Rewriting Retirement

Exploring the shifting mindset of a new generation of retirees

WEALTH **INSIGHTS**

Analysis and insights into the trends, forces and factors shaping the world and your wealth

RBC® Wealth Management

Wealth Insights

Rewriting retirement

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Modern retirement

Retirement has become anything but traditional.

Whether you are approaching retirement or already retired, you need a clear understanding of the different scenarios on the horizon. Successfully navigating your future requires careful preparation, execution and adjustment.

With longevity increasing and 75 million Baby Boomers stepping into retirement at the rate of 10,000 per day, the landscape is quickly shifting away from the expected stereotype of the past to an exciting new life phase. The result is a new way of thinking about aging that will pave the way for innovative advancements in almost every aspect of our lives.

Now that we are living healthier, active and longer lives, Baby Boomers increasingly perceive retirement as an opportunity to explore, do new things and find more meaning. Indeed, rather than viewing retirement as the final chapter in an active life, Boomers increasingly see retirement as an extended encore performance. This evolution will require reassessing your expectations and concerns and redefining your goals—regardless of your age.

This edition of RBC Wealth Insights explores retirement from this point of view, examining the shift in expectations to the reality of today's retirement.

The content conveys planning strategies along with insights designed to help you reimagine your personal retirement journey. It also provides relevant and timely information to help you navigate important milestones and make informed decisions.

Together, these resources can bring a clearer picture of today, building confidence in tomorrow.

Planning for 8,000 days

Retirement planning for most has been about numbers—savings and the amount needed to ensure financial security. But that only tells half the story. Two-plus decades of retirement equals about 8,000 days—roughly the same amount of time from birth to age 21. Reframing retirement for what it is, a major part of adult life, forces us to realize that there are now far more opportunities and challenges compared to traditional ideas of retirement.

Understanding a new era

Retirement expectations and realities

As part of an ongoing commitment to research, RBC Wealth Management commissioned a survey to understand expectations, concerns and goals related to retirement. With half of the 1400+ respondents still working and the other half retired, the survey results show a distinct contrast between the expectations of retirement and the realities experienced by those already in their encore phase.

It's not your parents' retirement. In fact, our survey results identify a transformational shift in the mindset of today's retirees that could be helpful for future retirees. While running out of money is still America's top concern, people that have already retired have shifted focus to maintaining their quality of life, with a clear focus on health and family.

Life beyond the numbers: Our data reveals that retirees are more focused on holistic life goals beyond finances.

Planning for life

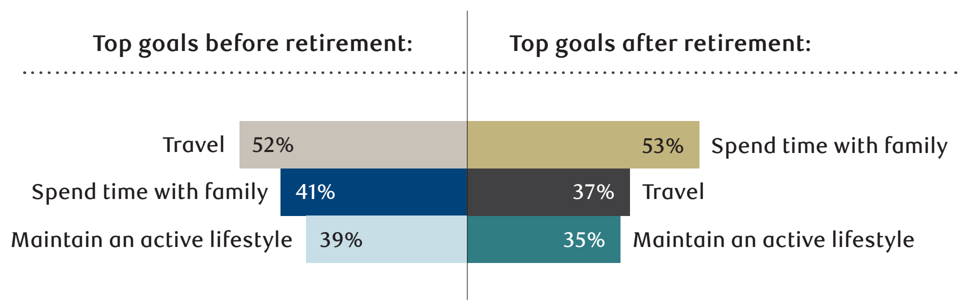
While both pre-retiree and retiree groups are confident about the future, the creation of a wealth plan proved a key driver of this important metric. The results also speak to shifting dynamics and the need for flexibility.

