VESTGEN
WEALTH PARTNERS

5 Keys to Retirement Planning

Your financial strategy is one of the most important parts of your quality of life in retirement.

However, it can also be difficult and complex to keep up with the changing financial landscapes, modern laws, and regulations. In short, creating your financial strategy is never a set-it-and-forget-it task—it requires maintenance. A common rule of thumb is to re-examine your financial and retirement strategy on an annual basis. So, when you undergo this review, remember to look at the five key areas of retirement planning:

01 Income Planning

02 Investing

03 Taxes

04 Estate & Legacy Planning

05 Healthcare

These are the building blocks of any solid retirement plan, and this guide will detail each one. Whether you retire this year or not, it's important to create a truly comprehensive retirement strategy that addresses each of these areas

vestgen.com/inverness

P (847) 907-9600 1605 Colonial Parkway, Inverness, IL 60067

01

Income Planning

Retirement income can come from a few places, but many retirees look to Social Security to meet a good chunk of their income needs. Claiming Social Security at a time that works for you is an important part of a stable retirement strategy. Here's what to know about Social Security in 2024.

Social Security in 2024

The Social Security trust fund is now expected to be depleted by 2034, according to a recent report from the Social Security and Medicare trustees. Once the Social Security trust fund runs out, payroll taxes will be able to cover about 80% of promised benefits.[1] While these facts might seem to pose an existential threat to the program, that is not quite the case. It's very unlikely that Washington will ever scrap Social Security entirely, but lawmakers could reduce benefits and/or increase taxes in the future. We can speculate, but your more immediate concern should be making the most out of your income strategy.

Social Security Changes in 2024

Benefits Have Increased by 3.2% in 2024[2]
Social Security beneficiaries will see a lower increase than the record-setting one for 2023. This is due to lower levels of inflation throughout 2023.

Did You Know?
The Senior Citizens League estimates that the average Social Security benefit has lost nearly a third of its buying power since 2000. This has happened mostly because benefit increases have not kept up with the increasing cost of prescription drugs, food, and housing.[3]

P (847) 907-9600 1605 Colonial Parkway, Inverness, IL 60067

3 Things to Know About Claiming Social Security:

1

The earliest you can claim Social Security benefits is age 62. However, claiming benefits before your full retirement age will result in a permanently smaller benefit. If you wait to claim past your full retirement age, your benefit will increase by 8% per year you defer until age 70 for beneficiaries born in 1943 or after.[4] Consider what age you will claim benefits and know your full retirement age.

