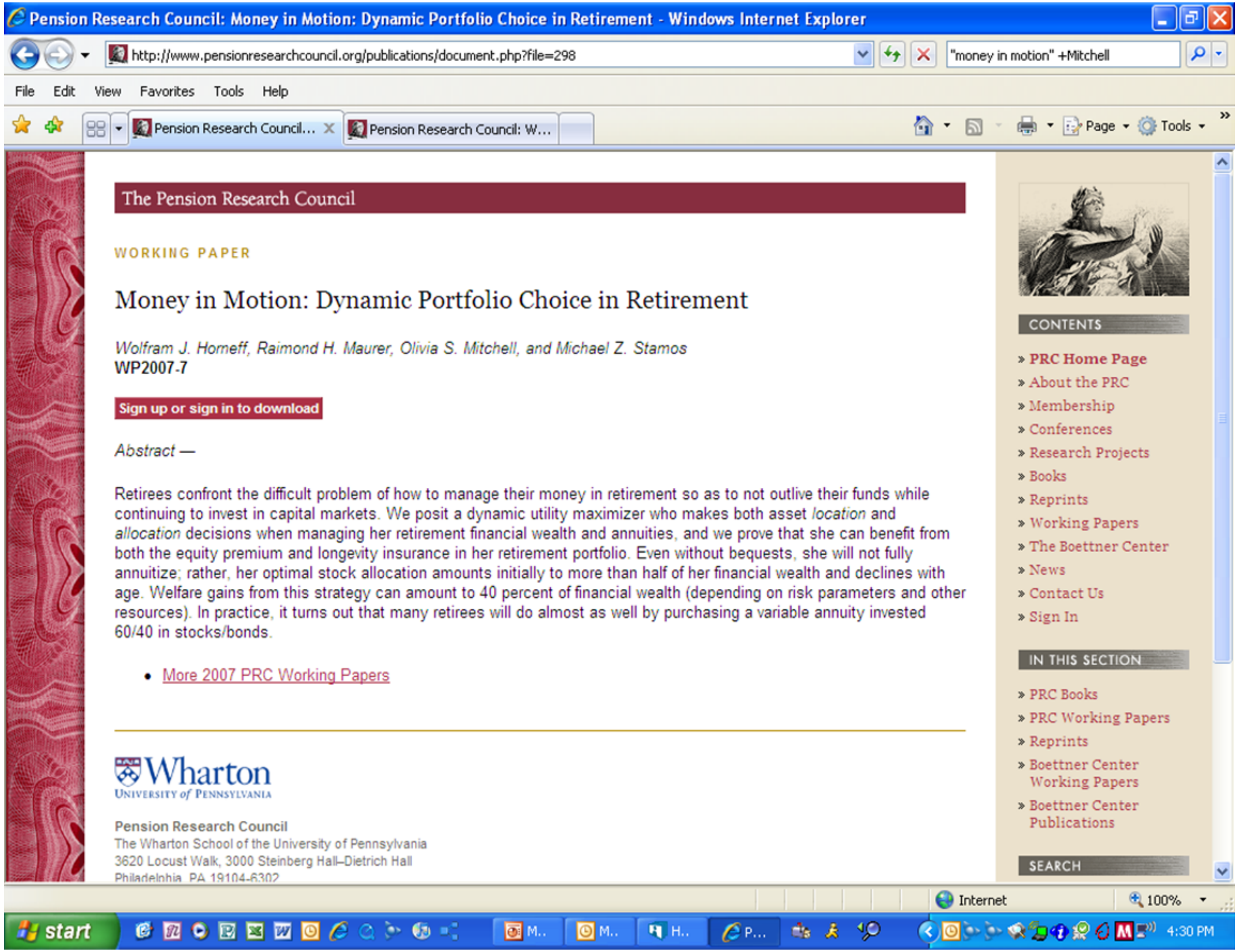
- Complicated, Contradictory and Confusing



Complicated



Complicated



Complicated

of the annuity purchased at time u evolves as:

$$Z_{t+1}^{a}(u) = Z_{t}^{a}(u)\left(R_f + \pi_t^a\left(R_{t+1} - R_f\right)\right), \text{ with } Z_u^a(u) = 1, \tag{11}$$

where π_t^a is the stock fraction at time t inside the variable annuities. Thus, in effect, the individual invests directly in two financial assets, riskless bonds and risky stocks, as well as indirectly through the annuity wrapper. By substituting (9) and (11) into (10), one may verify that the recursive evolution of L_{t+1} is given by:

$$L_{t+1} = \left[\frac{L_t}{(1+AIR)} + PR_t\left(\sum_{s=t+1}^{T} \frac{{}_{65+t+s}p_{65+t}^{a}}{(1+AIR)^{s-1}}\right)^{-1}\right]\left(R_f + \pi_t^a\left(R_{t+1} - R_f\right)\right). \tag{12}$$

Finally, the recursive intertemporal budget restriction can then be derived by substituting equations (7) and (12) into (8):

$$\begin{aligned} W_{t+1} = &\left\{(W_t - C_t - PR_t) + \left[\frac{L_t}{(1+AIR)} + PR_t\left(\sum_{s=t+1}^{T} \frac{{}_{65+t+s}p_{65+t}^{a}}{(1+AIR)^{s-1}}\right)^{-1}\right]\right\}R_f \\ &+ \left\{(W_t - C_t - PR_t)\pi_t^s + \left[\frac{L_t}{(1+AIR)} + PR_t\left(\sum_{s=t+1}^{T} \frac{{}_{65+t+s}p_{65+t}^{a}}{(1+AIR)^{s-1}}\right)^{-1}\right]\pi_t^a\right\}(R_{t+1} - R_f) + Y. \end{aligned} \tag{13}$$

Besides the intertemporal budget restriction, the retiree is restricted from borrowing against future pension income and annuity payouts, as well as from selling short positions in annuities:

$$S_t, PR_t, \pi_t^a, (1 - \pi_t^a), \pi_t^s, (1 - \pi_t^s) \geq 0. \tag{14}$$

Her optimization problem is then summarized by:

$$\max_{\{C_t, PR_t, \pi_t^s, \pi_t^a\}_{t=0}^{T}} V_0, \tag{15}$$

subject to restrictions (13) and (14).

Complicated

- After reading that thing for a while, I realize that **I can't really assess much of it**, other than to question a few statements such as "most annuities sold in the U.S. are variable." That's not true in general, and it's surely not true of immediate annuities, which is what they're talking about.

- I lack the math skills to follow much of what they're arguing, but it appears that they are describing scenarios that are **theoretically correct, without much regard for whether existing REAL WORLD** annuity contracts actually permit what they're modeling.
  - John Olsen, co-author of The Annuity Adviser

Contradictory

- 50 percent of households are “at risk” of not having enough to maintain their living standards in retirement.
- Explicitly including health care in the Index further drives up the share of households “at risk.”

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Case in Point: Contradictory

- **There is no evidence of a widespread retirement crisis or inadequate retirement savings among American households.** Multiple studies and data sources show retirement preparedness is better than commonly believed.
- **Flawed studies** and projections exaggerate the extent of undersaving by making unreasonable assumptions about future income needs, investment returns, etc. Reasonable projections do not point to a crisis.
- Retirement outcomes have been improving over time. More Americans have access to retirement plans, retirement plan balances are rising, and retirees are increasingly delaying Social Security claims to increase future benefits.
- The real retirement crisis is caused by politicians promising unsustainable Social Security benefits without funding them. Expanding underfunded benefits would make the situation worse.
- **Some Americans do fall short in retirement savings, but the overall system is working well for a majority of retirees.** Concerns over retirement security are overblown compared to the actual data.
- In his congressional testimony, articles, and interviews, Biggs consistently argues that data on retirement preparedness is more positive than commonly portrayed. He critiques pessimistic projections of a retirement crisis, points to evidence of improving outcomes, and places blame for problems on unsustainable political promises rather than personal undersaving. While acknowledging undersaving exists, he does not see signs of a widespread crisis.

Andrew Biggs

Planning for retirement

- Despite all that…planning for retirement – climbing up the mountain – is relatively easy
    - What do you have?
    - What do you need to fund your lifestyle?
    - How much do you need to save?
    - How do you invest that money?
    - What rate of return do you need?

Planning for Retirement

- Total annual expenses in current dollars: E
- Inflation rate until retirement (i): r
- Total years until retirement (n): t
- Inflation adjustment factor $(1+i)^n$: $(1+r)^t$
- Total annual expenses in future dollars: $E*(1+r)^t$
- Inflation rate post retirement (i): r'
- After-tax rate of return (r): R
- Anticipated duration of retirement (n): T
- Inflation-adjusted discount factor $A=1+i/1=a$: $(1+r')/(1+R)$
- Capital required at retirement to fund retirement: $E*(1+r)^t * ((1+r')/(1+R) - 1)/r'$
- One-time expenses: OE
- Total capital needed at retirement: $E*(1+r)^t * ((1+r')/(1+R) - 1)/r' + OE$

Living in Retirement

Financially Ready?

- Monte Carlo-32%
- Funded Ratio-27%
- Other-40% including combination
- Aft-Casting

How do you ascertain when a client is ready to retire financially? Choose one

41 responses

Mix of Slott, RMAs, Napfa members and other advisers

Monte Carlo

- Many advisers aim for 70-80% probability of success, but…
  - 50% probability of success – with adjustments -- is actually a viable Monte Carlo retirement projection – Derek Tharp, https://www.kitces.com/blog/monte-carlo-retirement-projection-probability-success-adjustment-minimum-odds/
  - False sense of success: Focusing solely on probability of success tends to mask the consequences of failure.
  - Presenting probability of success without magnitudes (and timing) of failure can give clients a false sense of security.
  - Hard to understand: In multiple papers, Lusardi and Mitchell demonstrated that financial literacy, including concepts like risk and probability, matters for investment behaviors and outcomes. Those with lower understanding of these areas are more likely to make suboptimal financial decisions.
  - In adequate as the only measure of financial readiness.

Aft-casting

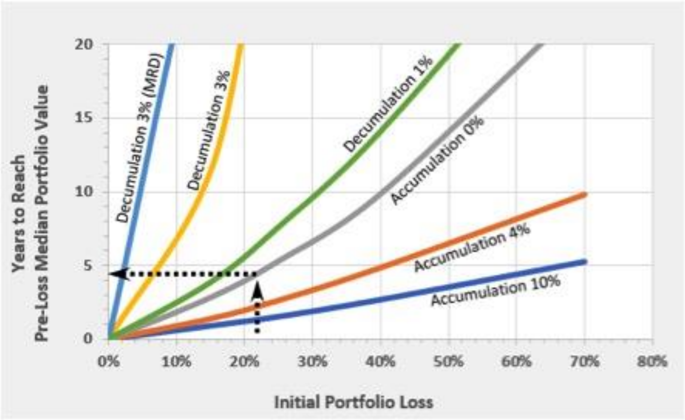
It emphasizes the critical role of luck and randomness in retirement outcomes, since historical markets have experienced events outside the normal range.

Rather than making uncertain forecasts about the future, it tests assumptions against actual historical performance to see which combinations would have succeeded or failed.

It preserves the historical correlation between variables like inflation, interest rates, and market returns rather than assuming they are independent.

By testing many assumptions over century-plus timeframes, it aims to identify retirement withdrawal strategies that are robust to different market environments and sequences of returns.

Otar argues aft-casting provides more practical insights than common Monte Carlo simulations or other forward-looking modeling techniques that can mask historical risks.



This chart from Jim Otar's research displays the results of backtesting a retirement portfolio across different historical time periods. Each gray line shows how the portfolio would have performed if retired at the start of each year since 1900.

