

SIMPLIFY, CONSOLIDATE AND DIVERSIFY

How To Remodel Your Retirement Plan Like You Would Your Own Home

The Client*

A couple in their mid-50s both recently retired, and had no desire to manage their multiple income streams and investment accounts. They had assets in taxable investment accounts – which totaled \$3.6 million – as well as income from other retirement accounts, and would soon have to figure out the best way to use their pensions and social security. Plus, they ran a side business out of their home and received some income from that venture. The couple thought that they managed their money well, and wouldn't have to worry about stretching their funds in retirement – but they didn't truly know.

The Dilemma

The old adage “more is better” applies to many things, but when it comes to personal finances, more accounts can lead to more confusion. This couple had nine total accounts contributing to their retirement income. She had an IRA, a 401(k) from her company and a lump sum pension. He had a 403(b) plan from his work in the non-profit sector and two, separate 401(k) accounts. Together, they had three taxable accounts with three different brokers. While they could have been well situated for their retirement, it's difficult for any investors to get the full picture of their finances with this kind of complexity – especially if they are trying to do it without the help of a financial advisor.

The Advanced Approach

McAdam took a step-by-step approach to simplify, consolidate and diversify the couple's accounts and investments:

- 1. Simplify** – The couple's financial advisor was able to bring all of their accounts into focus so that they had a comprehensive view of their situation, and could embark on a full financial analysis. The advisor worked with the couple to make their situation easy to understand by creating a long-lasting, durable equation to evaluate fixed expenses in order to determine what was left over for discretionary expenses. As is common when approaching retirement, the couple was faced with two important questions: “What do I have” and “what will I need?” This process provided the answers to both.
- 2. Consolidate** – Once the couple found out exactly what they had, the couple and their advisor decided to consolidate their assets to help in the simplification process. The husband and wife rolled each of their three individual retirement accounts

FAMILY FINANCES

\$3.6 million

in investible assets, from retirement and taxable accounts

ACCOUNT OVERLOAD

Nine accounts including a combination of 401(k), 403(b), IRA and other taxable brokerage accounts



ACCOUNT CONSOLIDATION

Assets merged into a combination of two IRAs and a taxable brokerage account



PROJECTED INCOME CREATED

\$128,000

in gross annual income during retirement

into a single IRA, and also consolidated the assets in their trio of taxable brokerage accounts into one. The original roster of nine retirement and investment accounts turned into three, a much more manageable load.

- 3. Diversify** – It's one thing to figure out what you need in retirement, but it's another conversation entirely to figure out how you're going to get it. The McAdam approach to diversifying the couple's assets created a more consistent income stream that would be much more difficult to outlive. They put part of their IRA into low volatility investment vehicles that limited their downside risk. Another segment of their assets was put into alternatives not tied to bonds, therefore accounting for the potential of a rising interest rate environment.

This Old House

During the asset evaluation process, the wife told the McAdam financial advisor that she had an emotional connection to one section of her portfolio – a collection of municipal bonds. She loved picking them and that segment was the only part of her portfolio that she really wanted to keep. McAdam looks at those situations like a contractor would look at remodeling an old house. The owner might have an emotional tie to one room, and wants to leave it unchanged while upgrading the rest of the house. Just as the contractor would renovate the house around that one room, the McAdam advisor restructured the couple's assets around the municipal bond portfolio – which was successful enough that it wouldn't detract from any future income production.

The Impact

By simplifying, consolidating and diversifying their assets – and exploring all of their social security options – the couple stands to convert a portion of their assets to income, creating a projected \$128,000 in gross annual income. That takes into account the right combination of social security strategies that the advisor employed to maximize future income, in addition to the retirement and investment accounts that were restructured to be more income producing. Those strategies added together will provide a boon to the couple's bottom line.

Talking to a financial professional about all of your retirement assets is the first step toward creating a simplified, consolidated and advanced financial plan.

To find out if your current retirement plan is structurally sound, or if you might need a remodeled plan please contact a McAdam advisor.



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