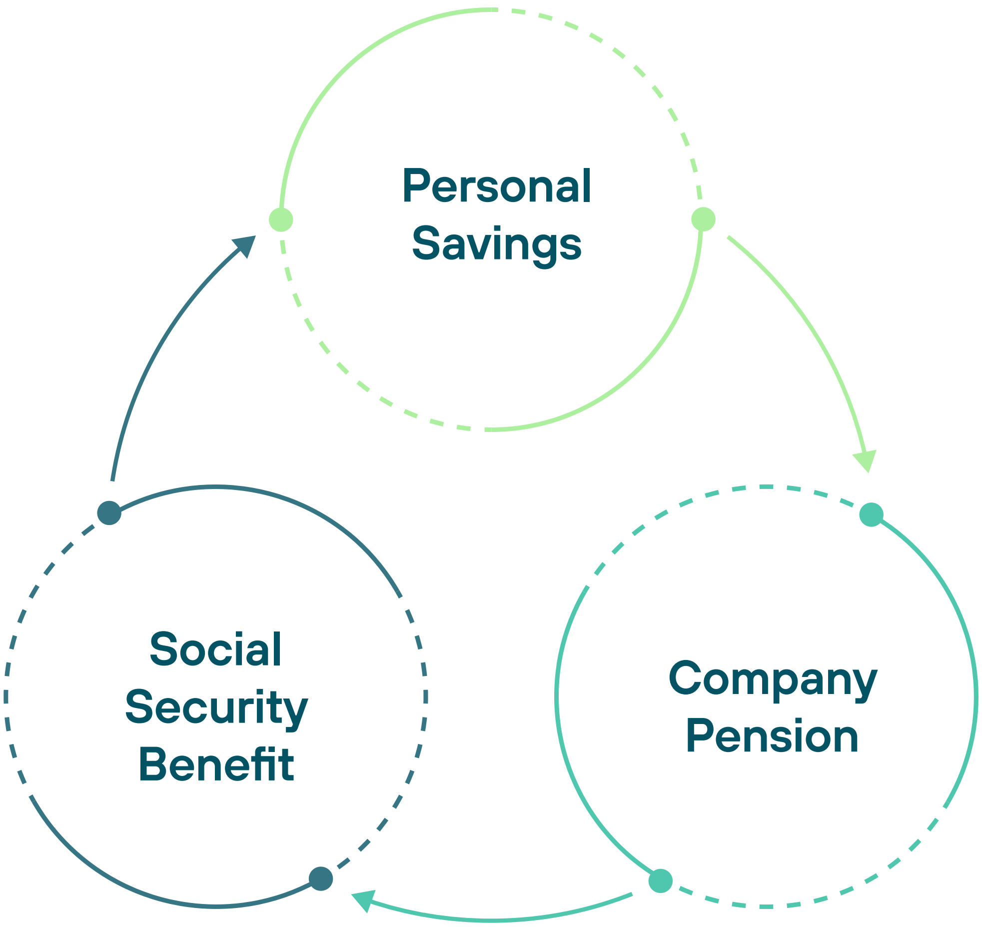
2

Earning income while receiving a Social Security benefit may reduce your benefit. Social Security beneficiaries under their full retirement age who earn more than $22,320 in 2024 will have $1 withheld for every $2 they earn above this limit. This earnings limit jumps to $59,520 once recipients reach their full retirement age.[5]

3

If you have reached your full retirement age and have been married for at least one year, you can claim a Social Security spousal benefit worth up to 50% of your spouse's benefit. You will receive less than 50% of your spouse's benefit if you claim spousal benefits before your full retirement age, but you will not receive more than 50% by waiting past your full retirement age to claim.[6]

P (847) 907-9600 1605 Colonial Parkway, Inverness, IL 60067



Where Will the Rest of Your Retirement Income Come From?

Retirement income used to consist of 3 elements for many retirees: their savings, pension, and Social Security benefit. Now that most retirees don't have a company pension, personal savings must stretch farther. Many people have 401(k)s, IRAs, or other defined contribution plans, which often invest in market-exposed securities and come with certain benefits, including some sort of tax-advantaged status. However, risks still remain.[7]

P (847) 907-9600 1605 Colonial Parkway, Inverness, IL 60067

How Annuities Could Fill the Income Gap[8]

If you're looking to create additional reliable retirement income to supplement your Social Security benefit, you might consider an annuity.

An annuity is a lump sum or series of premium payments in exchange for a stream of payments over a period of time. It works the opposite of life insurance – it potentially helps protect against outliving your money by offering a steady income stream either for a defined period or for life. It can also help protect against market risk while offering potential growth. There are different types of annuities and ways to customize them to your individual needs. After market turbulence and economic instability, you may consider an annuity when planning for retirement, given its focus on stable income.

There are several types of annuities, and they can pay out differently depending on their terms. Fixed annuities offer a guaranteed interest rate regardless of market ups and downs. Fixed-indexed annuities offer potential interest based on an external market index. Variable annuities offer the potential for variable returns based on the market performance of a basket of assets. There are also guaranteed lifetime annuities that provide payments for life and "period-certain" annuities that can distribute funds for a pre-determined amount of time. They can also pay a remainder to a surviving spouse in the event of the original owner's death.

"There are also guaranteed lifetime annuities that provide payments for life and "period-certain" annuities that can distribute funds for a pre-determined amount of time."

Some riders can provide more flexibility and customization. For example, a cost-of-living rider can help hedge against inflation by offering the opportunity for increased income tied to inflation each year. These riders are commonly optional and available at an additional annual cost.[9]

There are pros and cons to each, and the right kind of annuity depends on the individual's situation. If you do choose to include an annuity in your retirement income plan, we can help you choose from the many options available.

