Retirement Planning

The Oak Harvest Retirement Success Plan

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RSP RETIREMENT SUCCESS PLAN

At Oak Harvest Financial Group we believe there are many elements that must be considered and accounted for when it comes to creating a **holistic, comprehensive retirement plan** customized to your unique needs, situation, assets and vision for retirement.

To that end, we created the Oak Harvest's Retirement Success Plan (RSP), which incorporates a structured, customized process that coordinates decisions across the five key areas of a goals-based retirement plan:

- **Investment Allocation**
- **Income Planning**
- **Tax Planning**
- **Health Care Planning**
- **Estate Planning**

The OHFG Retirement Success Plan we create for you aims to ease this concern by providing visibility into the future by showing you how present-day decisions impact your future account balances and ability to generate future income.

It also helps you understand how to pay less tax.

Once you decide to work with us, your team of advisors will help to identify potential financial paths, educate you about the benefits and considerations of various choices, act, then monitor progress and make adjustments, based on economic developments, life changes and your complete retirement vision.

During times of financial crisis it's critical to know your income is stable and your future is secure. This is exactly the type of clarity your RSP can help provide. Additionally, your advisor team will be a calming presence during such periods, keeping you on course and in control.

In combination, the RSP and your advisor team will help you avoid the worst mistake a client can make – allowing fear to control your decision-making. We've seen this many times with people who have come to us after working on their own, or having worked with other advisors. That fear tends to show itself when they suddenly express a desire to go to "Go to Cash!" or "Sell Everything!"

An important consideration is the fact your RSP is built expressly with an expectation of these storms occurring, stress-tested to understand their impact on your current and future livelihood. It's designed to not have more assets at risk than is necessary to meet your objectives.

> ***"Having worked with thousands of clients, we understand that many people struggle with the concept of spending money or enjoying retirement because they lack clarity regarding the impact current decisions have on their ability to generate income and grow or preserve account balances over time."***

We recognize the importance of transparency to you, so your Retirement Success Plan is always available online, enabling you to log in and see whether you're still on track, 24 hours a day.

Having this visibility, alongside a team of experienced investment and retirement experts, is what sets Oak Harvest apart. It's also what helps you spend more money in retirement and live comfortably without the fear of running out. If adjustments are needed, we understand and can act before it's too late.

Utilizing your customized Oak Harvest RSP, you can gain peace of mind and a comfortability around your retirement spending, leaving your finances to us while you enjoy all that you've accumulated.

Step 1 - Investment Allocation

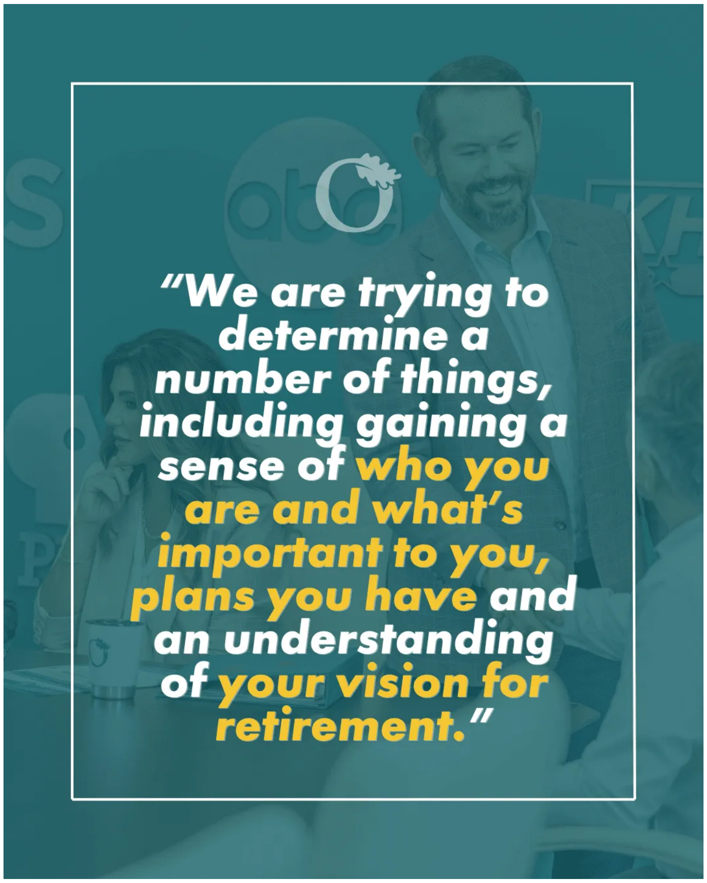
The first step of the OHFG Retirement Success Plan is focused on asset **allocation**. The very first time we meet is what we call the "Allocation" meeting, which is critical to our entire RSP process.

In this meeting we are trying to determine a number of things, including gaining a sense of who you are and what's important to you, plans you have and an understanding of your vision for retirement.