The key lines show:

Blue: Median outcome across all histories

Green: Top 10% "lucky" outcome

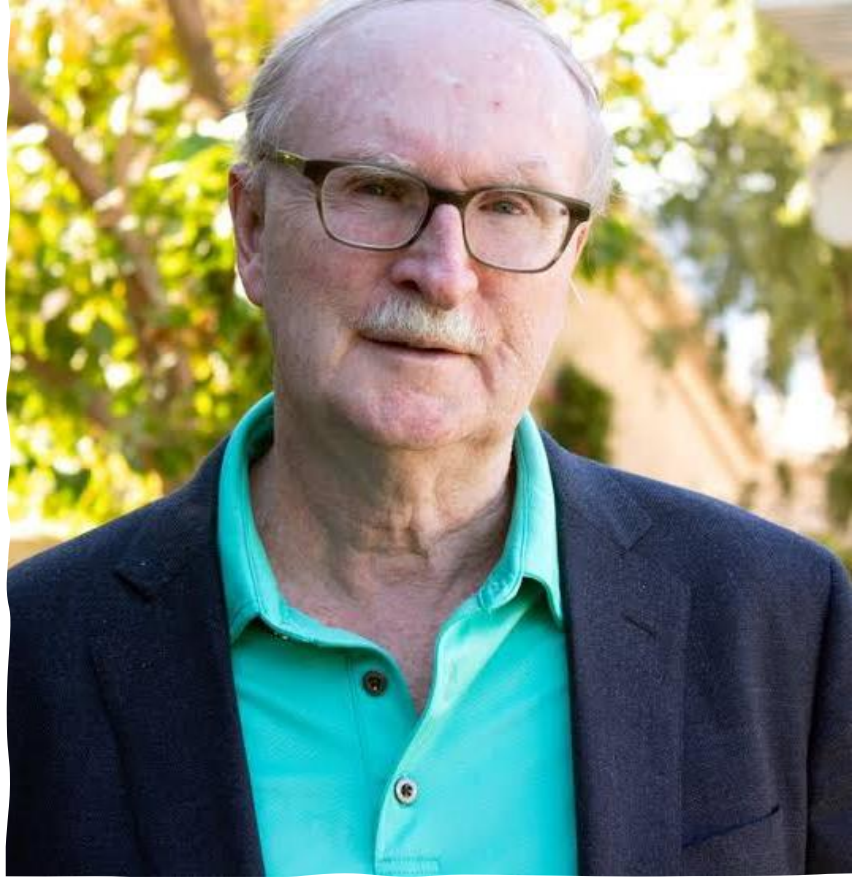
Red: "Unlucky" outcome

This allows stress testing retirement plans across many historical sequences to see which strategies are robust and identify difficult periods.

https://retirementincomejournal.com/wp-content/uploads/2020/04/Otar2020Chart3.jpg

Aft-casting vs. Bengen

- Bill Bengen's 4% rule and Jim Otar's aft-casting approach have some similarities but also key differences:
  - Similarities:
    - Both aim to determine "safe" retirement withdrawal rates that have a high probability of sustaining a portfolio over 30 years.
    - Both backtest withdrawal strategies against historical market data rather than relying solely on forward-looking projections.
  - Differences:
    - Bengen tested a fixed 50/50 stock/bond allocation while aft-casting tests multiple asset allocations.
    - Aft-casting analyzes every single year as a potential retirement start date going back over a century. The 4% rule uses select periods.
    - Aft-casting preserves historical correlations between variables while the 4% rule assumes independent returns.
  - Otar argues aft-casting better accounts for sequence of returns risk and "black swan" events compared to Bengen's approach.



The Funded Ratio

- Similar to how defined benefit plan calculate fundedness
- Among the methods for determining financial readiness in RMA program
- Net present value of capital at retirement, inclusive of human, social and financial capital/divided by net preset value of expenses
- Also, use consumption/financial capital of C/FC

Use All Three

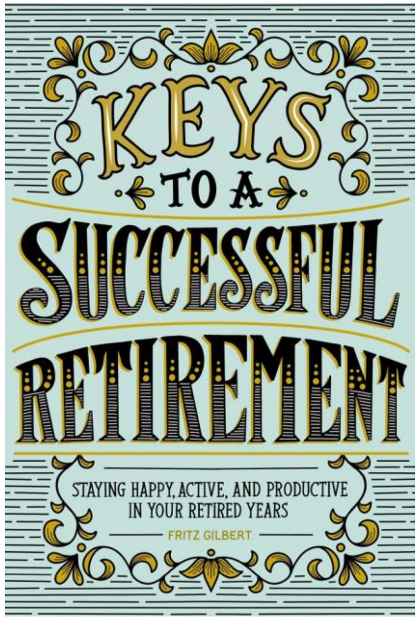
Emotionally Ready

How will you spend your time?

Spend time before retirement thinking about non-financial aspects like purpose, relationships, activities etc. This correlates with a smoother transition.

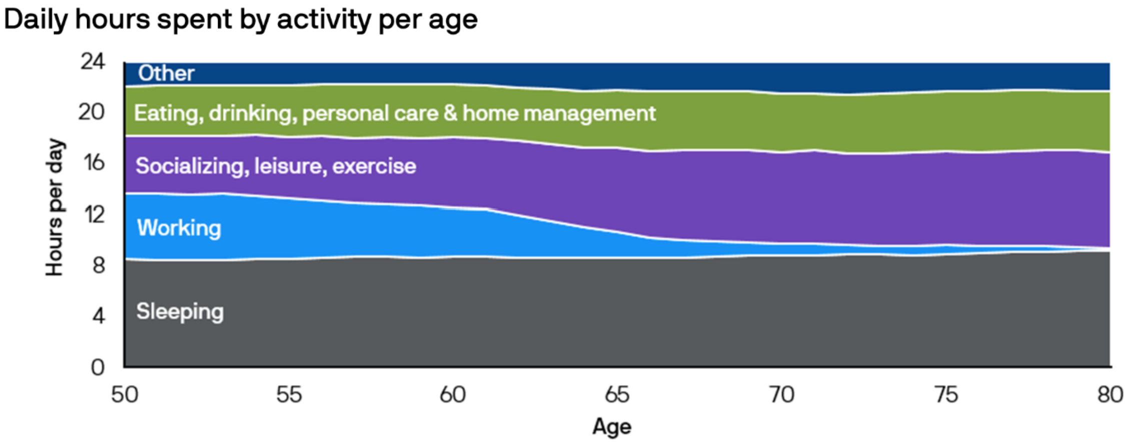
People tend to spend much less time worrying about finances after retiring, as they adjust to living on a fixed income. There's a flip from 90% time spent on finances pre-retirement to 10% post-retirement.

Having open communication about finances early in retirement makes things easier later on when cognitive decline sets in.



Fritz Gilbert on being emotionally ready for retirement

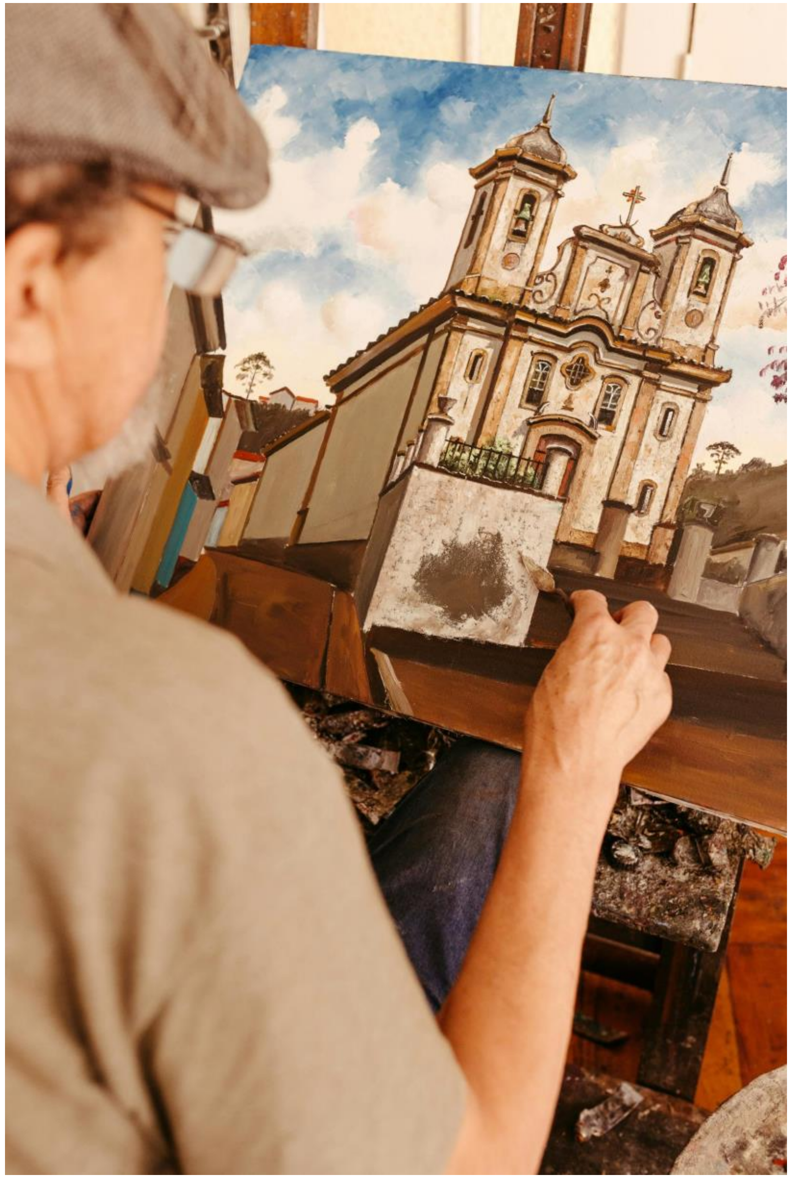
Emotionally Ready



Source: Guide to Retirement J.P. Morgan

How Do You Ascertain When a Client Is Ready To Retire Emotionally?

- Survey Results
  - Financial planners use in-depth discussions, purpose assessment tools, and financial modeling to ensure clients have both the adequate funds as well as sense of meaning and excitement for their retirement lives.
- Common Themes:
  - Having discussions with clients to understand their goals, plans, interests, and vision for retirement. This includes asking questions about **how they plan to spend their time** and fill their days.
  - Assessing if clients have **hobbies, passions, or a second career** they are excited to pursue in retirement. Looking for clients to be retiring "to" something rather than just "from" work.
  - Evaluating if clients have a **sense of purpose** and meaning they can carry into retirement to avoid aimlessness or boredom. Using tools like the "R Factor" question to gauge this.
  - Reviewing financial projections across various scenarios to confirm adequate income and protection for different retirement lifestyles clients envision.
- Unusual Themes:
  - Only feeling clients are ready after testing their thinking against unplanned events that could force them back to work.
  - **Tying readiness to being able to specifically articulate what they will retire "to" as that signals an identity separate from work.**
  - Basing readiness on being tired and unable to keep up with developments in business or profession.
- Resources
  - The Buoy Coach, https://larryjacobson.com/about-buoy-coaching/



Retirement risk

- Planning for retirement is all about the rewards
- Living in retirement is all about the risks

A Risk Is Considered Relevant if All of the Following Conditions Are Met:

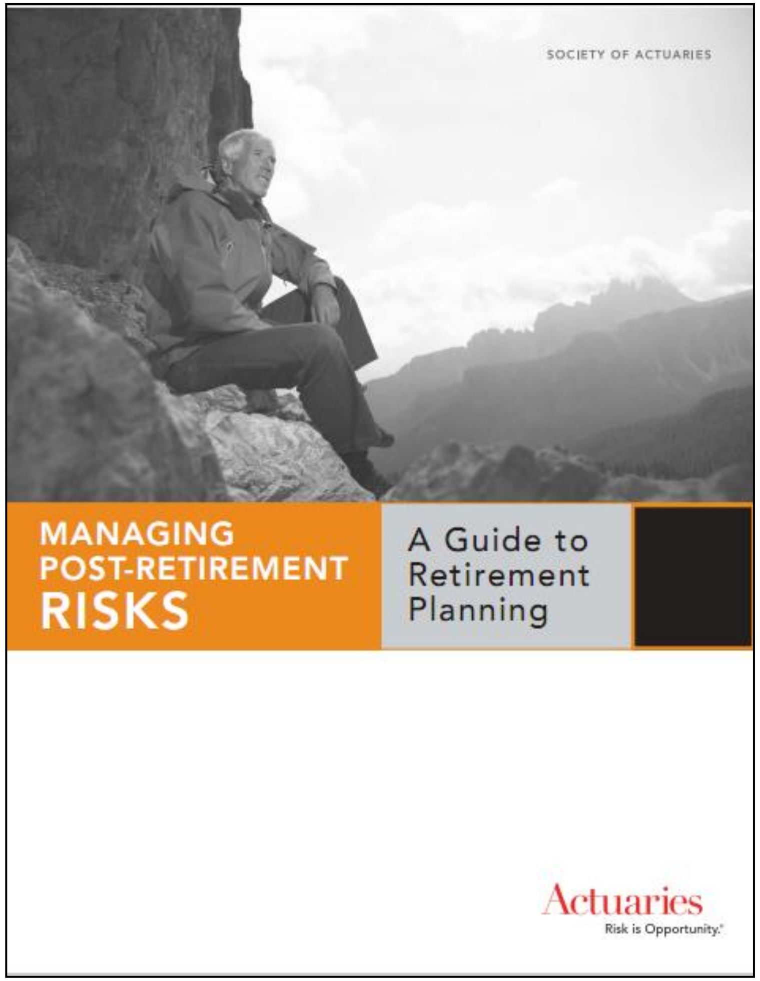
- The risk involves an identifiable hazard. There must be a source or situation that poses potential for harm, damage, or negative consequences.
- The investor has exposure to the hazard. The investor's investments or assets must have the possibility of being impacted by the hazard.
- The potential consequences are severe enough that they cannot be ignored. The expected harm or impact of the risk manifesting must be significant enough to warrant attention.
- The probability of the negative consequences occurring is high enough to make the risk-consequence combination relevant. There must be sufficient likelihood of the harm or impact occurring that the risk requires active management.
- In summary, a relevant risk is one that arises from an identifiable hazard, which an investor is exposed to, that could lead to severely negative outcomes, with a probability high enough that proactively managing the risk is necessary. Meeting all four conditions is what makes a risk relevant rather than negligible. Relevant risks require monitoring, maintenance, treatment or mitigation efforts, while irrelevant risks may not warrant active management.