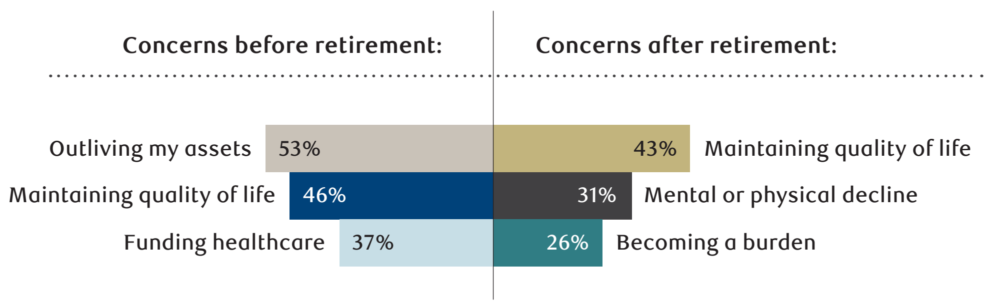
How we understand retirement is likely to change over time, fueled by our experiences, age and other factors. The key to maintaining confidence in this environment is to retain a future-focused and flexible plan capable of adapting to meet the challenges and embrace the opportunities of this new life chapter.

Planning for a lifetime means more than just the numbers. From the outside we tend to think of retirement in financial terms: How much we need and how we'll spend it. Yet survey data reveals that retirees are more focused on holistic goals beyond finances.

Your goals and concerns will evolve

Pre-retirees have retirement goals that contrast sharply with the goals of people who have already retired. Those in retirement focused more on quality of life, health and relationships.





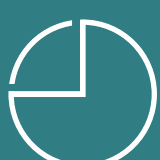
The retirees we surveyed frequently noted surprises, but older respondents were generally positive about adapting to unforeseen events. Although things didn't happen quite as they expected, retirees remained optimistic when contemplating next steps.

Top surprises among seniors (those age 65 and over):

33%
How I spend my time is different than I anticipated

29%
My transition into retirement was better than I expected

Perhaps most surprisingly, confidence in the future grew as age advanced:



75%
of 70+ year-olds are confident they will live the type of retirement that they desire

No perfect timing

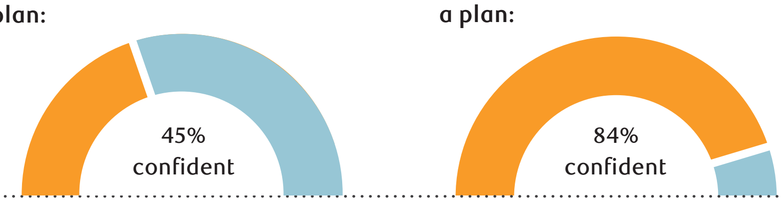
Many people think that their age will determine when they retire. But the actual experience of those who have retired is different. For many, the timing of retirement was not a planned event but a surprise brought about by changes at work.

Top retirement catalysts	Anticipated	Actual
Age	51%	34%
Changes at work	27%	36%
Financial milestone	15%	7%

A wealth plan helps deliver confidence

While a majority of our survey group said they are confident about retirement, there is a high correlation between that sentiment and the existence of a customized plan. Additionally, those with a plan show reduced concerns and surprises in several key areas.

Those without a plan: **Those with a plan:**



Respondents with a wealth plan were...

- 45% less likely to say that the cost of supporting their lifestyle was higher than expected
- 30% less likely to be surprised by the cost of health care
- 20% less likely to be concerned about running out of money/outliving assets
- 19% less likely to list a long-term care event as a concern

Exploring key trends

Staying abreast of changes can help you adapt and thrive.

As Baby Boomers retire, several demographic and lifestyle trends are emerging that will change the way Americans plan and invest for the future—often for the better. These dramatic changes set the stage for a new wave of innovation and discovery.

New ways of thinking

Shifting demographics will require Americans to rethink many aspects of our lives: where we work, how we communicate and interact with each other, how we learn, how we use technology, and even how we envision our lives.