We utilize a questionnaire that you fill out providing information that informs us as to your comfort with risk. We also ask for objective data, including information on your current portfolio, financial statements, tax information, your thoughts on how much you think you wish to spend in retirement, and more.

Aside from ascertaining your comfort with risk, we are seeking to determine whether you are being properly compensated for the risk you are taking. We do this by looking at your portfolio to determine the potential for upside returns versus downside losses.

Between the first and second meeting, our team conducts an analysis of your portfolio. Part of this process involves grading out a key number of metrics, including what we refer to as your **risk number** and the **Grade Point Average (GPA)** of your current portfolio.



We often find that people have portfolios that are not efficiently constructed from the standpoint of a risk-adjusted return. Simply stated, they are not being properly compensated for the amount of risk they are taking with their investments.

Worse, the risk that is built into their portfolio is often at a much higher level than they realize or have told us they are comfortable with in the questionnaire.

Based on our first meeting, as well as the information gathered from the questionnaire and relevant data you've provided, we are then able to begin constructing a proposed portfolio properly allocated to meet your risk profile, goals, needs and retirement vision.

A key focus at this stage is bringing the risk number in-line with the level of risk comfort you shared in the questionnaire, while increasing the level of expected returns justifying the level of risk, thus increasing your portfolio's GPA. We refer to this as building asymmetric opportunity into your portfolio.

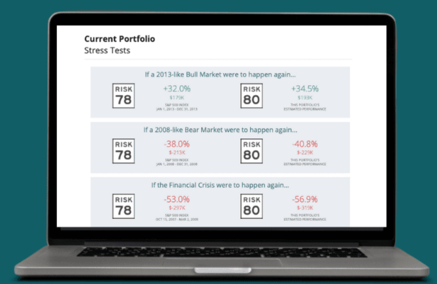
We present this analysis in the second meeting.

All of this is critical in the RSP process, as the other parts are all predicated on your portfolio allocation determined in Step 1.

Retirement Portfolio

Grade Point Average (GPA)

A rating that our models give your portfolio based on how efficiently constructed it is from the standpoint of a risk-adjusted return.



Key question for client:

Are you being properly compensated for the risk you are taking?

Step 2 – Income Planning

Living in retirement is far more complex than the accumulation years when you were focused on saving. This is one of the key reasons we developed the RSP model for retirement planning.

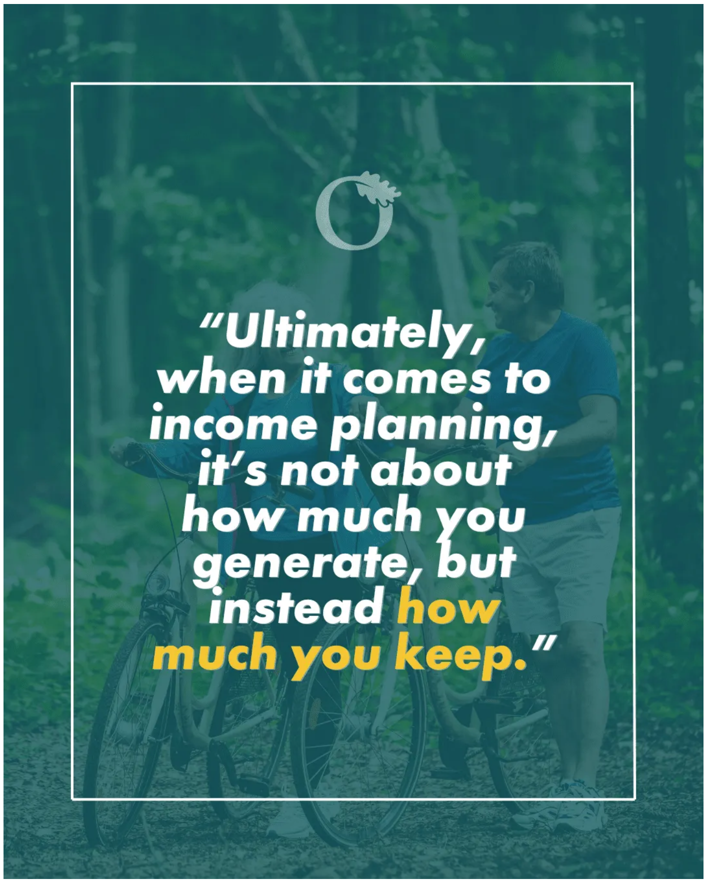
Despite what many say and believe, income planning involves much more than simply buying a bunch of stocks and bonds, and then taking out four-percent each year and hoping you'll be okay for the remainder of your lifetime.

Income planning is very much like putting pieces of a puzzle together. As we go through the process, we look at all the available income streams and accounts, and look for gaps, which we then work to address.