Principles of risk management

Risk Management Guidelines		
	High Frequency	Low Frequency
High Severity	Avoidance	Insurance
Low Severity	Retention/Reduction	Retention

Retirement risks

- Society of Actuaries
  - Longevity Risk
  - Inflation Risk
  - Interest Rate Risk
  - Stock Market Risk
  - Business Risks
  - Employment Risk
  - Public Policy Risks
  - Unexpected Health Care Needs & Costs
  - Lack of Available Facilities or Caregivers
  - Loss of Ability to Live Independently
  - Change in Housing Needs
  - Death of a Spouse
  - Other Change in Marital Status
  - Unforeseen Needs of Family Members
  - Bad Advice, Fraud or Theft
  - Source: www.soa.org/files/pdf/post-retirement-charts.pdf



Retirement Risks

	Evaluating the risk				Manage the risk
	Hazard	Exposure	Consequences	Probability	**Avoid, Pool, Retain**
Longevity					
Inflation					
Interest rate					
Stock market (sequence of return)					
Business continuity					
Employment					
Public policy					
Unexpected healthcare needs & costs					
Lack of available facilities and caregivers					
Loss of ability to live independently					
Change in housing needs					
Death of a spouse					
Other change in marital status					
Unforeseen needs of family members					
Bad advice, fraud theft					
Related-planning issues					

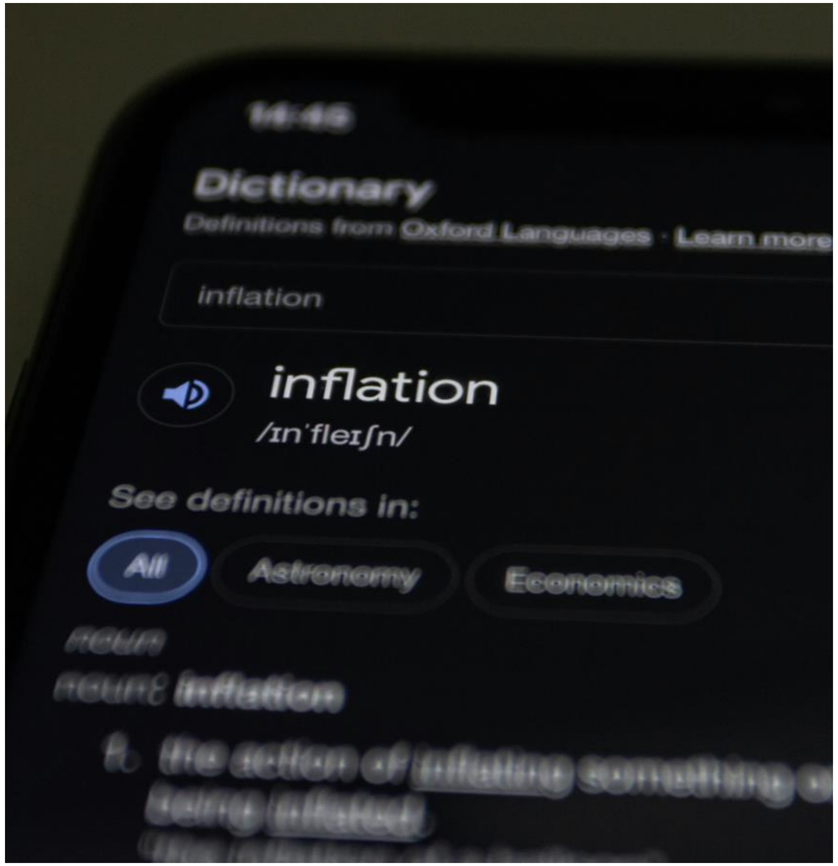

Which of the following retirement risks do discuss with your clients?
41 responses
Longevity
Inflation
Interest rates
Financial markets
Employer solvency
Post-retirement employment
Changes in housing and sup…
Death of a spouse or partner
Divorce, separation in retire…
Public policy changes
Significant health care needs
Unforeseen needs of family…
Bad advice, fraud or theft
Other
41 (100%)
39 (95.1%)
31 (75.6%)
38 (92.7%)
6 (14.6%)
27 (65.9%)
30 (73.2%)
35 (85.4%)
12 (29.3%)
16 (39%)
36 (87.8%)
28 (68.3%)
15 (36.6%)
8 (19.5%)
0
10
20
30
40
50

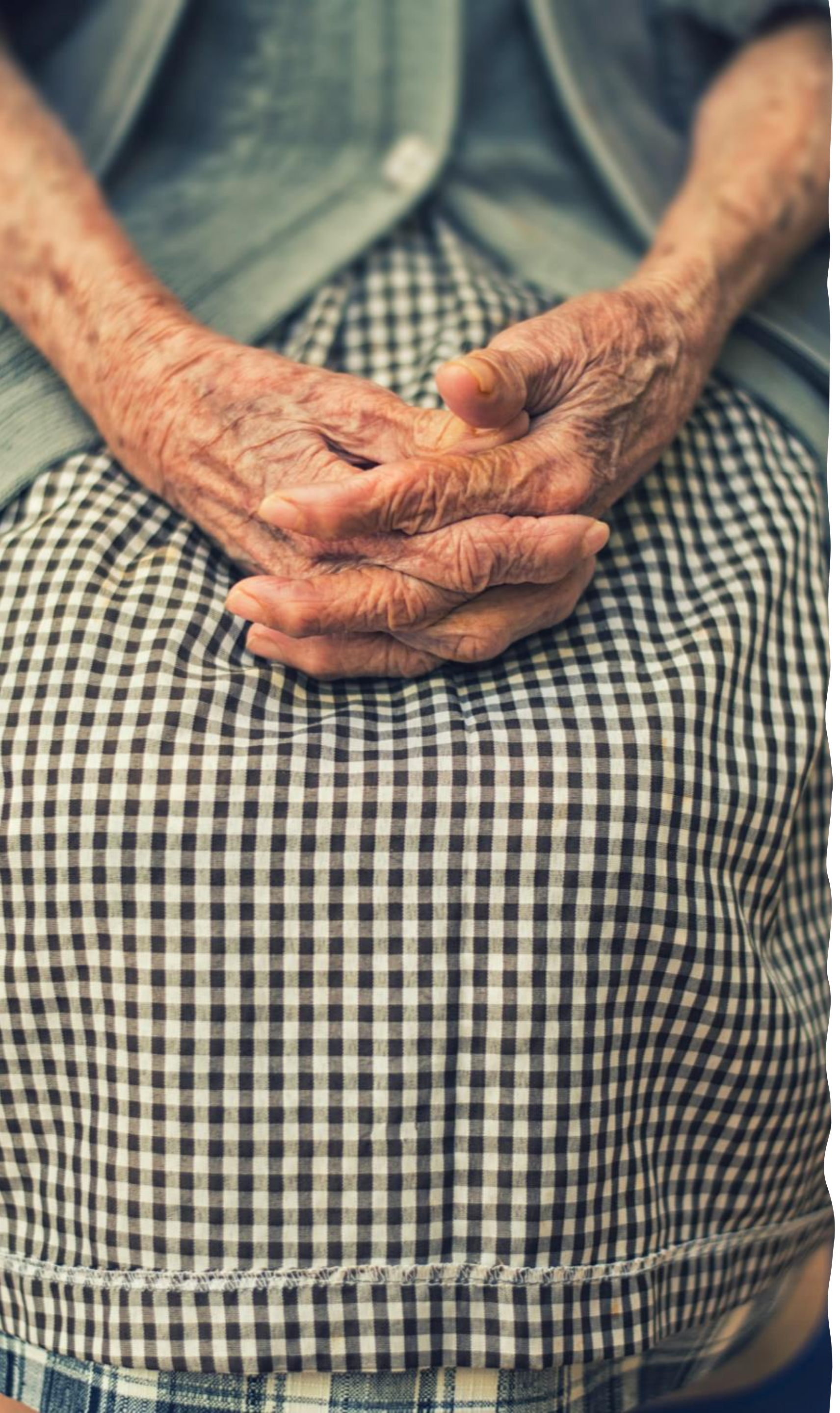
How to Manage/Mitigate Longevity Risk

- Social Security, traditional pensions and immediate payout annuities all promise to pay an individual a specified amount of income for life. In addition, they may also pay income to the surviving spouse or other named survivor. Some newer products can help protect retirees from outliving their assets:
- Deferred variable annuities and indexed annuities can include guaranteed lifetime withdrawal benefits that guarantee the availability of annual withdrawals up to a specified amount, even after these withdrawals have exhausted the account value.
- Deferred variable annuities can include guaranteed minimum income benefits that provide a floor for guaranteed lifetime income in the event that investment returns have been poor and the annuity would ordinarily provide a lower income.
- “Longevity insurance” is an annuity that guarantees a specified income amount but does not start paying benefits until an advanced age, such as 85. This niche product may fit into a carefully designed financial plan.
- “Managed payout” plans, offered in several forms by financial services firms, enable the retiree to draw down assets gradually. Lifetime income from such plans is not guaranteed, but is set at a level that provides a high probability that income can be received for many years, e.g., to age 90. In some cases, a “contingent deferred annuity” can be added to guarantee that the income payments will continue for a lifetime.
- A reverse mortgage can convert home equity into ongoing monthly income as long as the homeowner lives in the home. Administrative charges for these mortgages can be high.
- No mention of equities

How to Manage/Mitigate Inflation Risk

- Many investors try to own some assets whose value may grow in times of inflation. However, this sometimes results in trading inflation risk for investment risk.
- Investment returns from common stocks have increased more rapidly than consumer prices in the long run. But in the short term, stocks don’t offer reliable protection against inflation. The historically higher returns from stocks are not guaranteed and may vary greatly during retirement years.
- Inflation-indexed Treasury bonds grow in value and provide more income as the Consumer Price Index goes up. Many experts say that retirees’ investments should include some of these securities.
- Inflation-indexed annuities, not widely used in the United States, adjust payments for inflation up to a specified annual limit. Annuities with a predefined annual increase also are available. These kinds of annuities cost more than fixed-payment annuities with the same initial level of income.
- Investments in natural resources and other commodities often rise in value during periods of long-term inflation, but the values may fluctuate widely in the short run.





How to Manage/Mitigate Healthcare Cost Risk

- The Bad News
  - According to the Fidelity Retiree Health Care Cost Estimate, a single person age 65 in 2023 may need approximately $157,500 saved (after tax) to cover health care expenses in retirement. An average retired couple age 65 in 2023 may need approximately $315,000 saved.
  - A couple with particularly high prescription drug expenditures will need to have saved $383,000 to have a 90 percent chance of having enough money to cover their health care costs in retirement, according to EBRI.

How to Manage/Mitigate Healthcare Cost Risk

- The Good News
  - T. Rowe Price
    - A New Way to Calculate Retirement Health Care Costs
      - We believe viewing retirement health care costs as an annual expense, instead of as a lump sum, makes it easier for retirees to plan for and pay for them.
      - Health insurance premiums are usually fixed and can be budgeted for and funded from monthly income. On the other hand, out-of-pocket expenses can vary from month to month and could be paid from savings or a fund earmarked for those purposes.
      - Retirement health care costs can vary widely, depending on the type of insurance a retiree chooses, and no type of coverage is “typical.” So we believe it is useful to provide these estimates based on the type of insurance coverage.
  - Vanguard/Mercer
    - Planning for healthcare costs in retirement.
      - Some research estimates health care costs in retirement as a lifetime lump sum. We believea better planning framework considers these costs as annual expenses personalized to anindividual’s health status, coverage choices, retirement age, and loss of any employersubsidies. For a typical 65-year-old woman, the Mercer-Vanguard model predicted anannual health care expense of $5,100 for 2020.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BULLETIN Russian hacking group accessed Microsoft executive emails, company says →

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Robert Powell

How to pay for healthcare costs in retirement

A Word About Long-term Care

treet | Retirement Daily | Robert Powell, CFP®

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HOME › RETIREMENT DAILY › SOCIAL SECURITY/MEDICARE

Can You Transfer a House to a Descendant and Still Qualify for Medicaid?

By transferring your home to a loved one, you may be temporarily disqualified from using Medicaid to pay for nursing home care. Fortunately, there is a way to solve this predicament.

RETIREMENT DAILY GUEST CONTRIBUTOR • UPDATED: AUG 24, 2023 11:54 AM EDT · ORIGINAL: AUG 2, 2023

By Harry S. Margolis

TheStreet | Retirement Daily | Robert Powell, CFP®

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Do I Have to Repay Medicaid When I Sell My House?

If you're a retired homeowner looking to move, you may be worried about Medicaid taking money from the sale of your current house. Fortunately, this fear is misplaced.

RETIREMENT DAILY GUEST CONTRIBUTOR • AUG 16, 2023 7:00 AM EDT

By Harry S. Margolis

TheStreet | Retirement Daily | Robert Powell, CFP®

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HOME › RETIREMENT DAILY › YOUR MONEY

Can My Stepmother Transfer Dad's House Into Her Trust?

Elderlaw expert Harry S. Margolis answers a question about a stepmother transferring a house from the father's revocable trust to hers.