The modern American family

Changing social norms and the rise of Millennials are changing the structure and look of American families. For example, in the 1960s more than 73% of all children were living with two parents in their first marriage; today less than half are.[1] The increased prominence of divorce, remarriage, cohabitation, single parent households and multi-generational households is driving this change. In addition, Millennials are more likely to delay or eschew marriage altogether.

These trends present a range of new factors to consider, including legacy planning, expense funding, family dynamics and geographic considerations.

Living longer and in better health

Medical advances have extended life expectancy and increased vitality, particularly in the newly retired. Medical procedures like hip replacement or cataract surgery are seen as routine and increasingly common as we age.

Armed with increasing good health, today's retirees are starting new businesses, remaining physically active and engaging family and friends. This has led to enhanced resources that tap into the passions of older Americans, now in a position to act on them.

A generation ago, retirement was a fixed point in time—you fully retired and spent your remaining years relaxing. It's different now. Today, retirement is a time of life that brings you the freedom to continue working and have time for leisure, family, volunteering, pursuing hobbies and travel.

Taxing Medicare

Medicare spending currently makes up 14% of the federal budget—a number that is expected to grow as the program continues to expand.[2]

Preserving Medicare's long-term viability will require changes, since health systems continue to refine the services provided, as well as seek cost relief to fund care.

Likely outcomes include continued shifts to cost-conscious care, as well as higher premiums for those who are yet to retire, with the latter disproportionately impacting those deemed "high income."

An aging workforce

As increasing members of the Baby Boom generation reach traditional retirement age in good health, many will delay their exit from the workforce. The percentage of 65+ who work has grown 117% over the past 20 years and trend lines show that growth will continue as older Americans launch new careers or continue to work later in life.[3]

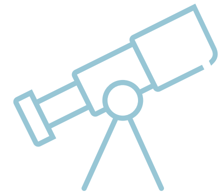
In contrast, the percentage of workers aged 25–54 has shown a demographic-fueled decline.[4]

Rise of the longevity economy

As the average age of Americans continues to rise, a new economy is emerging to meet the needs of the growing 50+ segment of the population. This has implications for virtually every sector, ranging from technology to healthcare, housing and beyond. This growing infrastructure can help support seniors as they age, offering goods and flexible services unheard of just a generation ago.

Creating a vision for your future

Understanding your starting point.



Every successful journey begins with a starting point and ends at a defined destination. How you get there is important, yet you can expect detours and stops along the way. Taking the time to understand your starting point, while exploring your plans for the future, can help you navigate retirement with confidence. Keep in mind that what's next for you is highly personal but well worth your consideration.

Begin with your expectations

How will you spend your time?
Planning for your next phase requires a conscious effort to explore your vision for your retirement years and align your affinities with what's possible. A good starting point is to consider how you will spend your time. While it is easy to think about starting to check off all the things on your bucket list, it is more important to have a discussion about your everyday activities and share those expectations with your partner, family and close friends.

It's helpful to revisit those times you feel most effective and engaged in your work and personal life today; use these to brainstorm opportunities for how they may translate to your next chapter.

Layer in your concerns

What disrupters may be lurking?
Your concerns for the future can inform the path you'll take and help you plan ahead for detours you may encounter. When listing concerns, remember to think broadly and beyond the financials.

How your retirement supports your social and family life will include items like where you choose to live, the health care you select and how you'll address unexpected events. The road through retirement is rarely a straight line. Understanding risks and addressing concerns will help you define your own retirement.

Prioritize your goals

How can you build accountability and leverage support?
Now that you've tackled your expectations and concerns, it's time to prioritize your goals. Think about your goals in terms of your needs, wants and wishes. Putting this framework in place for your retirement years helps you better understand how each of your goals will be funded. Start with your essential living expenses, including a separate goal for health care as part of your important needs.

Don't forget to plan for expenditures like home improvements, car replacements and travel. For couples, this is a fun exercise to do together.

