

# Turn retirement dreams into reality with focus and planning

It's easy enough to say, but how do you *do* it? Sometimes, an example of how others did something that seems daunting can help you on your own journey. So let's look at a hypothetical couple.



## Meet David and Kim, who are thinking about retirement

- **David, 51**, is a middle school biology teacher.
- **Kim, 54**, is an office manager for a small dental practice.
- Their children, Isabelle, 21, and Sam, 22, are in college.
- They live in Seattle, WA.



## About David and Kim

David and Kim are married and have a son and daughter in college. Since both children will graduate in the next two years, David and Kim are now able to focus more seriously on retirement. They have a dream of traveling when they retire. Even though retirement is about 15 years away, they are unsure about how they can make it all work.

**What they're thinking:** Like many Americans, current economic conditions are making them worried about retirement. They want to be sure they have enough not only to maintain their lifestyle but to travel as well. They would like to go to a different European city for two weeks once a year and to take long weekend trips by car to nearby states a few times a year. If their children move away after graduating, they want to be able to visit them frequently.

This information is hypothetical and not representative of any particular client or product.

### Investment and Insurance Products:

- Not FDIC insured • Not insured by any federal government agency
- Not a deposit or other obligation of, or guaranteed by, any bank or its affiliates
- Subject to investment risks, including possible loss of the principal amount invested

## Their concerns:

- Having enough money for retirement
- Protecting their family
- Managing debt
- Protecting their assets against taxes and market volatility

## Steps they have taken

- **Retirement funds:** For the last few years, they have been contributing the maximum to their 401(k) and 403(b) plans at work.
- **Emergency fund:** They have \$8,000 saved.
- **College funding:** They have a 529 plan for each child. With gifts from grandparents and the couple's own savings, the 529s have accumulated \$25,000 each. The 529 plans are the only college savings accounts they have for their children. Both kids attended a community college for two years and are now enrolled in a state college near home. David and Kim are helping them pay for it.
- **Large purchases/expenses:** If their children marry, they would like to give them at least \$10,000 each.



## Expenses and debt

- **College:** They are paying \$8,500 a year toward each child's state tuition. Thankfully, community college was much less than that and easier to manage. Both kids have been working to make up the difference and to have spending money. (Kim's mother has been known to sneak them each some money whenever she sees them.)
- **Debt:** They have been able to pay off most of their credit card debt but still have \$7,500 on one card. They also have 10 years left on their mortgage. Kim owns her 8-year-old car, but David leases his for \$275 a month.

## Health and other factors

David has high blood pressure, which he controls well with medication. He is otherwise healthy, but he frequently has dental issues. His mother has Alzheimer's, which runs in his family.

Kim has always been healthy and active but has been experiencing pain in her knees lately. A doctor suggested that she could need knee replacements in a few years.



### How their financial advisor has helped so far

Their longtime financial professional, Simon, has been there for every important financial decision the couple has made for over 20 years. He meets with them formally at least once a year and calls to check in occasionally, especially when he knows milestone events, like a graduation, are coming up. He knows them well.

At this year's check-in, the couple expressed concern over being able to retire in 15 years and maintain their lifestyle. Since Simon has been focused on their retirement all along, he smiled while he recapped some of the decisions they've made together:

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- **Life insurance:** In addition to the life insurance available through their jobs, they each have a permanent life insurance policy from Prudential—one with the potential to build cash value. These policies are helping them protect their children and can let them leave a reliable legacy to them. He reminded them that they also offer:
  - Tax advantages, such as tax-deferred cash value accumulation.
  - Potential cash value, which, he added, they can access as a supplemental source of retirement income or for anything they like, including travel expenses.\*

Then Simon reviewed their policies' performance and showed them how their cash values had grown.

- **Long-term care:** Learning of his mother's Alzheimer's diagnosis and of his own risk for it three years ago prompted David to call Simon. They discussed long-term care insurance as well as adding a life insurance policy with an extra feature that could allow him to access the policy's death benefit if he were to become chronically or terminally ill. Since he already had a permanent policy with a healthy cash value, David opted to buy long-term care insurance—and Kim got a policy too, "just to be safe."
- **Investments/retirement funds:** Both David and Kim have retirement plans through their jobs. Kim hasn't always worked for an employer who offered a company match, but both she and David have been able to contribute at least 4% of their salaries during the last 15 years. Simon has helped them choose contribution amounts and investment options.

Simon connected them with an investment advisor several years ago. Together, they set up a portfolio of mutual funds and stocks, but recent market volatility has prevented them from growing it as much as they'd like. Still, their investments have grown since they started.

\*Cash values are accessed via loans and withdrawals, which will reduce the policy's cash value and the death benefit and may have tax consequences.

## Next steps

Simon will check in with the couple in six months to ensure they are on track and comfortable with what's in place. He'd also like to talk to Isabelle and Sam to get to know them better and help get their adult financial lives off to a strong start:

- **Annuities:** Now that the couple is in their 50s, Simon would like to discuss how annuities can fit into their retirement plans and provide a steady source of income. He will help them determine if annuities are right for them and what type can help meet their needs.
- **Tax review:** Simon will go through each of the couple's sources of retirement income to discuss if and how they will be taxed so they can be prepared.
- **Health insurance:** They will review health and dental insurance needs and options for the couple's retirement and what those could cost.

## Who's Your Rock?

Contact your financial professional today to discuss your retirement readiness.

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