HARRY S. MARGOLIS • SEP 8, 2023 7:00 AM EDT

How to Manage/Mitigate Spending Shocks

- Retirees face a considerable risk of experiencing large increases in spending at some point in retirement.
- Notably, one in two retirees (50.1%) experienced a spending increase of 0%–25% between ages 65 and 90.
- More than one in four (28%) households experienced a 25% to 50% spending increase,
- and over one in five (21.5%) households experienced spending increases between 50% and 100% during retirement.
- Under 150k, housing expenses
- Over 150k, discretionary expenses

Robert Powell's Retirement Portfolio

Vacations, cars and roof repairs: You may be surprised by how much you spend in retirement

Last Updated: Dec. 16, 2023 at 8:15 a.m. ET
First Published: Dec. 7, 2023 at 6:25 a.m. ET

By Robert Powell (Follow)

How to prepare for spending volatility in retirement

Spending Declines on a Real Basis

- Research
  - David Blanchett
  - Center for Retirement Research @ Boston College
  - Rand Corp
- Implications
  - Saving too much
  - Spending too little
  - Off-the-shelf inflation-adjusted withdrawal projection are off

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Americans' Spending Declines Consistently After Age 65; Finding Applies Broadly Across All Wealth Groups

FOR RELEASE
Wednesday
December 7, 2022

Americans' personal spending drops consistently after age 65, both among the affluent and those with lower levels of financial resources, according to a new RAND Corporation report.

Analyzing information from a long-running study of older Americans, researchers Michael Hurd and Susann Rohwedder found that real spending adjusted for inflation declined for both single and coupled households after age 65 at annual rates of about 1.7 percent and 2.4 percent.

The findings contradict traditional wisdom that spending will be constant or even increase during older age, and suggest that individuals and couples could spend more early in retirement.

"This research provides new insights about spending during traditional retirement years and should help households, policymakers, and financial advisors better determine adequate saving rates during the working life and affordable spending levels during retirement," said Michael Hurd, director of the RAND Center for the Study of Aging.

Media Resources

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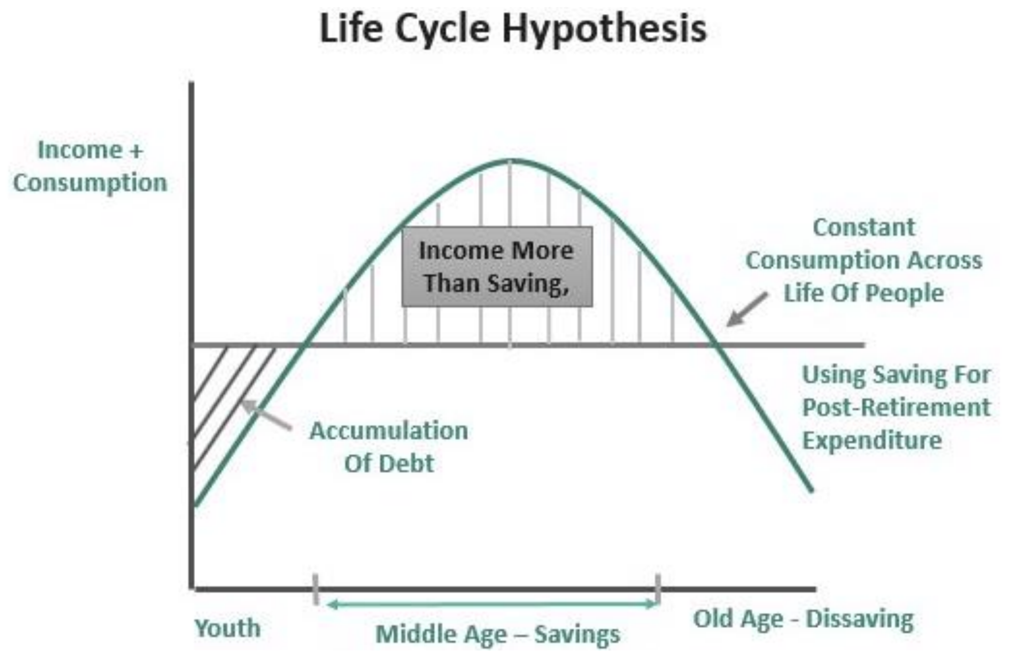
Researcher Spotlight

Michael D. Hurd
Director, RAND Center for the Study of Aging

Michael Hurd is a senior principal researcher at the RAND Corporation, where he directs the RAND Center for the Study of Aging. His research interests cover a wide range of topics in the economics of aging including: the structure of private pensions and Social Security and their effects on...

Explore Our People »

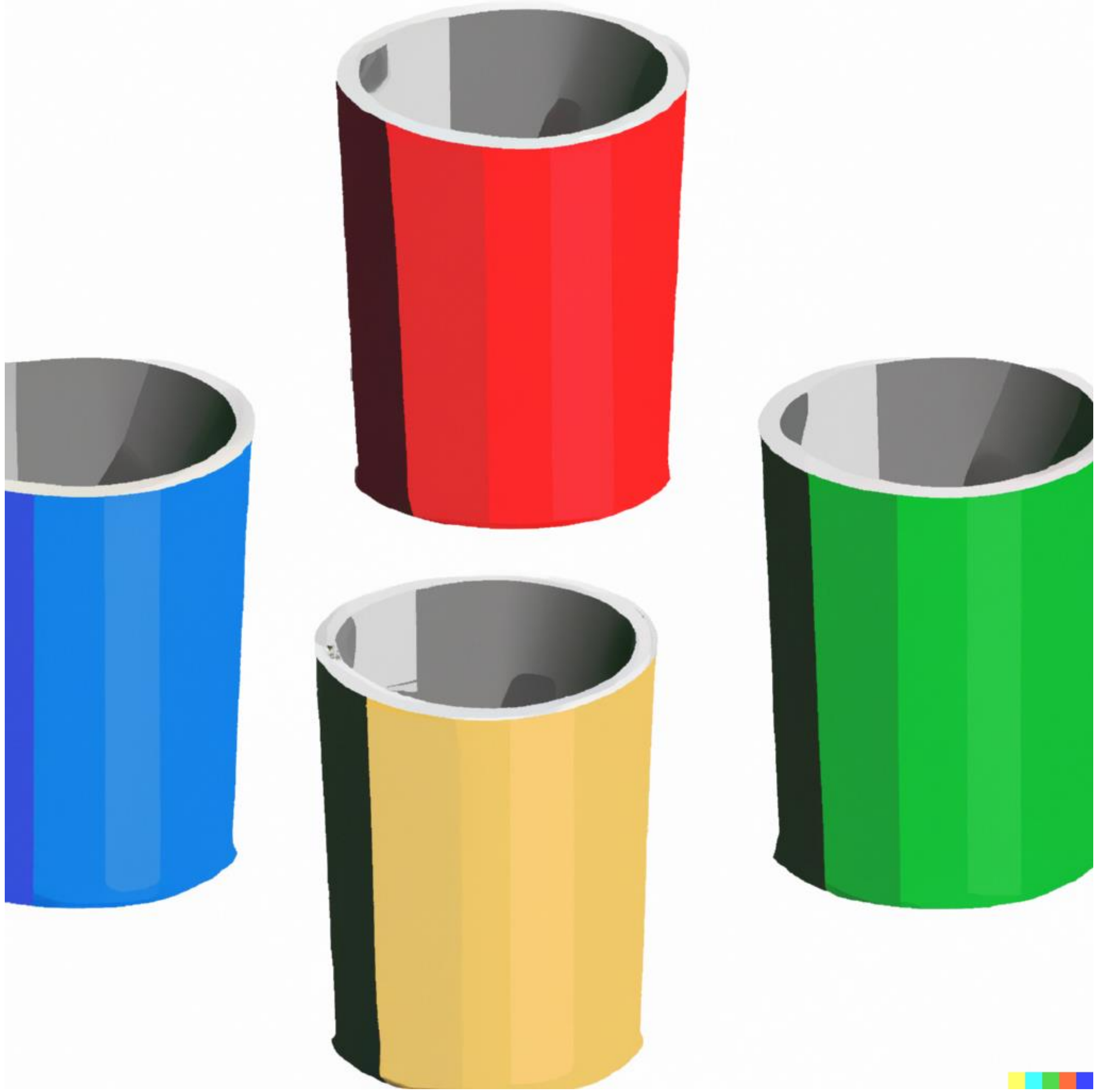


The Lifecycle Hypothesis

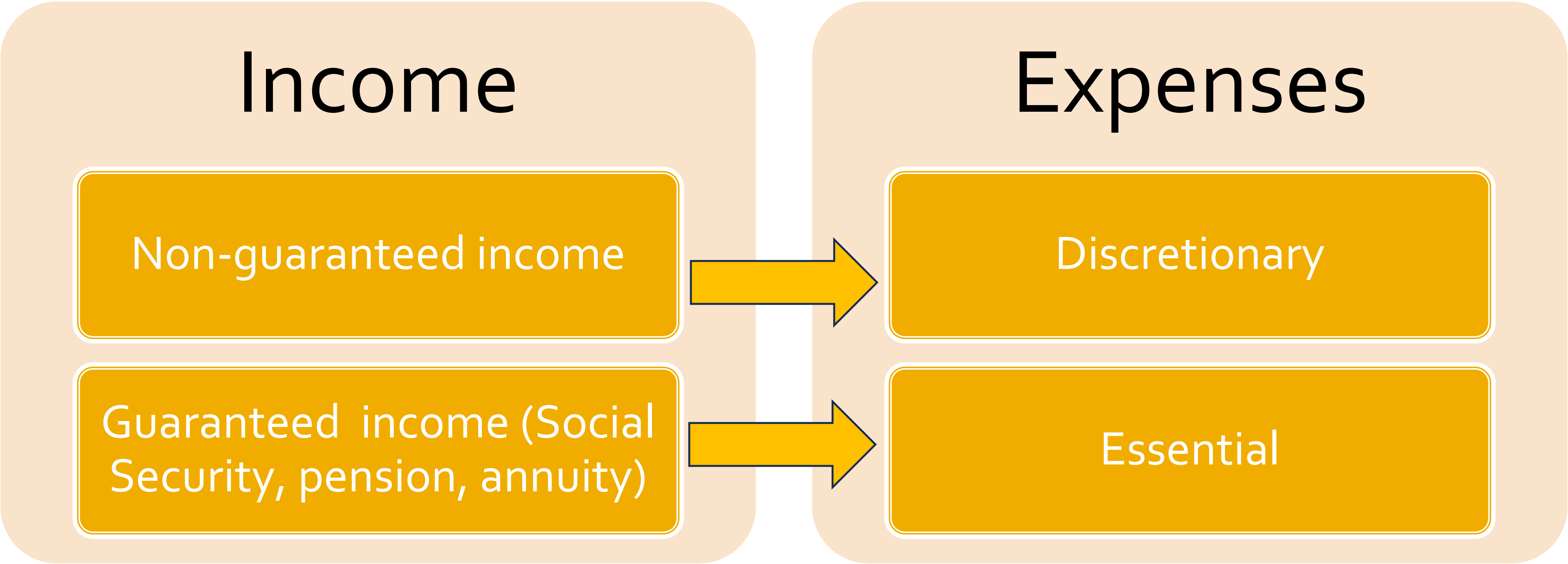
- Worth reminding clients about utility.
- Easier to spend when they know the retirement risks are mitigated and managed

Retirement Allocations or Sleeves

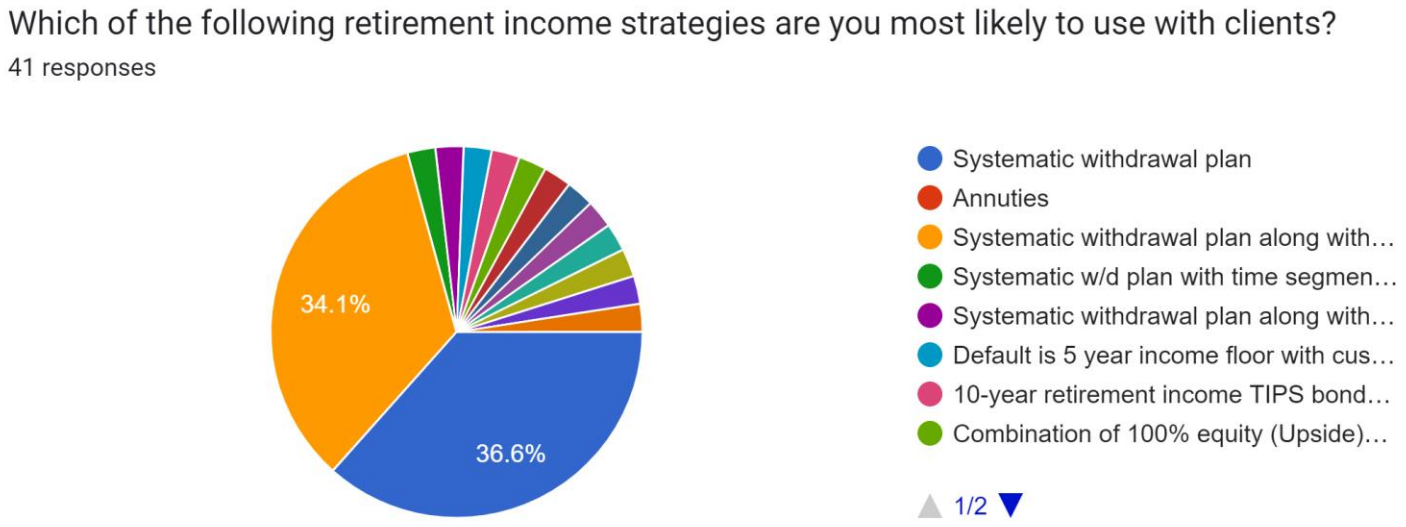
- Floor-Retirement expenses funded by Social Security, defined benefit plans, guaranteed sources of income and or SWPs
- Upside-Risky assets
- Longevity-Insurance for long live-QLAC and/or DIA
- Reserves-Spending shocks



Retirement Allocations: Four-Box Strategy



Which Strategies Do Advisers Use?