Three questions that can predict your future quality of life

1) Who will change my light bulb?
Changing light bulbs is more than a matter of home maintenance. It's a question that asks, "Do I have a plan of how to maintain my home?" Identifying the costs as well as the trusted service providers necessary to maintain your home may be as critical to aging independently as the health of your retirement savings.

2) How will I get an ice cream cone?
While getting an ice cream cone is not a financial strain for most, the ability to have that cone on demand raises questions such as, "Do I have adequate transportation to go where I want when I want?" If driving is no longer possible, "Are there seamless alternatives that enable me to make the trips that I want—not just those I need?"

3) Who will I have lunch with?
Lunch is more than a meal—it's an occasion. Who you have lunch with may be a good indicator of your social network. This is not the social network of online 'friends', but friends you see on a regular basis—people who help reinforce a healthy and active lifestyle.

What do these questions have to do with retirement planning? They uncover important factors that will determine your future quality of life, and serve as a starting point for planning a satisfying retirement.

Source: Hartford Funds and Dr. Joseph F. Coughlin, PhD, Director, MIT AgeLab

Life planning

Holistic approach for life's journey.

Reaching your destination requires a holistic approach to your financial life. Where you focus often depends on your life stage. It may require you to make trade-offs in your priorities. It is important to be proactive about your long-term well-being, no matter your age or wealth. At RBC Wealth Management, we believe financial wellness requires a wealth plan that always addresses each of these key financial pillars:

Accumulate and grow your wealth

From having an emergency fund to developing various ways to save for the future, it's important to focus on achieving long-term wealth. As you step through life's stages, there will be opportunities to accelerate wealth building through events such as home ownership, inheritance, liquidation events and income spikes.

Fund your lifestyle today and tomorrow

How you think about spending needs today versus in the future plays into lifestyle choices. Planning ahead to help ensure your essential needs are covered is a top priority. This requires a view into the future and understanding the impact of the market, inflation, taxes, interest rates and other risks that might impact your plan and how the impact changes as you age.

Protect what is important to you

Protecting your family and your wealth during your working years is foundational to sustaining wealth. As you age and your wealth grows, it is important to revisit the purpose and amount of coverage for your protection strategies, as well as explore other important considerations, including protecting your wealth for the next generation.

Create a lasting legacy

Tackling estate essentials is an important step that everyone should prioritize, regardless of age or wealth. Establishing key estate documents, including a current health care directive, will, and power of attorney, are important first steps. Ensuring your assets are properly titled and beneficiary designations are current is a vital part of any basic estate plan.

Strategic saving

Saving and investing for long-term goals like retirement may seem daunting. Yet, by taking a systematic approach and following several best practices, your retirement savings can grow strategically over time.

The keys to meeting retirement savings goals are to start early, save regularly and diligently, build your savings in the most tax-efficient way and take advantage of market growth. Keep in mind that you'll likely need 70–80% of your pre-retirement income annually to maintain your standard of living in retirement.

Start early

By beginning to save early, you can take advantage of employer-sponsored plans and the power of compounding. This helps build balances that can reach the million dollar mark by retirement age.

As the graph below illustrates, if two people invest the same amount of money each year ($5,000), earn the same return on their investments (6% annually), and stop saving upon retirement at the same age (67), one investor will end up with nearly twice as much money just by starting at 22 instead of 32. Put another way: The person who started saving 10 years earlier would have $500,000 more at retirement. The power of compound interest has helped the early investor build wealth.

Set goals

Successful savings and investment plans require setting goals and monitoring progress over time.

When saving for retirement, this means you must take the time to model your retirement, projecting items like expected retirement date, cash flow needs and length of retirement period.

Track progress

By tying metrics to your goals, you can track progress and may be more apt to stick with an investment plan. This will also help you stay nimble and better equipped to adjust as circumstances change along the way.

Don't forget about taxes

Tax-advantaged investing can increase returns, build your reserves and impact outcomes significantly. This may include deferring taxes or investing in Roth accounts to capture tax-free growth and distribution. The key to defining an approach is to understand the tax implications today and their potential impact in the future.