Your investments and income are linked in retirement. As mentioned above, retirement income used to more commonly include pensions and a stronger Social Security fund could realistically cover your promised benefits for the rest of your life. However, we're living in a world where pensions are less common, and the Social Security fund isn't as robust as it used to be. Therefore, your retirement savings and investments may have to carry more of the load when it comes to your income plan... and that takes a smart plan tailored to your situation.

vestgen.com/inverness

P (847) 907-9600 1605 Colonial Parkway, Inverness, IL 60067

02

Investing

WHAT'S YOUR INVESTMENT PLAN?

No one can predict the market, and you may not want to risk potentially losing what you've saved just before you retire. Your risk tolerance may have decreased as you've gotten closer to retirement or as you've settled into retirement. No matter where you are in your retirement timeline, your investment plan should be constructed for no matter what the future of the market holds. If you find your portfolio's health hinging on short-term speculation, it may be time to consider a more professional, long-term approach. Ultimately, investment strategy decisions aren't easy to make on your own, especially without professional guidance.

While many believe investing is trying to time the market to make as much money as possible, that's not how a stable investment plan works. There are many steps involved in shaping your investment strategy to meet your financial and retirement needs.

Here are the core investment steps you should discuss with a financial professional:

- **Understanding Your Actionable Investing Goals**
- **Portfolio Upkeep and Reevaluation**
- **Understanding Your Retirement Timeline**
- **Shaping Realistic Wealth and Savings Goals**
- **Portfolio Balance and Rebalance**
- **Addressing What You Have to Invest**
- **Creating a Risk Tolerance Profile**

P (847) 907-9600 1605 Colonial Parkway, Inverness, IL 60067

Investing often carries some level of risk. And it's true that the effects of a market correction around the time of your retirement could be detrimental to your financial stability. However, that doesn't mean there aren't ways to prepare your investments so that if the market tumbles at an inopportune time, your entire savings plan doesn't have to crumble. Here's what you can do to help protect yourself from market volatility.

- Seek a source of guaranteed income that can reliably cover basic, fixed expenses before risking an amount of savings in certain investments.
- Don't risk more of your savings for potential gains than you would be prepared to lose.
- Manage investment risk by reviewing investment choices against a professionally constructed strategy.
- Don't forget what type of accounts you're using:
  - Tax-advantaged investment accounts can help you get the most out of your retirement savings if the rules and limitations of these accounts are followed.
  - Traditional or Roth retirement accounts can help reduce your tax burdens, whether IRA, 401(k), or other employer-sponsored account.[10]
- Consider how insurance can help manage the risk of unexpected expenses, such as healthcare needs, that could have to come out of your investment holdings.
- Diversify. There are so many investment options available that you can mix and match, but with so many options, it's important to have a knowledge-based strategy. With the help of a financial professional, you can meet your risk/reward requirements to help achieve your goals.

P (847) 907-9600 1605 Colonial Parkway, Inverness, IL 60067

03

Taxes

TAX MINIMIZATION

Taxes can often be one of our single largest expenses in retirement. Between taxes on your retirement account withdrawals, real estate holdings, Social Security benefits, and investments, you may be giving up a substantial amount of money without a comprehensive tax minimization strategy in place. Do you have a long-term tax minimization strategy, or are you only focused on minimizing your tax burden on a year-to-year basis?

There are many economic, financial, and political reasons why taxes could change federally or on a state level. Specifically, the Tax Cuts and Jobs Act stands to expire in 2026 or sooner, depending on legislative decisions. In other words, we could be experiencing relatively low tax rates now.[11]

So, what can you do today to help minimize your taxes tomorrow? Rather than tax planning just on a yearly basis, consider creating a long-term tax minimization plan. It could include the following strategies:

- Strategic asset allocation
- An annuity that works for you
- A life insurance policy
- Charitable giving
- Real estate strategy
- Using a Health Savings Account (HSA)
- A Roth IRA conversion

While all these strategies may help you lower your tax bills now and in the future, they are not all guaranteed to work or make sense for you given the context of your financial situation. That's why it's highly important to work with a qualified professional who puts in the time to understand your situation as well as utilize their advanced knowledge of financial rules, laws, and strategies.