SWPs, 36%
SWPs w/ Annuities, 34%

What Are You?

- Are you a hammer and every client is a nail?
- Or are you a carpenter with a toolbox?

The Retirement Policy Statement

PERSONAL FINANCE

How to Create a Retirement Policy Statement

Use our template to document your retirement assets, strategy, and spending system.

Christine Benz • Oct 8, 2021

Share

Note: A version of this article originally published in June 2017.

If you start reasonably early, set aside adequate savings, and invest in a semi-sane manner, it's hard to go terribly off track with investments in the years leading up to retirement. But decumulation--the process of figuring out how to position your portfolio to deliver desired cash flows in retirement--is another ballgame.

In retirement, a separate set of variables comes into play. Issues like asset allocation and the quality of the investments you choose are still important (which is why you still need an investment policy statement) but so are factors such as how--and how much--you'll spend from your portfolio on an ongoing basis.

The Retirement Policy Statement

- **Step 1: Specify retirement details.** In this section, lay out the basic details of your retirement program. As you may have guessed, "anticipated retirement duration" requires you to break out a crystal ball and forecast your own life expectancy. That's difficult, but you can make an educated guess.

- **Step 2: Outline your retirement portfolio strategy.** Simple and to the point is the name of the game here. For example, a retiree employing the bucket system might write: "To maintain a portfolio that consists 60% of high-quality, dividend-paying stocks and 40% high-quality bonds, along with a cash component consisting of two years worth of living expenses. Spend from cash bucket and periodically refill using rebalancing proceeds. Use 4% guideline for spending."

- **Step 3: Document retirement assets.** Use this space to note your accounts and the amount of assets in each. As with the investment policy statement, this template requires you to amalgamate multiple accounts of the same type into a single line entry, but you can append pages enumerating each distinct account. Calculate a total dollar amount for all of your retirement accounts.

- **Step 4: Specify your spending plan.** In this section, document the key components of your retirement spending plan: your spending needs and the extent to which they'll be supplied by nonportfolio income sources (Social Security, pensions, and income annuity) and the extent to which that desired cash flow will come from your portfolio. If you're a few years from retirement and aren't sure what your spending needs will be, take some time look at your in-retirement budget line item by line item.

- Armed with your planned annual portfolio withdrawal and the total dollar value of your portfolio (total retirement assets, from the preceding step), divide the former by the latter to arrive at current annual spending rate. (We've included the term "withdrawal rate" on our worksheet because it's more familiar to investors, but I prefer the term "spending rate" because it’s more encompassing.)

- **Step 5: Detail how you'll address inflation.** Drawing a fixed dollar amount from your portfolio will help ensure that your standard of living declines as the years go by. That's not what most retirees want. Thus, it's wise to factor your approach to inflation into your spending plan, to allow for higher withdrawals in years in which your cost of living is on the move. The "4% guideline," for example, assumes that a retiree takes 4% of his or her portfolio in year one of retirement, then inflation-adjusts the dollar amount as the years go by.

- In this section, write in what inflation level you're assuming will prevail over your retirement years--2%-3% is in line with historic norms. Also include when you'll forego giving yourself a raise from your portfolio. It's only sensible to skip an inflation adjustment in those years when you're not feeling any inflation, for example, and T. Rowe Price research following the financial crisis demonstrated that forgoing an inflation adjustment in the wake of a bear market also helped improve a portfolio's sustainability.

- **Step 6: Document your cash-flow generating system.** This is the meat of the statement: Where will you go for cash from your portfolio on an ongoing basis?

  - Option 1, living on income distributions alone, is the old-school way to do it, but it might not be practical given today's low yields; nor will an income-centric portfolio necessarily be optimal from a risk/return standpoint.
  - Option 2, using rebalancing (selling highly appreciated portions of the portfolio) to fund living expenses certainly receives more support in the academic community; it's the way noted financial planner Harold Evensky says he creates cash flow in retired clients' accounts.
  - Option 3 blends the two strategies: The retiree uses income distributions to provide a baseline of living expenses but doesn't stretch for yield; he or she then periodically rebalances to shake out additional living expenses.

- There's no single "right" way to do it; the key is a decumulation strategy that you can implement, that makes investment sense, and provides you with piece of mind.

- **Step 7: Document your approach to withdrawals.** Like the previous step, this step requires careful consideration, because it can have a big impact on the viability of your plan as well as the variability of your cash flows during retirement. Here you're documenting not just your withdrawal rate--though that's in the mix, too--but also your approach to withdrawals.

  - Option 1, withdrawing, say, 4% of the portfolio and then inflation-adjusting the dollar amounts annually, will deliver a fairly stable in-retirement cash flow.
  - Option 2, spending a fixed percentage of the portfolio year in and year out, helps tether withdrawals to the portfolio's performance, but will lead to significant variability in cash flows.
  - Option 3 is a hybrid of the two methods. It entails using a fixed percentage withdrawal as the baseline, but employs "guardrails" to ensure that spending never goes above or below certain levels. (Financial planner Jonathan Guyton initially wrote about the guardrails system in this research paper.)
  - Under Option 4, a retiree is spending just a portfolio's income distributions, whatever they might be.

- There's no single "right" way to do it; each of these approaches carries pros and cons.

- **Step 8: Specify whether and when RMDs apply.** This section is straightforward: Document which of your accounts are subject to required minimum distributions--mandatory withdrawals once you pass age 72. (The RMD start date had previously been 70.5, but the SECURE Act that passed in 2019 moved it out to 72.) Required minimum distributions apply to traditional IRAs and 401(k)s, as well as Roth 401(k)s and other company retirement plans. They do not apply to Roth IRAs.

- Also document when RMDs must commence, for both you and your spouse, based on your birthdays. You must take your first RMD by April 1 following the year in which you turn 72.

Crafting A Withdrawal Policy Statement For Retirement Income Distributions

- 1) the client income goals to be met via withdrawals;
- (2) the client assets to which the WPS applies that will fund those income goals;
- (3) the initial withdrawal rate;
- (4) the method for determining the source of each year's withdrawal income from the portfolio; and,
- (5) the method for determining the withdrawal amount in subsequent years, including both the trigger points for adjustments other than an inflation-based increase and the magnitude of the adjustment itself.
  - https://www.kitces.com/blog/crafting-a-withdrawal-policy-statement-for-retirement-income-distributions-guyton/
  - https://www.kitces.com/sample-withdrawal-policy-statement-wps-from-jon-guyton/

The RMA® Retirement Policy Statement

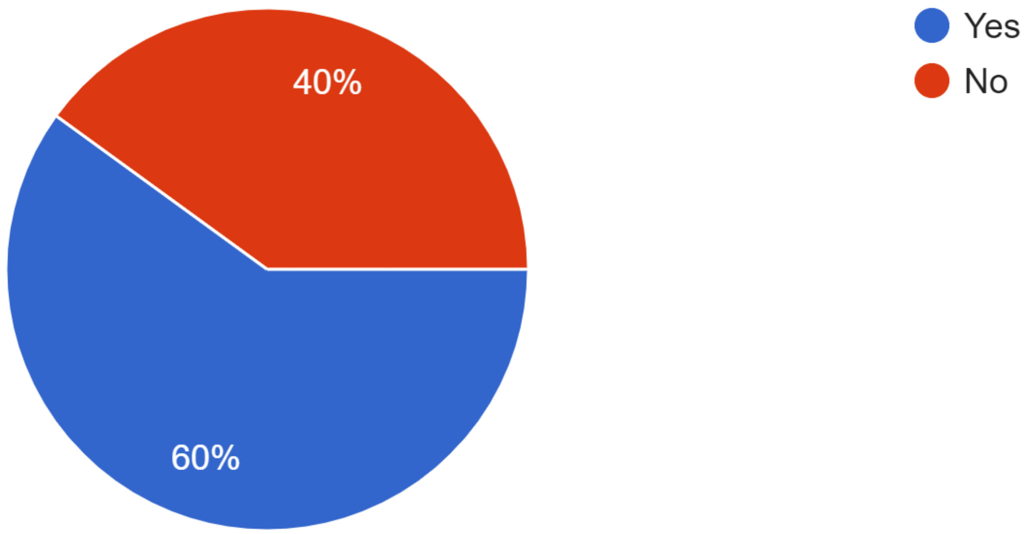
- RPS Step (1): Have you communicated the central responsibility of the household client, their understanding and approval of the retirement policy?
- RPS Step (2): Did you document the initial needs and goals of the household client (using the relevant measures of fundedness to explain overfunded, constrained or underfunded status) and present the relevant capital market expectations?
- RPS Step (3): Did you set the initial client-matched, fundamental policy decisions and most importantly the selected planning strategy (investment-based, goals-based, product-based)?
- RPS Step (4): Have you documented the needs and goals of the household client (using the life-cycle approach to cash flows over the remaining time horizon and longevity expectations)?
- RPS Step (5a): Have you planned for and explained human, social and financial capital?
- RPS Step (5b.): Have you documented the needs and goals of the household client (using the HHBS views and the HHBS benchmarks to analyze all assets and liabilities)?
- RPS Step (6): Did you document risk profiles and risk exposures of the household client?
- RPS Step (7): Did you summarize the realistic investment objectives that match the household client's needs, goals and risk exposures as well as the capital market expectations that support the retirement allocations recommendations and determine the plan's threshold rate of return – the minimum annualized real return necessary for the plan to work?
- RPS Step (8): Have you documented the choice of implementation process approaches?
- RPS Step (9): Did you confirm the choice of account locations and make the product selections?
- RPS Step (10): Are you prepared to present, implement, monitor and adjust the plan?

A Merged RPS

- This retirement policy statement provides a framework for managing assets and income streams to meet retirement goals and objectives. It will be reviewed annually and updated as needed.
- Retirement Details
  - - Anticipated Retirement Duration: 30 years
  - - Retirement Start Date: January 1, 2025
  - - Household Members: John and Jane Smith
- Retirement Portfolio Strategy
  - Maintain a portfolio allocated 60% to stocks and 40% to bonds, with a dedicated cash reserve equal to 2 years of spending needs. Withdrawals will come primarily from portfolio income distributions and cash reserves. Additional funds will be generated through periodic rebalancing of the portfolio to target allocations. The initial withdrawal rate is 4% of the portfolio, adjusted yearly for inflation.
- Retirement Assets
  - - 401(k): $500,000
  - - IRA: $300,000
  - - Taxable Investments: $200,000
  - - Total Retirement Assets: $1,000,000
- Spending Plan
  - - Annual household spending goal: $50,000
  - - Portfolio withdrawal target: $40,000
  - - Initial withdrawal rate: 4%
  - - Non-portfolio income sources:
  - - Social Security: $15,000
  - - Pension: $5,000
- Inflation Approach
  - Portfolio withdrawals will be adjusted by 2% annual inflation, unless portfolio returns over the prior year are negative.
- Withdrawal System
  - The portfolio will be organized into the following buckets:
  - - Cash Reserves: 2 years of spending needs
  - - Near-Term: 1-5 years of spending needs
  - - Intermediate-Term: 5-10 years of spending needs
  - - Long-Term Growth: Remainder of assets
  - Withdrawals will be funded in order from cash reserves, near-term buckets, intermediate buckets, and growth assets if needed. Withdrawal amounts will follow the 4% guideline with 2% inflation adjustment unless portfolio returns are negative over the prior year.
- RMD Status
  - RMDs from qualified accounts will begin at age 72 for both account owners. Withdrawal calculations will coordinate RMD amounts as required.

Do you create a retirement income policy statement for your clients?