The approach that's right for you depends on factors like your current tax rate, state of residence, and expectations for future income and expenses.

Albert Einstein once noted that the most powerful force in the universe is the principle of compounding. Think of it as earning interest on interest, which can help wealth snowball. Here the investor who started saving 10 years earlier would have about $500,000 more at retirement.

For illustration purposes only. Individual results will vary.

TAKE ACTION

- Start saving now—max out employer retirement plans, take advantage of your employer's 401(k) matching contributions and catch-up provisions at age 50+
- Set a goal, know your retirement numbers and monitor your progress
- Stay invested for the long term, diversify your assets and rebalance periodically
- Consider the benefits of a Roth IRA or Roth 401(k), and explore conversion strategies to help minimize taxes in retirement

Understanding the risks that could impact your future

Building and preserving assets for the future require understanding the trade-off between risk and return and how to best manage various risks.

Your retirement savings are exposed to a variety of risks over time, some you can control and others that need to be managed carefully. Your retirement could be put at risk by unexpected changes in your health, inflation, major market developments or other events. Keeping a watchful eye on specific risks can go a long way toward building peace of mind.

Market risk

While markets rise and fall regularly, low or negative returns can have a significant impact to a portfolio early in retirement.

Negative returns in the market during the early years of retirement can be amplified as you draw down assets. This can lead to a depletion of assets and put your retirement at risk.

Diversifying through proper asset allocation can help protect against big market swings, balancing risk and reward for the long term. Inconsistent returns among different asset classes highlight the need to rebalance regularly to keep an asset allocation in sync with your long-term goals and evolving needs.

Behavioral risk

Experienced investors understand that volatility and market corrections are a natural part of the investment landscape, and they should look beyond the news headlines for guidance. Yet, humans are wired to desire more of what gives us pleasure and less of what gives us pain. These crosscurrents can clash when we invest.

Certain behaviors—such as selling stocks during a market downturn—create "return gaps." A return gap reflects the difference between the average return for a fund or index and what the average investor earned with the same investment.

That gap exists because that average investor, concerned about market corrections and the pain of declining portfolio values, will often follow the crowd and pull out of the market, missing the recovery period.

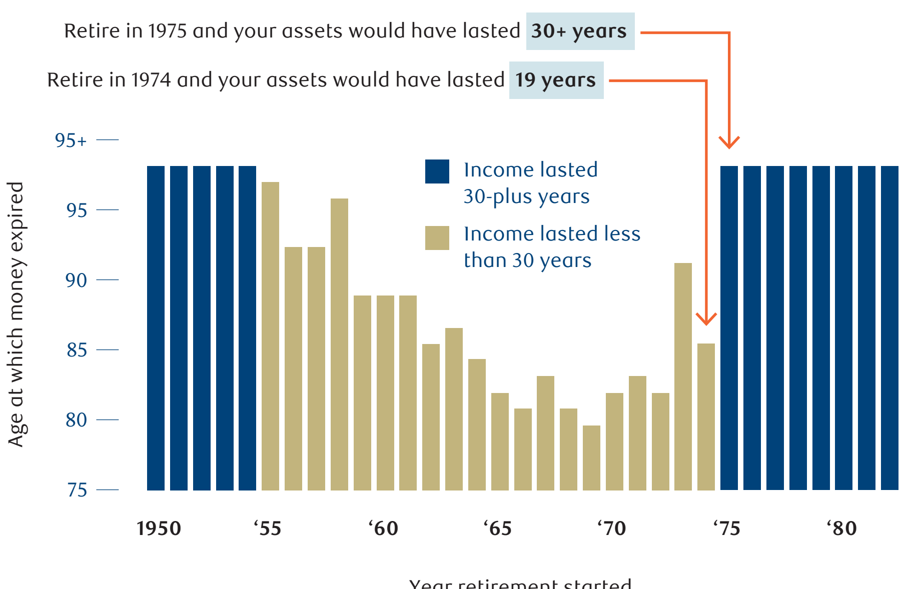
Inflation risk

The inflation rate experienced by older Americans is generally higher than that of the overall population mainly due to health care expenses. Over a twenty to thirty year retirement period, inflation can significantly erode your buying power. Even using modest inflation projections, the goods and services you purchase could double in price.