P (847) 907-9600 1605 Colonial Parkway, Inverness, IL 60067

Prepare For This Tax Season[12]

Of course, you have to start somewhere. So, what better time than now to consider how you can take advantage of tax deductions? Here are some deductions you may be able to take advantage of:

- State and Local Tax Deduction: You may deduct up to $10,000 ($5,000 if married filing separately) for a combination of property taxes and either state and local income taxes or sales taxes.
- Child and Dependent Care Tax Credit: qualified claimers can cover a percentage of daycare and similar costs for a child under 13, a spouse or parent unable to care for themselves, or another dependent.
- Home Office Deduction: If you use part of your home regularly and exclusively for business-related activity, the IRS lets you write off associated rent, utilities, real estate taxes, repairs, maintenance, and other related expenses.
- American Opportunity Credit: This lets you claim all of the first $2,000 you spent on tuition, books, equipment, and school fees — but not living expenses or transportation — plus 25% of the next $2,000 for a total of $2,500.
- Lifetime Learning Credit: You can claim 20% of the first $10,000 you paid toward tuition and fees for a maximum of $2,000. Like the American opportunity tax credit, the lifetime learning credit doesn't count living expenses or transportation as eligible expenses. You can claim books or supplies needed for coursework.

The Basics of Charitable Deductions[13]

- Charitable contributions or donations can help you lower your taxable income.
- There are many ways to make donations, whether out-of-pocket cash, via a direct retirement account contribution, or via a stock or asset contribution.
- To claim a tax-deductible donation, you must itemize your taxes.
- Your donation must meet certain guidelines to qualify. These guidelines can depend on how and what you donate.
- The amount of charitable donations you can deduct may range from 20% to 60% of your Adjusted Gross Income.

The right strategy to minimize taxes really depends on your goals and unique financial situation. A tax minimization strategy should work in concert with your overall retirement plan, including your estate and investment plan.

vestgen.com/inverness

P (847) 907-9600 1605 Colonial Parkway, Inverness, IL 60067

04

Estate & Legacy Planning

Research indicates that roughly $84 trillion are expected to pass from Baby Boomers to their beneficiaries in what would be the largest generational wealth transfer event in history.[14] Regardless of how much money you plan to pass down to your loved ones, an estate plan ensures that your wishes are kept intact and that as little of your inheritance gets dwindled by a lengthy legal process or unnecessary estate taxes as possible. This should include talking to loved ones about money, creating the necessary estate planning documents, and working to minimize taxes.

Important Estate Planning Documents[15]

- **A Will**
  A **will** is a legal document that details how you want your assets distributed after your death. It serves as a roadmap for the division of your property and specifies guardianship for any minor children. It's a critical component of an estate plan, allowing you to express your personal wishes and avoid potential disputes amongst beneficiaries. However, it's important to remember that a will is just one part of an estate plan.

- **A Trust, Revocable and Irrevocable**
  A **revocable trust**, also known as a living trust, is a legal entity created to hold assets, and it can be revised or fully revoked at any time during the trustor's lifetime, as long as they're of sound mind. This type of trust offers the benefit of avoiding probate, which can be a lengthy and costly process, and allows for continuous management of assets even if the trustor becomes incapacitated.

  An **irrevocable trust** is a type of trust that, once established, cannot be changed or revoked without the consent of the beneficiaries. This type of trust is often used to provide estate tax benefits, protect assets from creditors or lawsuits, and potentially qualify the trustor for certain government benefits. However, the trade-off is a loss of control over these assets, as they are now owned by the trust and not the trustor.

  The choice between a revocable and irrevocable trust depends on individual circumstances and estate planning goals. Talk to a qualified professional to get clarity on which types of trust may work best for you.

- **An Advanced Medical Directive**
  An **advanced medical directive**, also known as a living will, medical directive, health care proxy, or advance health care directive, depending on the state, is a legal document that provides instructions for medical care and only goes into effect if you cannot communicate your own decisions. It is a crucial part of advance care planning and typically involves two common types of directives: Having an advanced medical directive ensures your wishes are communicated clearly to your loved ones and physicians, offering a sense of control over future care decisions. It's important to note that these directives are recognized legally but are not legally binding, and they shall be reviewed and updated regularly. The specific laws regarding these documents vary by state.