40 responses

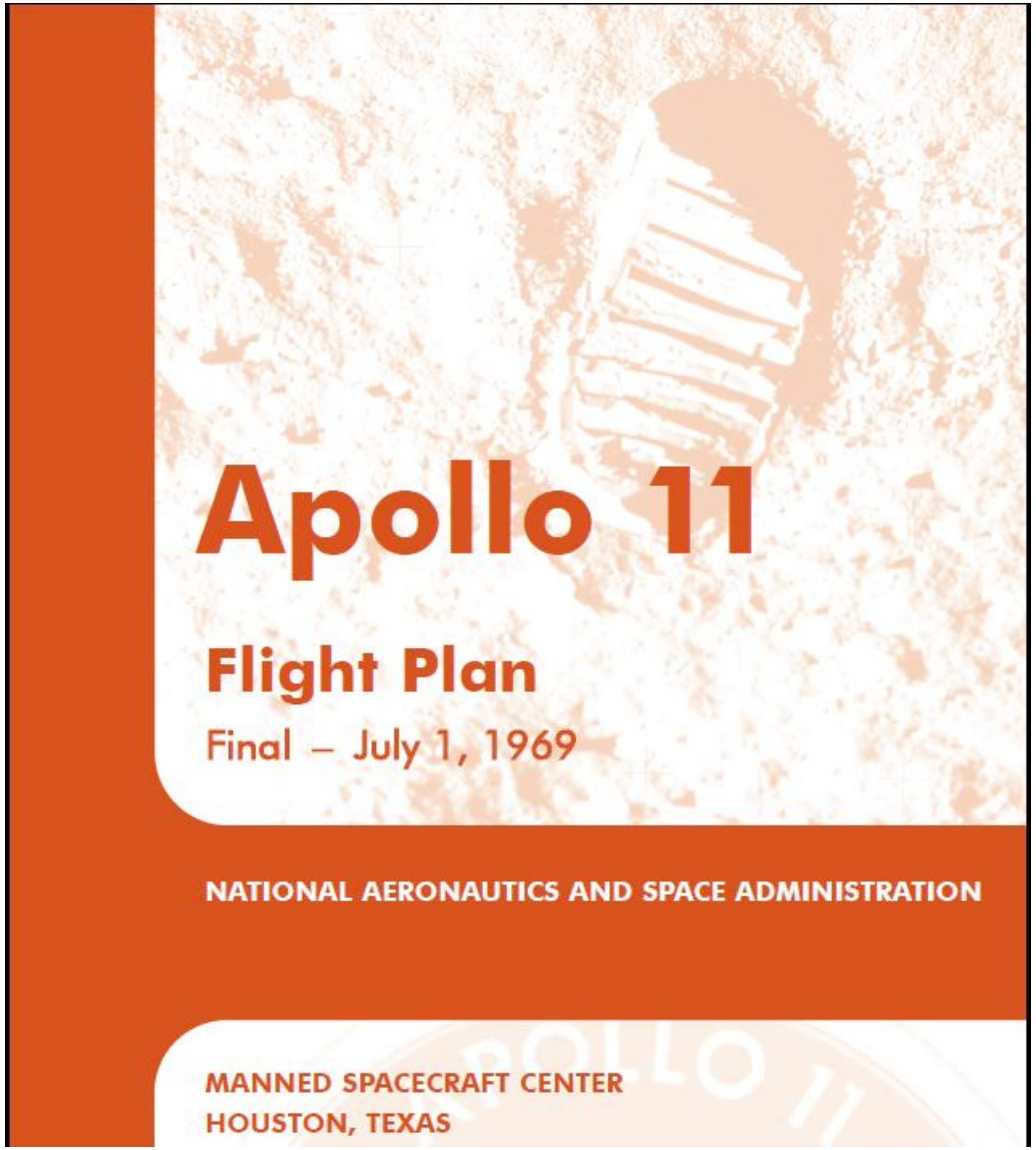


Common Threads Among Financial Planners' Responses on Creating Tax-Efficient Portfolios

- **Holistic planning and long-range perspective:**
  - Tax efficiency is viewed as an integral part of overall financial planning, not a separate exercise.
  - Long-term tax strategy guides investment and withdrawal decisions.
- **Strategic use of different account types:**
  - Blending pre-tax, Roth, and non-qualified accounts for optimal tax outcomes.
  - Utilizing Roth conversions to shift assets to tax-free growth.
- **Dynamic tax planning and optimization:**
  - Tools and software are used to project and optimize tax implications of various actions.
  - Regular reviews and adjustments based on changing circumstances.
- **Specific tax-efficient strategies:**
  - Tax-loss harvesting to offset capital gains.
  - Asset location to minimize taxes within different accounts.
  - Roth conversions, qualified charitable distributions (QCDs), and other specific strategies.
- **Focus on income sources and sequencing:**
  - Managing the order and source of withdrawals to minimize tax burden.
  - Utilizing tax-efficient life insurance and income annuities for strategic income flow.
- **Individualization and customization:**
  - Every client's situation is unique and requires a personalized approach.
  - Careful consideration of client goals, risk tolerance, and other factors.
- **Collaboration and communication:**
  - Open communication and collaboration with clients ensure their understanding and buy-in.
  - Working with other professionals (accountants, attorneys) when necessary.

Monitor and Course Correct

Apollo 11 made several planned mid-course corrections on the way to the moon to ensure they were on the right trajectory



Think of Yourself as Your Client’s Navigator

The most important factors for navigators to consider relate to the boat's performance and handling characteristics:

Sail plan and sail inventory - Having the right sails for the expected wind conditions is crucial, as is the ability to change sails quickly. This impacts boat speed and ability to point.

Stability and heel angle - The boat's stability and heel angle affect the crew's ability to work efficiently and steer the boat. Excessive heel can slow the boat down.

Weight and displacement - A lighter boat will typically be faster, especially upwind, but may compromise stability or seaworthiness. There are always tradeoffs.

Steering and self-steering - An efficient autopilot or windvane is needed to maximize performance on long legs. The boat's directional stability impacts this.

Hull shape and appendages - The hull, keel, and rudder design significantly impact upwind and downwind speed potential.

Navigators also need to focus on navigation and tactical decision making

Analyze weather data from multiple sources to understand expected wind shifts and velocity

Create waypoints and sail the most direct routes that optimize VMG based on wind

Understand the tides and currents and how they will impact boat speed and heading

Make continual tactical decisions on the best course to steer to take advantage of wind shifts

Balance course distance and boat speed when considering sailing angles

Communicate wind and tactical shifts to helmsman and trimmers quickly

Finally, navigators must consider safety and right-of-way rules

Evaluate visibility, traffic density, and maneuverability to determine safe speed

Understand sailing rules of the road, especially in crowded starting areas

Consider nighttime visibility and fatigue when deciding on sail plan

Be prepared to reef quickly if winds exceed boat/crew capability

A Word About Artificial Intelligence

VettaFi Advisor Perspectives

NEWS TOPICS FEATURED FIRMS WEBINARS WHITE PAPERS

Why AI Poses a Mortal Threat to Financial Advisors

by David Macchia, 10/10/23

14 LEAVE A COMMENT

Advisor Perspectives *welcomes guest contributions. The views presented here do not necessarily represent those of* Advisor Perspectives.

Is there a subject that is more at the forefront of peoples' minds than artificial intelligence (AI)? Depending upon one's perspective, the thought of AI may cause feelings of hope and optimism or fear and dread. Despite our varied perspectives, many of us have begun using AI. For instance, Chat GPT is attracting 100 million users a month. Will AI's every-growing intelligence supersede its creators?

It seems certain it will if it hasn't already.

When I tried to read the entire internet in 10 minutes, I stumbled. One wonders if one day AI will decide that we humans are no longer vital

Man vs Machine

- Retirement Daily asks AI a question and then ask a SME to critique the answer: What did it get right, what did it get wrong and what are the material omissions?
- Bottom line: It's way too early to trust AI with personal finance questions
  - What's the smartest way to take retirement income from my portfolio?
    - ChatGPT's responses are fundamentally correct, but they're incredibly short-sighted. One of the biggest omissions: They don't describe each strategy's potential risks.
  - How do I create tax-efficient ways to make withdrawals from my retirement account?
    - Bottom line: Use ChatGPT for writing jokes and wedding toasts. But ask an actual financial professional about making withdrawals from your retirement accounts.

FPA Partners to Help Financial Planners Support Elder Planning Needs of Clients and Their Families

Share

DENVER (February 23, 2023) – As the American populace grows older, financial planners will need to address the increasing financial impact felt by older Americans and their families. To support financial planners in developing their elder planning competencies, the Financial Planning Association® (FPA®) is pleased to announce a new partnership with noted ... planning to make the Elder Planning Specialist Program available to FPA members.

The Online Elder Planning Specialist Certification Program

- Launched originally by Robert Mauterstock and Annalee Kruger as a classroom-based program pre-Covid.
- Launched online in 2020 at Salem State University, Mass.
- Launched online on FPA Learning Center Feb. 2023
  - Run two classes so far; next class starts March 2024

Topics Covered in the Course

- 12 weeks
    - Understanding the aging process
    - The caregiver’s role
    - Diversity and aging and Insights into retirees 85 and older
    - Legal issues associated with aging
    - Understanding issues related to long-term care
    - Understanding Social Security and Medicare
    - Understanding diminished capacity
    - Understanding elder abuse
    - End-of-life planning and creating an ethical will
    - How conduct a family meeting
    - How to develop an elder planning team
    - How to develop a marketing plan
    - Creating an elder plan

Subject Matter Experts

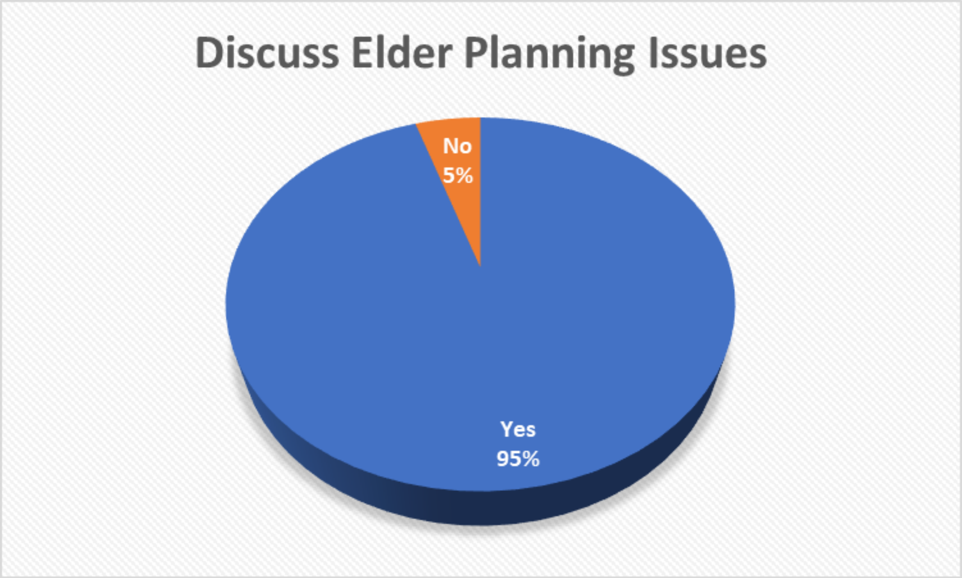
- Anna Rappaport
- Terry Bradford-Crane
- Harry Margolis
- Carroll Golden
- Marcia Mantell
- Paul Malley
- Susan Turnbull

Format

1. On-demand lecture(s)
2. Live virtual class
3. Online discussion groups
4. Weekly quizzes
5. Final project – Creating an Elder Plan

Why Elder Planning Specialist?

- Clients are asking their financial planners about such issues.
- 95% of financial planners say they are discussing elder plans, but…
- Financial planners have not yet acquired all the knowledge, skills and abilities required to help their clients with elder planning issues.
  - The CFP® CERTIFICATION 2021 PRINCIPAL KNOWLEDGE TOPICS do not yet cover these issues. Topics based on job task analysis



KSAs

- Knowledge:
  - In-depth understanding of financial planning for seniors related to retirement planning, retirement income, longevity planning, healthcare costs, estate planning, etc.
  - Knowledge of the psychological, health, and social issues associated with aging
  - Expertise in areas like investments, insurance, taxes, estate planning relevant to seniors
  - Understanding of elder abuse prevention strategies
- Skills:
  - Ability to build trust and strong interpersonal skills to obtain client buy-in
  - Empathy and relationship building skills to connect with older clients
  - Technical competency in financial strategies tailored specifically for seniors
  - Communication skills to explain complex topics simply
  - Proficiency working with a multidisciplinary team including attorneys, accountants, geriatric care managers
- Abilities:
  - Sharp analytical and mathematical abilities for financial analysis
  - Self-directed with ability to take ownership and adapt in a fast-paced environment
  - Collaborative abilities to work cross-functionally
- In addition, obtaining relevant certifications is highly recommended. **Continuing education** is also essential to stay updated on the evolving regulations and environment.
- **Specialized expertise** in senior financial planning is key. An elder planning specialist needs strong technical knowledge tailored to seniors as well as interpersonal skills to build trust and communicate effectively with aging clients. **Obtaining niche certifications** can further validate expertise. Working collaboratively with other professionals is also important.

The Aging Process

The key things financial planners need to know about the aging process as it pertains to their clients, according to Annalee Kruger:

1. Understand the physical, emotional, and financial toll of caring for an aging loved one. Caring for an aging parent or spouse can be extremely difficult and stressful. It often leads to **caregiver burnout**. Financial planners need to be aware of these challenges and how they impact their clients.
2. **Most financial planners are not prepared to deal with the issues their aging clients face.** They have focused on building assets for retirement but don't understand all the medical, caregiving, and other issues that arise in later life.
3. Financial plans need to account for **longer life expectancies.** People are living longer, so there is an increased chance of outliving retirement savings. Planners need to help clients plan for income that can last 30 or more years.
4. **More in-depth financial planning** and goal setting is needed. This includes reviewing insurance protection needs and planning for potential long-term care costs. The full picture of a client's wealth and health needs to be considered.
5. Communication and meetings may need to be **adapted for older clients**. This can include shorter, more frequent meetings, focusing discussions on big picture concepts, and effectively explaining worst-case scenarios to manage anxiety.