This risk can be particularly pronounced in specialized sectors such as health care, where inflation rates are higher and your costs tend to increase as you age. The risk may be compounded by Social Security cost-of-living adjustments that do not keep pace with rising health care costs, further reducing your buying power.

The impact of changing markets in retirement

This graph shows a 65-year-old with a $1 million portfolio invested in 80% equities/20% fixed income, withdrawing $50,000 each year indexed to actual historic inflation.



For illustration purposes only.

TAKE ACTION

- Periodically review your wealth plan to see that it continues to reflect your needs, wants and wishes. Because amid changing market conditions, your plan can help keep you focused on your long-term goals, rather than on short-term market gyrations
- Diversify your holdings to help reduce the impact of volatility on your portfolio by owning a mix of assets
- Avoid selling in down markets by maintaining some liquidity via an emergency fund, line of credit or by retaining a portion of your portfolio in cash

Planning for the long haul

Addressing the two realities of life expectancy risk: a life cut short prematurely or living well beyond your expected lifetime.

Having a quality plan with a long-term outlook requires that you examine the inherent risks in your plan. An important place to start is to address the two realities of life-expectancy risk.

There are two lenses to life expectancy: the chance you may depart earlier than planned and the chance that you will depart later than planned. Either scenario is magnified if your plan is not fully funded or you have family and obligations that are expected to survive you.

Protecting for the unexpected

Insurance plays an important role in protecting your wealth throughout your lifetime. Early on, insurance is used to protect the future cash flow of your employment earnings and provide needed support for your family. Life, health and disability insurance also play a key role in the early phases of wealth building. Property and casualty insurance are also important and need to be reevaluated as you accumulate more assets and your wealth grows. For most, this should include umbrella liability coverage.

Preparing for the long haul

Medical advances and lifestyle choices are leading to longer, healthier lives. It is important to have a plan that balances your needs today with a realistic time horizon for what you will need in the future.

Longevity in America has steadily increased over the past several decades. Data suggests that at age 65, the average male will live to 87 and the average woman to 90. For couples, the planning timeline is even longer. One in three couples will have one partner live into their 90s. Planning for your longevity requires a closer look at your personal health, along with exploring how your needs will change as you age. For couples, it is important to map out multiple scenarios that assume a different spouse survives.

The increase in life expectancy is a gift of time that leads to new expectations for your encore years. Planning for the lifestyle you want requires thoughtful consideration, as your goals and priorities are likely to change over time. Life expectancy projections suggest you should plan for 25 to 30 years in retirement. Assume that the longer you live, the more money you will need.

A quality wealth plan should test extended living scenarios for both spouses and include a plan for long-term care. For some, using insurance to provide sources of guaranteed income or using permanent insurance as a strategic way to transfer wealth, while still having the option to access the cash value, are smart ways to manage longevity risk.

Plan for long life

Life expectancy in America has increased steadily over the past several years. For example, for a 65-year-old couple there's a 50% chance that one of them will live to age 94.[5]

	65-year old man	65-year old woman	65-year old couple Likelihood one spouse reaches age...
50% chance >	87 years	90 years	94 years
25% chance >	92 years	96 years	98 years

TAKE ACTION

- See you have adequate insurance to protect you now and into the future. Revisit your insurance plan regularly
- Plan for both partners (if applicable) and consider various "first to die" and survivor scenarios
- Evaluate options to protect against unexpected disrupters like a long-term care event

Expectations for work in retirement

Planning for your encore years requires an assumption about the end of your working years, with a range of possibilities from early retirement to no retirement.