- **Financial Power of Attorney**
  A **Financial Power of Attorney** (POA) is a crucial component of your estate plan that grants authority to a trusted individual to manage your financial matters when you are unable to do so. This could be due to incapacitation or absence. The responsibilities of a Financial POA can range from handling banking and investments to managing property, and the scope can be broad or specific, as per your preference. A Durable Financial Power of Attorney allows the appointed person to act even after you become incapacitated. However, note that it typically pertains to financial matters and not medical decisions unless specifically stated. The selection of a Financial POA should be based on trust and confidence in the individual's ability to handle your financial affairs.

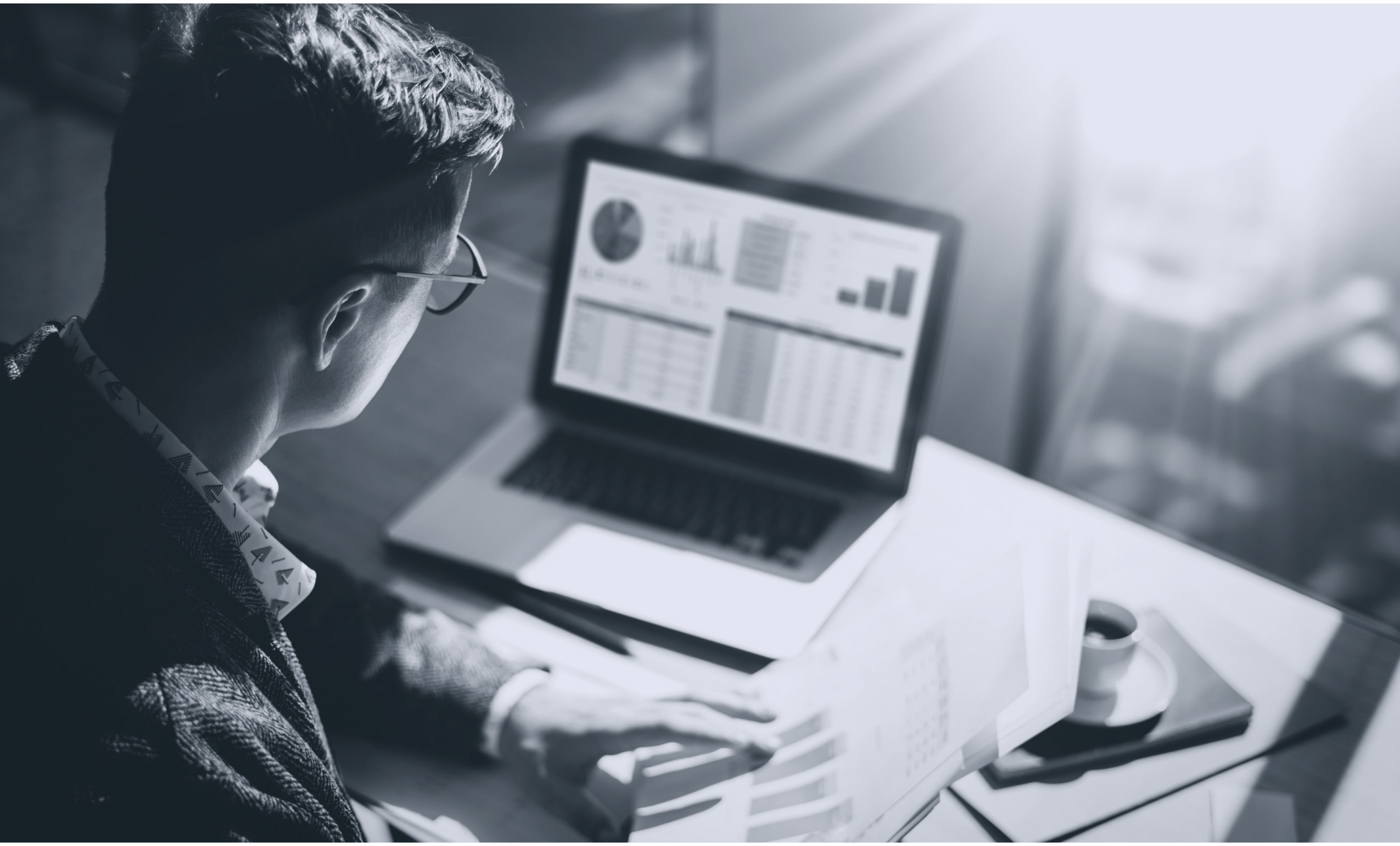
What documents you need will depend on your unique financial situation, legacy goals, and family situation. The most important thing is not to put off creating or updating your estate plan and the documents you need.