In summary, financial planners need specialized knowledge and approaches to serve their aging clients well. Understanding the aging process, challenges caregivers face, planning for longevity, and adapting their process allows planners to provide quality support.

The Aging Process

Old Age and the Decline in Financial Literacy

Households over age 60 own half of the discretionary investment assets in the United States and are increasingly responsible for generating income from these investments to fund retirement.

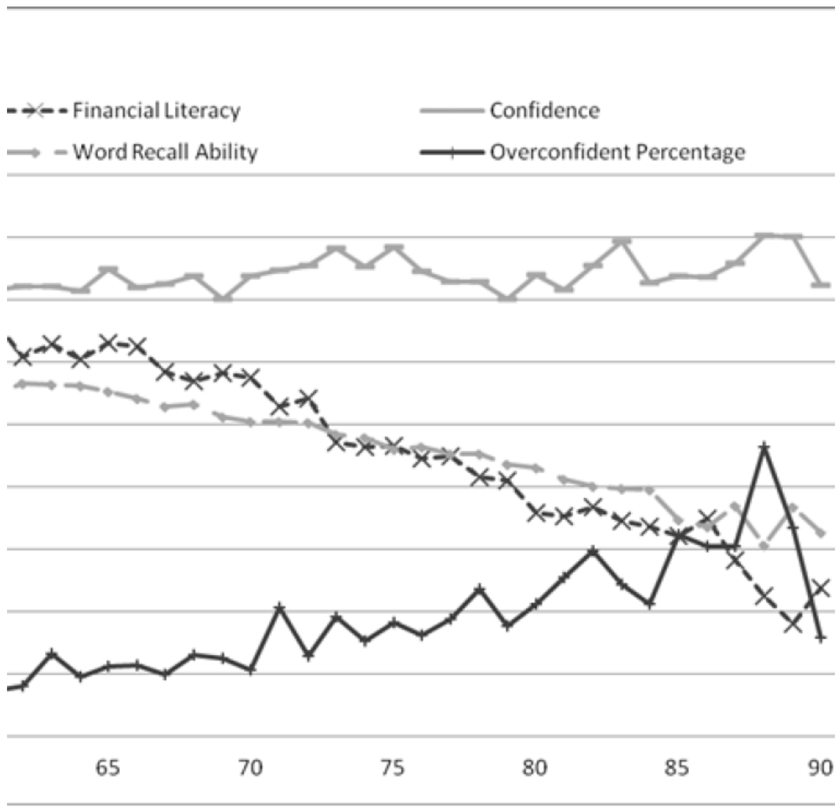
Studies in cognitive aging show that older respondents experience a decline in cognitive processes closely related to financial decision making.

We investigate whether knowledge of basic concepts essential to effective financial choice declines after age 60.

Financial literacy scores decline by about 2% each year after age 60, and the rate of decline does not increase with advanced age. Results from regressions censored by respondent groups and financial literacy topic areas suggest that the decline is not related to cohort effects or differences in gender or educational attainment.

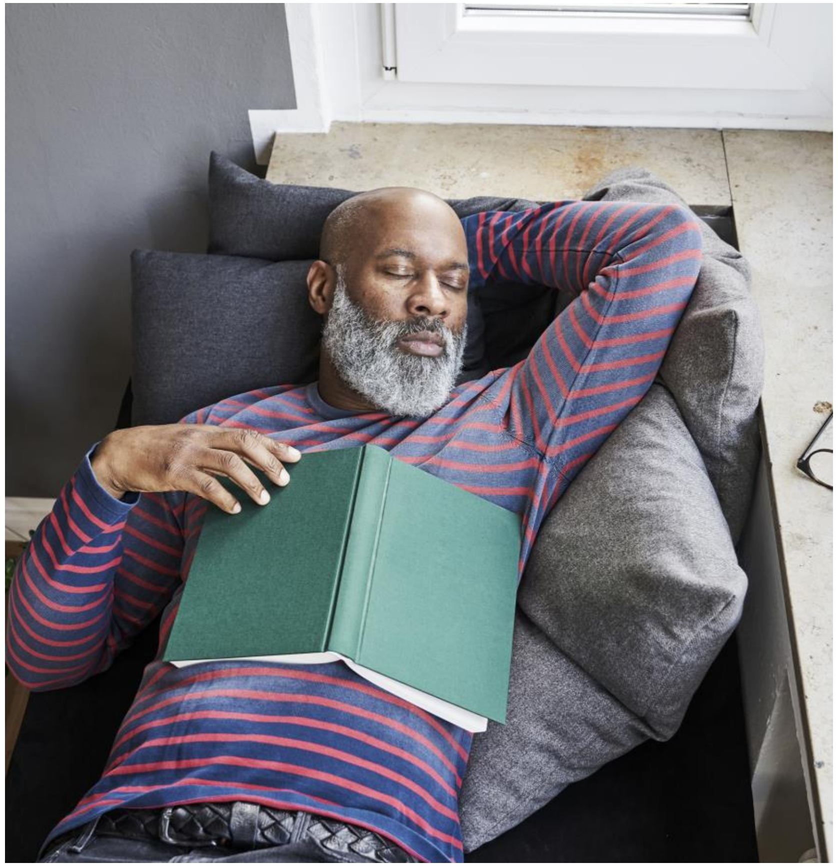
Confidence in financial decision-making abilities does not decline with age.

Increasing confidence and reduced abilities can explain poor credit and investment choices by older respondents.



The Aging Process

- The Need for Exercise
  - Strength training is especially important for older adults to maintain mobility, prevent falls/injuries, and preserve independence into advanced age
  - Outlive recommends envisioning and training for a "Centenarian Decathlon" - coming up with 10 physical activities you want to be able to do at age 100 (like hiking, carrying groceries, climbing stairs) and tailoring your exercise regimen to make those possible
  - Regular exercise combats chronic diseases and is one of the most important things people can do to extend healthspan as well as lifespan
- The Need for Sleep
  - The National Institute on Aging says older adults need about 7-9 hours of sleep per night,
- The Need for Social Groups/Interaction
  - Having fewer social connections and belonging to fewer social groups is associated with reduced lifespan and life expectancy.



Unpaid Caregivers

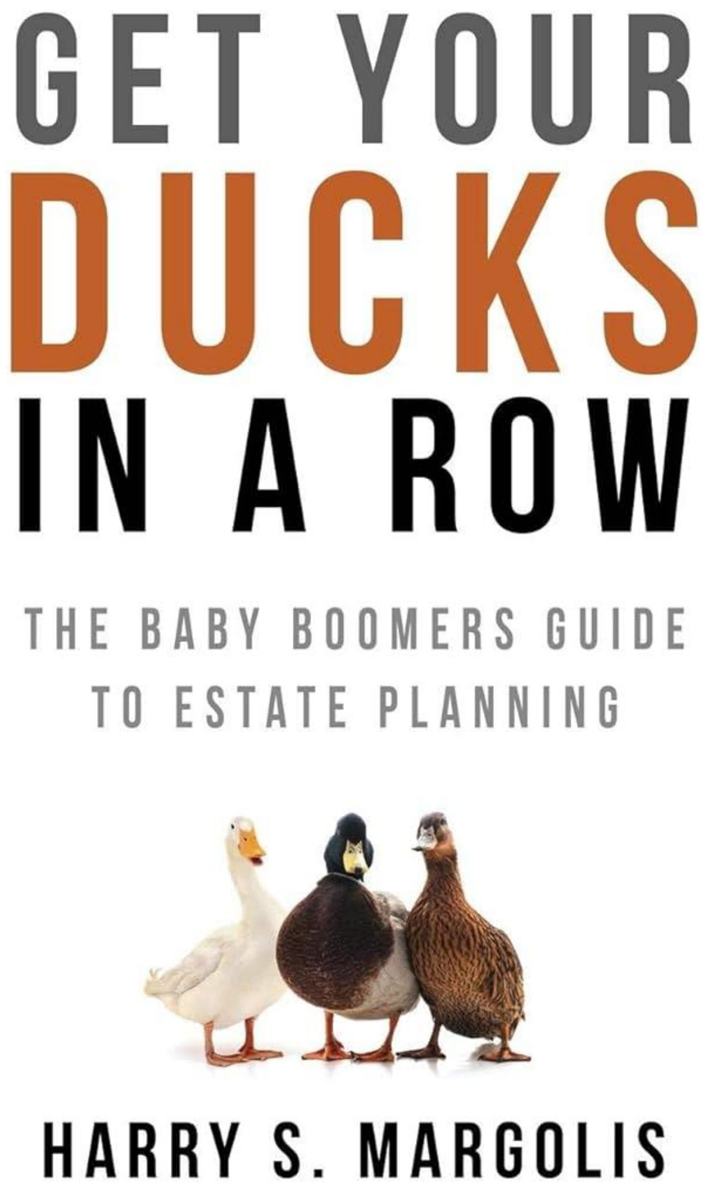
- There are approximately 53 million unpaid caregivers in the U.S. providing care to adults and children. This is up from 43.5 million in 2015.
- 61% of unpaid caregivers are female and 39% are male.
- Over half (54%) of unpaid caregivers are age 50 or older, with an average age of 49.4 years old.
- 89% of unpaid caregivers care for a relative, while 11% care for a non-relative like a friend or neighbor.
- On average, unpaid caregivers spend nearly 24 hours per week providing care

Caregiver Burnout

- 38% of family caregivers report their caregiving situation is highly stressful.
- 11% say caregiving has caused their physical health to deteriorate, correlated to more ADLs performed.
- 40-70% of caregivers have clinically significant symptoms of depression, 25-50% meet criteria for major depression.
- Caregivers who work full time and are under age 45 show the greatest emotional strain.
- 57% of caregivers surveyed reported high stress, anxiety and/or depression.
- 36% of the over 53 million unpaid caregivers in the U.S. are estimated to experience caregiver burnout.
- In summary, a growing number of unpaid caregivers, especially women over 50, are providing substantial hours of care per week and facing significant mental and physical health strains as a result. Support is needed to prevent widespread caregiver burnout.

Legal Issues of Aging

- Durable Power of Attorney for Financial Matters
- Health Care Directives
  - Durable Power of Attorney for Health Care/Health Care Proxy
  - Medical or Advanced Directive
    - Living Will
  - DNRs and MOLSTs
- HIPAA Release
- Resources
  - Five Wishes, Aging with Dignity
  - TheConversationProject.org
  - https://prepareforyourcare.org/en/advance-directive



Long-term care

- Someone turning age 65 today has almost a **70% chance of needing some type of long-term care services and supports** during their remaining years.
- 53% of women and 47% of men will need long-term care at some point in their lifetimes.
- Women tend to need long-term care for longer periods than men on average - 3.7 years for women compared to 2.2 years for men.
- 20% of people who need long-term care will require it for 5 or more years.
- 35% of people over 65 will eventually enter a nursing home.
- People over 85 are much more likely to need long-term care - 55% of long-term care facility residents are 85+ compared to 38% ages 65-84.
- Escalating traditional premiums along with product innovation and flexibility are shifting consumer preferences toward hybrid life/LTC policies. But broader consumer adoption still faces obstacles like cost.

Cost of Care

Genworth

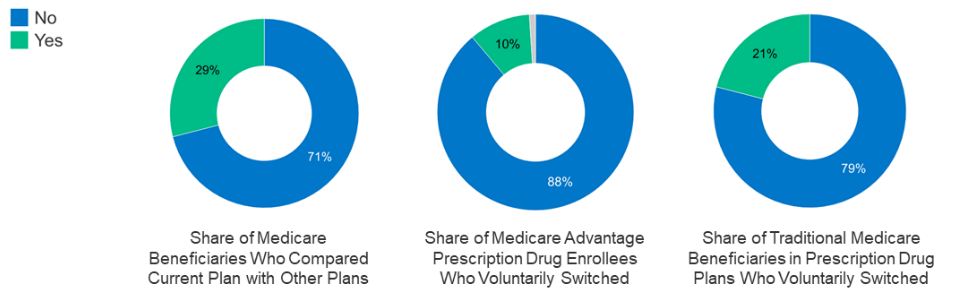
Monthly Cost	USA - National 2021
Home Health Care	
Homemaker Services	$4,957
Homemaker Health Aide	$5,148
Based on annual rate divided by 12 months (assumes 44 hours per week).	
Adult Day Health Care	
Adult Day Health Care	$1,690
Based on annual rate divided by 12 months.	
Assisted Living Facility	
Private, One Bedroom	$4,500
As reported, monthly rate, private, one bedroom.	
Nursing Home Care	
Semi-Private Room	$7,908
Private Room	$9,034
Based on annual rate divided by 12 months.	

The information shown above is based on a specific scenario generated by the Genworth 2021 Cost of Care. Future years are calculated by assuming an annual 3% growth rate. For more information and location comparison, visit genworth.com/costofcare.