Fact is we actually do allocation, income and tax planning together when we prepare your proposed retirement plan, but we do have to address them sequentially.

When we start into the income planning stage of our process, our goal is to ensure the following four guiding tenets remain central to any plan created:

- You will be able to live off of multiple streams of income
- You'll live primarily off the interest produced by your principal
- The income you have will increase throughout retirement
- The income you utilize will be as tax-free as possible



Major considerations include the types of accounts you'll use (examples – non-IRAs, IRAs, Roths, etc.), as well as the tools you might use in the different accounts, such as bonds, CDs, funds, Annuities, REITS, stocks, dividends, etc.

Using those, we create buckets of income that range from near-term usage to medium-term, and even longer-term that you ideally won't use for years and that can be utilized to drive growth in your overall portfolio.

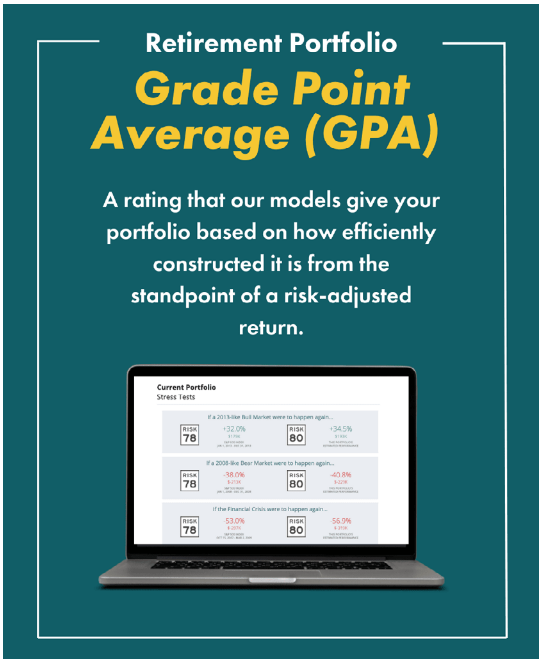
Another consideration is your Social Security, as it is a key income component in your retirement. For some this can easily equate to hundreds of thousands of dollars to as much $1 to $2 million in retirement, depending on longevity. It is an asset that continues to increase in value over your lifetime and potentially that of your spouse.

As such, we look at creating a Social Security optimization strategy that determines when you should start to take it out (62, 66/67, 70), coinciding with when you take money out from your other income streams to meet your spending needs.

Bottom line, proper income planning requires that you tie it into your investment and tax plans, as this provides visibility into the future.

That visibility is critical as it enables you to understand how your decisions today will impact your future. Done correctly, income planning can give you confidence that you're making good decisions.

Ultimately, when it comes to income planning, it's not about how much you generate, but instead how much you keep.



Key question for client:

What is the best age for you to turn on your Social Security benefits, based on your unique situation, challenges and goals in retirement?

Step 3 – Tax Planning

Without income, there is no retirement. And every pre-tax dollar of income you use in retirement comes with a tax bill of some sort – and at some point that must be paid to the IRS.

The big questions are when you will pay the taxes, the amount and what effect your decisions on when to pay them will have on your retirement. In Step 3 of our RSP process, we look at a variety of potential scenarios that take into account your personal situation, needs, goals and portfolio, all geared toward providing you with options.

To engage in the tax planning process we use a number of tools that can help us plot different paths, which in turn help forecast a plethora of different potential outcomes, sometimes even thousands.

This helps us engage in conversations about tax planning with you, providing projected outcomes predicated on decisions you make.

What happens if you continue to defer your retirement accounts as long as possible and live off your non-IRA accounts when the paychecks stop and you enter retirement? This is a very common approach.

We compare that with the application of numerous tax strategies. A good example is that of a Roth conversion strategy, which is considered one of the top-ranked as opposed to randomly withdrawing from different accounts or spending down your retirement accounts last.

We can look at literally thousands of scenarios. By using a more strategic approach and targeting specific tax brackets and areas of the tax code, we often find that we can utilize options available that can literally save you up to hundreds of thousands of dollars in tax savings, depending on the size and composition of your overall portfolio.

That is essentially found money that we can use to address many other retirement questions and issues near-term and later down the road.

In our process we also look at other important situations, such as Required Minimum Distributions (RMDs), one spouse predeceasing the other, tax efficiently passing on assets to your family, and many other scenarios.

While doing our planning, we recognize that things can change year-to-year due to issues such as market performance, economic conditions, health concerns, you willingness to take on risk down the road, and more. All these factor can change what your tax plan entails going forward, which is why effective tax planning is ongoing.

Bottom line is the fact that you will pay taxes.

The real question is when you pay them and how much you will pay. We approach tax planning from the standpoint of looking at everything and then presenting you with options so you can make decisions with confidence.