Estate Taxes and Preserving Inheritance[16]

Ultimately, your estate is one of the greatest gifts you can provide to your heirs and beneficiaries. But without an estate plan, not only could you risk creating family tensions and dwindling the value of your estate through lengthy, costly court processes, you may unnecessarily leave a lot of it up for inheritance tax. Here's how it works:

There is currently a lifetime estate tax exemption limit of $13.61 million per person. So, at death, nothing up to that limit would be subject to the estate tax. However, when the Tax Cuts and Jobs Act expires after 2025, that limit will revert to its previous, much lower level of $5 million (adjusted for inflation), possibly less if new policies are enacted. This also excludes state inheritance tax laws which can sometimes be much stricter than the federal laws, depending on in which state you reside.

After the lifetime exempt amount is reached, you'll pay a progressive 18%-40% on amounts of wealth over the exemption limit. Ask a financial professional for more details about estate taxation in your state, what you could potentially owe, and what strategies may work for you to lower your estate tax.



P (847) 907-9600   1605 Colonial Parkway, Inverness, IL 60067

05

Healthcare

HEALTHCARE & LONG-TERM CARE

It's understandable if you look to Medicare as your sole healthcare solution in retirement. However, there are key complexities in how enrollment periods work and what sections of Medicare actually cover what. In addition, there are parts of Medicare that aren't entirely free, and there are key services that aren't even covered under Medicare! So, make sure you understand the basics of Medicare before finalizing your healthcare plan. Otherwise, you may be left paying major expenses out-of-pocket you didn't know you weren't covered for.

Know Your Enrollment Periods[17]

	Initial Enrollment Period	Special Enrollment Period	Annual Enrollment Period	General Enrollment Period + Part C Open Enrollment Period
WHEN	3 months before and after your birth month, including your birth month	Year-Round	October 15 - December 17	January 1 - March 31
WHAT CAN BE DONE	Enroll in Original Medicare and choose a Medicare health plan	Compare coverage options and enroll in a new or different plan	If already enrolled in Medicare, you can Enroll in Part C and switch or add Part D	If Initial Enrollment was missed, enroll in Parts A and B If already enrolled in Part C, you can switch to another Part C plan or return to just Part B and/or A
WHO IS ELIGIBLE	People turning 65	People who have experienced qualifying life-changing events that require changes to their healthcare situation	People eligible for, or already covered by, Medicare	People currently covered by Part D and/or C

Learn the A, B, C, and Ds of Medicare: What Parts Do You Really Need?[18]

PART A

Part A helps cover hospital stays, home health care, skilled nursing, and hospice.

Services under Part A are most commonly free.

PART B

Part B helps cover doctor's visits, outpatient procedures, and some preventative care.

Services under Part B are covered if you elect for Part B Medicare Coverage, which comes with deductible and premium costs.

PART C

Part C is additional insurance and can put a limit on your out-of-pocket costs and cover costs Parts A and B don't, such as dental and vision.

Part C is another term for Medicare Advantage plans, commonly replacing and/or adding additional coverage not found under Parts A and B. Similar to Part B, Part C is not free and comes with regular costs.

PART D

Part D helps cover prescription drug costs.

Part D specifically refers to prescription drug coverage and comes at a supplemental cost to Part B and sometimes C, as some Part C plans come with prescription drug coverage.

It's important to know what Medicare Parts A and B don't cover

- Deductibles and co-pays
- Most dental care
- Routine vision care
- Hearing aids
- Medicare care outside of the U.S.
- Long-term care costs

P (847) 907-9600   1605 Colonial Parkway, Inverness, IL 60067

What's Your Long-Term Care Plan?