More Americans are challenging traditional notions of full employment or full retirement. While changes in retirement expectations are often driven by one's health or finances, there's an ongoing mind shift in how people think about work in retirement.

Many older Americans are choosing to continue working to supplement their retirement savings and stay connected with their workforce family. Technology has made it easy to find gig jobs—more than 10,000 websites offer new ways to make money—enabling people to rent out a room in their house, drive passengers, sell crafts, publish blogs, walk dogs and leverage their expertise for supplemental income.

Fifty-five percent of pre-retiree Boomers expect to work part-time or full-time during retirement, according to a recent survey.[6] Yet, that work may be fundamentally different as people look for second acts to their careers through the gig economy.

Employment factors

While there are many benefits to working during retirement, including the ability to fund your lifestyle needs and supplement your savings, there are a few important considerations that should be factored into your wealth plan.

1. Social Security benefits could be taxable. Once your gross income, nontaxable interest and half of your Social Security benefits reaches a certain threshold, your benefits become taxable.

2. Minimum distributions will be required. Workers age 72 and over no longer qualify for tax deductions on IRA contributions. You will be subject to a significant penalty, if you don't begin taking required minimum distributions from your pre-tax retirement accounts.

3. Medicare enrollment is still required. You are eligible for Medicare at age 65, regardless of your employment status. Delaying enrollment because of access to a group health plan is fine, but once you stop working, you must enroll within eight months to avoid paying higher premiums.

4. Medicare and your tax bill might be more expensive. Extra employment income might mean a bump-up into a higher income tax bracket. Once you factor in your required minimum distribution, you might find yourself with a much higher tax bill than you were anticipating. This also impacts the cost of Medicare.

A strategy for early retirees

Navigating early retirement, whether by choice or due to an illness or job loss, presents a number of important planning considerations. Determining how you are going to fund the early years, and the optimal way to access your pension, Social Security benefits and tax advantaged savings, should be factored into your plan. Another important consideration is health care coverage.

Health care options for early retirees:

1. Transition to your spouse's plan
This is likely to be the least expensive option. You can register as a dependent until age 65 when you transition to Medicare.

2. COBRA benefits
Consolidated Omnibus Budget Reconciliation Act (COBRA) coverage allows you to stay on your existing plan for up to 18 months. This can be expensive as continuing coverage requires you to pay the entire premium.

3. Affordable Care Act (ACA) exchange plans
Depending on your household income, plans on the ACA exchange may be subsidized, which can lead to more cost-effective options.

4. Private health insurance
Some retirees opt for private insurance, seeking flexibility. The ability to find a plan that works for you must be balanced with cost considerations.

TAKE ACTION

- Have a plan in place for health care and other benefits that might have been provided by your employer
- Plan carefully because the extra money you make working in retirement can move you to a higher tax bracket
- Make sure you accurately report your income and pay quarterly estimates, if needed
- Have a plan to invest the extra money wisely

Spending patterns

Meeting your financial needs in retirement starts with envisioning your goals and projecting related expenses.

As you approach retirement, having a sense of your goals and priorities, including the timing, is an important first step. As you age, what you spend money on will shift, and priorities may be driven by changes in physical capacity. Early on, there will likely be more allocation to travel and recreational activities. This will shift to a slower pace, likely with more allocation to family and health goals.

Milestone spending

Retirement research increasingly indicates that retirees experience a drop in spending at retirement, followed by a continued decline in real spending, as the early "go-go" years transition to less active years and then wind down to a period of little discretionary spending. It is estimated that inflation-adjusted spending on essentials for retirees decreases by 10% per decade, while other expenses such as recreational expenses drop by twice that amount.

Personal goal modeling allows numerous categories of spending to be separately incorporated into your total spending plan. Each spending category can be assigned its own priority, along with a start and stop age and a spending amount. This allows you to fine tune your spending patterns over time.