And ultimately retaining the most income possible while paying the least amount in taxes. (Watch the Step 3 Retirement Success Plan video to learn more)

Required Minimum Distributions

A required minimum distribution (RMD) is the amount of money that must be withdrawn annually from an employer-sponsored retirement plan, traditional IRA, SEP, or SIMPLE individual retirement account (IRA) by owners and qualified retirement plan participants of retirement age. (Source: Investopedia)

Key question for client:

Should you defer your retirement accounts, such as IRAs and 401(k) s, as long as possible and live off your non-retirement accounts after you enter retirement?

Step 4 – Health Care Planning

When it comes to healthcare in retirement, there are many variables to consider involving your income and taxes. It's a big part of the overall RSP planning process.

Utilizing the information that is gathered in the first three steps of the planning process, we are able to begin to create a healthcare plan that works congruently with your overall retirement plan, while potentially leaving you with money in your pocket.

It's important to recognize that those costs can easily add up to $200k and more over the course of your retirement in a typical scenario, especially when considering insurance and Medicare premiums, as well as out-of-pockets expenses, such as prescriptions, copays, deductibles, and more.

And that doesn't include the potential for long-term care costs later in life.

We typically focus on two areas in this phase of our RSP planning. The first is concentrated on attempting to lower your healthcare costs if you or a spouse retires prior to age 65, when Medicare will kick in. The second is on long-term care costs and how to address them when you might need such care later in life.

Assuming you don't have employer-provided coverage if you retire prior to age 65, you will be responsible for all of the associated costs.

To help reduce that amount, we look at reducing your Modified Adjusted Gross Income (MAGI), with a goal of helping you qualify for the available healthcare subsidy to the fullest extent possible. That subsidy amount is based on your MAGI.

The subsidy effectively reduces your health insurance premium on a dollar-for-dollar basis. (MAGI is calculated and treated differently in various areas of retirement planning. This is covered in the Step 4 video)

We look at your individual situation and the income you may need upon retirement. This includes where you pull income from among your various accounts, and determining how that will impact your MAGI.

Distributions from your IRAs and other tax-qualified accounts will increase your MAGI and your taxes due for the year, while reducing your potential subsidy, This in turn increases your healthcare costs in that year.

We do this analysis using different tools, including the Healthcare Marketplace (healthcare.gov) to determine what implications your decisions might have on a near-term basis, as well as 5, 10, 15 and 20 years down the line.

We also look at the option of turning on your Social Security benefit sooner rather than delaying. How will that impact your income and overall retirement plan over the long term?
The process also looks at other options, such as utilizing a Healthcare Savings Account (HSA), which can provide tax-reduced and even tax-free distribution income when used to cover qualified medical expenses.

The second area we focus on in Step 4 of our RSP process is your long-term care needs. The options, ranging from self-insuring, purchasing a traditional long-term care policy, and other solutions, can vary considerably in price, but in general they can be very costly.

Because of that, it's important to address long-term care needs early on in the RSP process to ensure your retirement plan incorporates the costs and desire for such care down the line.

Key question for client:

How much do you and your spouse expect to spend on healthcare costs (not including long-term care) over the course of your retirement?

Step 5 – Estate Planning

When it comes to estate planning, many people make the mistaken assumption that it basically involves a will and some documents.

In truth it involves all the elements of our RSP process and the overall retirement plan we create for you, including the optimization of taxes, structuring of assets, charitable and gifting strategies, and much more.

At its core, estate planning optimizes the disposition of your assets to you children, grandchildren, charities, church and others in the quickest and most efficient manner possible, while ensuring you and your estate pay the least amount of taxes possible.

Importantly, you want your plans carried out as desired and your beneficiaries and recipients to receive the most possible.

Among the key considerations is that of understanding tax code and fully leveraging that to your advantage.

There's also the proper use of trusts (there are many types) to obtain the benefits and safeguards best suited to your needs and goals, especially in terms of protecting your assets against various risks, such as creditors.

Strategies for charitable giving, the use of life insurance, titling assets correctly, consolidating accounts and assets, avoiding probate, the use of a Power of Attorney (including medical), and much more are all considered.

We also address issues such as cost basis and a step-up basis on assets, annual and lifetime gifting exemptions and strategies, tax liabilities and classification (capital gains, estate and income tax, etc.), getting assets out of your estate (which is important), and much more.

There's even the need for modeling out what your future estate value will be, based on spending, investments, and other factors.

Finally, your estate planning must work congruently with the other areas of your RSP and overall comprehensive retirement plan in order to be successful. (Watch the Step 5 Retirement Success Plan video to learn more)

Key question for client:

Have you considered how you want to have your assets distributed upon your passing and set a plan in place to ensure that happens in the quickest and most tax-efficient manner possible?

Learn more about our Retirement Success Plan approach and how it can serve your retirement needs! Schedule a free consultation today.

Let's Talk!