Social Security and Medicare

- A relatively small share of the nation's 65 million Medicare beneficiaries will shop around among the many coverage options for 2023 or switch plans. That decision could have a significant impact on enrollees' coverage and costs.
- Few beneficiaries choose to switch plans during open enrollment, regardless of whether they are enrolled in Medicare Advantage or traditional Medicare.
  - Among people in Medicare Advantage plans with prescription drug coverage, only 1 in 10 beneficiaries enrolled in such plans voluntarily switched plans for 2020.
  - Among beneficiaries in in traditional Medicare with a stand-alone drug plan, only 2 in 10 opted for a different plan during open enrollment.

A Small Share of Medicare Beneficiaries Compared Coverage Options or Switched Plans During the Open Enrollment Period for 2020



SOURCE: KFF analysis of Centers for Medicare & Medicaid Services Medicare Current Beneficiary Survey, 2020 Survey File, and Chronic Conditions Data Warehouse Master Beneficiary Summary File 20% sample for 2019 and 2020.

KFF

Key Signs of Diminished Financial Capacity That Financial Planners Should Watch for Among Older Clients

Red Flags

Memory lapses like missing appointments or forgetting key financial details

Struggling with routine financial tasks like paying bills or tracking expenses

Impulsive or questionable financial decisions that seem out of character

Lack of knowledge or interest in finances when previously engaged

Inability to understand financial concepts, investments, or consequences of decisions

Passivity - lack of involvement in financial matters

Dramatic changes in long-held financial intentions without explanation

Financial mistakes or losses that can't be explained

Reliance on others for help with finances when previously independent

Best Practices

Have open conversations about cognitive health and planning for diminished capacity

Designate a **trusted contact** person who can discuss finances if needed

Screen clients periodically for signs of decline using tools like financial capacity checklists

Address concerns sensitively; don't assume disability based on diagnosis alone

Involve family members and other advisors if significant decline is suspected

Consider safeguards like read-only account access and temporary account holds if exploitation risk

Resources:

Stanford Center on Longevity and University of Minnesota and Stanford researchers launch the Thinking Ahead Roadmap: A Guide To Keeping Your Money Safe As You Age

Wayne State University's Institute of Gerontology offers several resources for older adults and financial literacy, including Older Adult Nest Egg, a program that provides free and confidential financial literacy workshops, education on fraud and scams, and other resources, and Successful Aging thru Financial Empowerment (SAFE)

Key Warning Signs of Elder Financial Abuse That Financial Planners Should Watch for Among Clients

Red Flags

Unusual account activity like withdrawals, transfers, or changes in holdings that can't be explained

Sudden changes to important documents like wills, trusts, or power of attorney assignments

New "friends" expressing excessive interest in an elder's finances

Missing valuables, unpaid bills, or unmet needs despite adequate income

Elders appearing nervous, fearful, or withdrawn around financial matters

Inability to explain financial decisions or recognize consequences

Caregivers or others refusing to let elder speak privately with advisor

Best Practices

Screen clients for signs of financial abuse using checklists of warning signs

Follow up on remarks suggesting behavioral changes or financial control

Involve other family or friends if exploitation seems likely

Encourage clients to designate a trusted contact for account alerts

Consider safeguards like temporary account holds or read-only access if abuse suspected

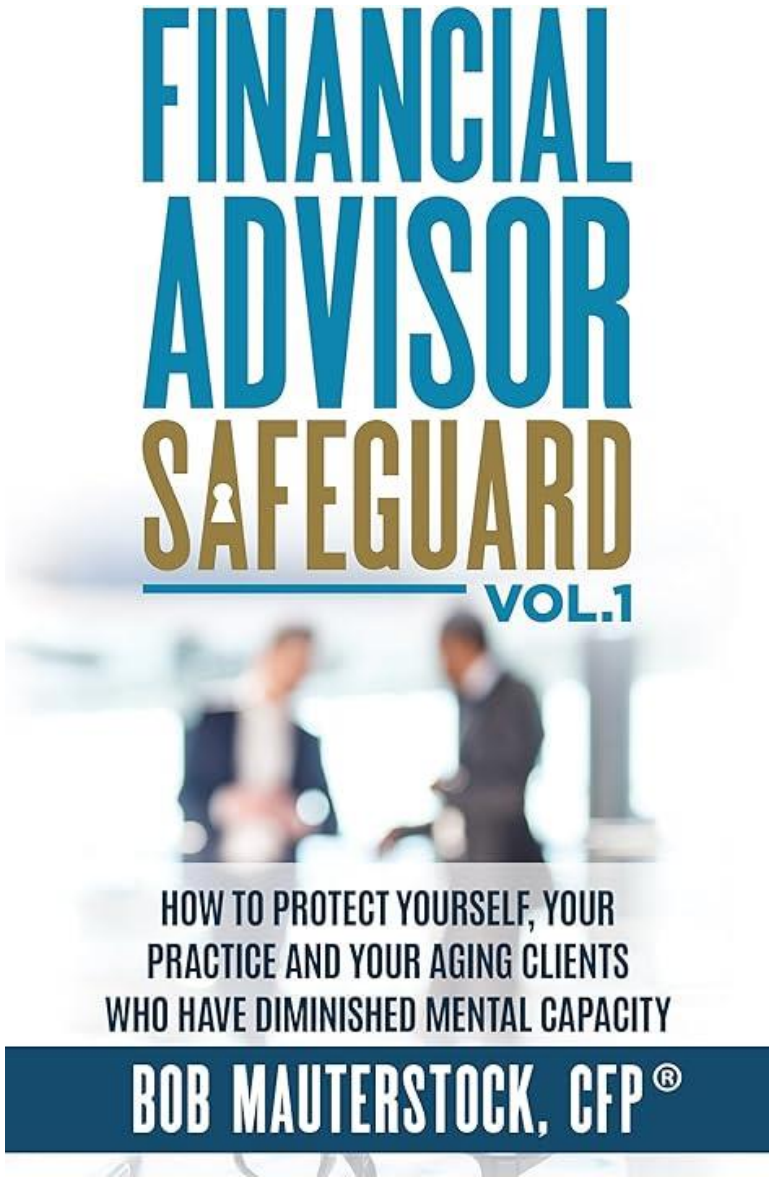
Report suspected financial abuse to adult protective services and authorities

Resources

AARP: https://www.aarp.org/money/scams-fraud/info-2022/warning-signs-elder-financial-abuse.html

The Family Meeting

- Have a clear agenda and objectives for the meeting: Define the purpose and desired outcomes upfront so everyone is on the same page.
- Choose an impartial facilitator: Select a neutral third-party like a financial advisor rather than a family member to lead the discussion.
- Involve all key family members and caregivers: Ensure participation from children, spouses etc. who will be involved in caregiving.
- Review important documents: Share and explain essential legal, financial, and healthcare documents.
- Discuss caregiving responsibilities: Clearly assign duties and share expectations to prevent future conflict.
- Create an action plan: Document next steps and accountabilities for follow-through after the meeting.
- Maintain open communication: Continue dialogue through regular family meetings and status updates.
- The key goals are to **get everyone on the same page** regarding caregiving, facilitate collaborative decision-making, and proactively address important end-of-life issues. An **impartial facilitator** can help guide productive discussions. Follow-up and accountability are also critical for executing the care plan.



End-of-life Issues & Ethical Wills

Five Wishes

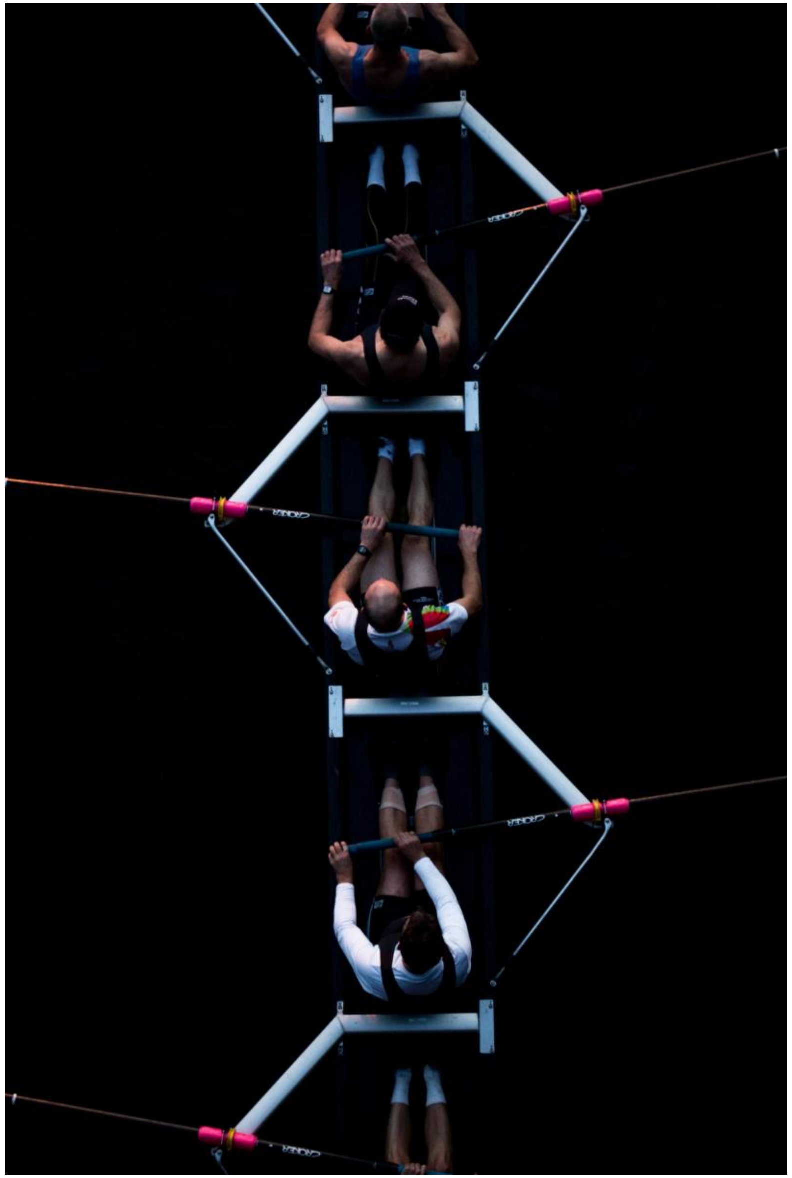
Five Wishes is an easy-to-use legal advance directive document that helps people express their end-of-life wishes. It covers medical, personal, emotional, spiritual, and legal matters in one document written in everyday language that is easy to understand and complete.

Ethical Will

An ethical will is a document (or recording) that allows a person to share their values, life lessons, family history, and intentions with their loved ones beyond what is in a legal will. It aims to pass on one's "intangible wealth" to create a lasting legacy

The Elder Planning Team

- Estate planning attorney: Drafts essential legal documents like wills, trusts, powers of attorney to carry out the client's wishes for distributing assets upon death or incapacity. They ensure documents follow state laws and minimize estate taxes
- Geriatric care manager: Assesses needs, develops care plans, arranges services, monitors progress to meet seniors' health and wellness needs. Helps families navigate complex system.
- Accountant/CPA: Advises on financial matters like budgeting, tax planning, managing assets over the long-term to fund retirement and late life care costs.
- Insurance agent: Helps evaluate and acquire long-term care, life, and other insurance options to mitigate late-life risks and costs.
- Healthcare providers: Geriatricians, nurses, social workers, therapists assess physical/cognitive functioning and care needs. Develop and carry out care plans.



Elder Plan Policy Statement Questionnaire

Elder Plan Policy Statement Questionnaire™ Template Version 1

Client Name:

Date:

1. Client's Understanding of the Aging Process
   - Does the client understand the physical, emotional, and social changes that come with aging?
   - Does the client have a plan for managing these changes?
2. Caregiver Understanding of Their Role
   - Does the caregiver understand their role in supporting the client?
   - Does the caregiver have the skills and knowledge necessary to provide care?
3. Diversity and Aging Issues
   - Does the plan address any diversity and aging issues that are relevant to the client?
   - For example, the plan may need to address issues such as language barriers, cultural differences, and access to services.
4. Crisis Management Plan
   - Does the plan include a crisis management plan for the event that the client becomes incapacitated?
   - The plan should identify who will make decisions on the client's behalf and how they will communicate with each other.
5. Transportation/Mobility Issues
   - Does the plan address any transportation or mobility issues that the client may have?
   - For example, the plan may need to include strategies for getting the client to doctor's appointments, social activities, and other essential destinations.
6. Medical Care Management
   - How will the client's medical care be managed?

Elder Plan Policy Statement

Elder Plan Policy Statement™

Client: [Client name] Date: [Date]

Introduction

This elder plan policy statement outlines the goals and objectives of the elder plan for [Client name]. The plan is designed to help [Client name] achieve their desired quality of life and financial security as they age.

Goals and Objectives

The goals and objectives of the elder plan are as follows:

- To ensure that [Client name] has access to the care and support they need as they age.
- To protect [Client name]'s financial assets and ensure that they are used to meet their needs and goals.
- To provide [Client name] with peace of mind and security knowing that their future is well-planned for.

Areas of Focus

Thank you and Questions

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