It's important to know that some of these expenses can be covered under Part C coverage or Medigap coverage, but long-term care is only scarcely covered under any Medicare plan. Long-term care is care required when you can no longer complete tasks of daily living, such as making food or bathing. So, when you or a loved one may require a home health nurse or a nursing home for an extended time, those expenses are not covered under Medicare![19]

Even if you're a long time away from needing long-term care, now is the time to plan. An estimated 70% of Americans currently age 65 will need long-term care at some point,[20] and costs can be staggering. A private room in a nursing home costs slightly more than $9,000 per month![21]

Medicare will only cover long-term care for a limited period, and paying out-of-pocket can be quite expensive. There are several other options for covering costs, including long-term care insurance, qualifying for Medicaid, an annuity with long-term care benefits, and a life insurance or long-term care policy. The right strategy depends on your individual situation, and you can explore your options with our team.[22]

P (847) 907-9600   1605 Colonial Parkway, Inverness, IL 60067

Take Control of Your Financial Future This Year!

Whether you have a plan for some or none of the five key areas of retirement planning, we can help you create a cohesive strategy that works to address all of your concerns. If your financial situation changed recently or if you're rethinking your retirement strategy, come talk to us. Here's what you can expect from a qualified financial professional from our team:

- Someone who understands and cares about your concerns and will take the time to address them and discuss your unique situation.
- Someone willing to spend the time to educate you on all of your investment options and how they work.
- Someone who clearly explains how they are compensated.
- Someone you are comfortable trusting with your financial well-being and will be there for your family when needed.

If you have more questions about any of the key areas of retirement planning, contact the financial professionals at VestGen Wealth Partners at **(833) 964-7526** or visit us at **vestgen.com** to schedule a complimentary review of your financial picture where we can discuss these topics in depth.

P (847) 907-9600 1605 Colonial Parkway, Inverness, IL 60067

Sources

1. https://www.cnbc.com/2023/03/31/social-security-trust-funds-depletion-date-moves-up-to-2034.html
2. https://www.aarp.org/retirement/social-security/info-2023/cola-set-for-2024.html
3. https://www.cnn.com/2023/10/12/politics/social-security-increase-benefits-cola/index.html
4. https://www.ssa.gov/benefits/retirement/planner/delayret.html
5. https://www.cnbc.com/2023/10/21/social-security-may-affect-workers-in-2024-3-rules-to-keep-in-mind.html
6. https://www.ssa.gov/benefits/retirement/planner/applying7.html
7. https://www.investopedia.com/articles/retirement/06/demiseofdbplan.asp
8. https://www.investopedia.com/terms/a/annuity.asp
9. https://www.annuity.org/annuities/riders/
10. https://www.nerdwallet.com/article/investing/retirement-investments-beginners-guide
11. https://www.investopedia.com/taxes/trumps-tax-reform-plan-explained/
12. https://www.nerdwallet.com/article/taxes/tax-deductions-tax-breaks
13. https://www.nerdwallet.com/article/taxes/tax-deductible-donations-charity
14. https://www.nytimes.com/2023/05/14/business/economy/wealth-generations.html
15. https://www.investopedia.com/articles/pf/07/estate_plan_checklist.asp
16. https://www.kiplinger.com/taxes/estate-tax-exemption-amount-increases
17. https://www.humana.com/medicare/medicare-resources/medicare-enrollment-periods
18. https://www.investopedia.com/articles/personal-finance/070914/medicare-101-do-you-need-all-4-parts.asp
19. https://www.medicare.gov/coverage/long-term-care
20. https://www.aplaceformom.com/senior-living-data/articles/long-term-care-statistics
21. https://www.aplaceformom.com/caregiver-resources/articles/nursing-homes-cost
22. https://www.humana.com/medicare/medicare-resources/does-medicare-cover-long-term-care

3408227-0224

VESTGEN
WEALTH PARTNERS

vestgen.com/inverness

P (847) 907-9600 1605 Colonial Parkway, Inverness, IL 60067

Disclosure

This article is not endorsed or approved by the Social Security Office or any other Government Agency. It is designed to provide general information on the subjects covered. Pursuant to IRS Circular 230, it is not intended to provide specific legal or tax advice and cannot be used to avoid penalties or to promote, market, or recommend any tax plan or arrangement. You are encouraged to consult your personal tax advisor or attorney.

Securities offered by Registered Representatives through Private Client Services, Member FINRA/SIPC. Advisory products and services offered by Investment Advisory Representatives through VestGen Advisors, LLC, a Registered Investment Advisor. Private Client Services and VestGen Advisors, LLC are unaffiliated entities.