Essential living expenses

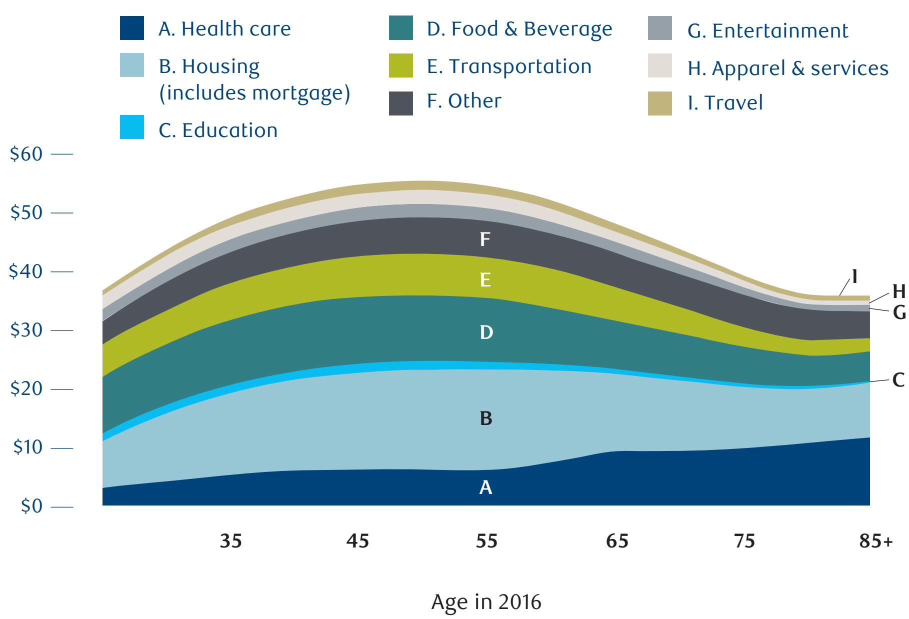
Everyone needs to plan for essential living expenses and health care in retirement, both of which will be affected by inflation. These are your every-day recurring and predictable expenses that typically represent 60 to 70% of your annual pre-retirement spending. Included in your essential living expenses are things like food, housing, taxes, apparel transportation, entertainment and recreation. Planning for a separate health-care goal is wise as it will be impacted more significantly by inflation.

Discretionary spending

Thinking through your other goals and spending categories is the next step. This might include replacing a car, travel plans, purchasing a second home, paying for weddings, housing repairs, helping fund grandchildren's college or charitable gifting. Incorporating an estimate for the cost and timing of your discretionary goals will give you a more realistic view of overall total costs and a better understanding of your spending needs. Once these goals are identified and quantified, scenario planning will allow you to model various trade-offs and what-if scenarios.

Projecting age-banded retirement spending by category

Balancing the many moving parts of living expenses over 30-odd years requires ongoing short- and long-term planning.[7]



TAKE ACTION

- Calculate your monthly expenses and assess what that means over one year
- Having a back-up plan and protection strategies in place will provide flexibility in your spending needs
- If you're still living in the home where you raised your kids, consider whether the costs to maintain your home—and property taxes—are worth it
- You may still be supporting your adult children, yet it may be wise to stop paying their bills once you're retired

Strategic income planning

Creating a reliable retirement paycheck begins with strategic income planning before you retire and annual planning once you retire.

A major adjustment for the future is the eventual end of a regular paycheck. Instead, funding your lifestyle will likely require you to manage income from multiple sources, including investment accounts, pensions, annuities, retirement savings and Social Security. Ideally, your income plan includes a reliable and resilient funding plan for the majority of your essential lifestyle needs. Creating your retirement paycheck is a balancing act with many factors and tradeoffs that need to be considered.

Reliable income

Identifying your sources of reliable income is the first step in creating a retirement paycheck. Social Security is a foundational element of most retirement plans. For most, Social Security replaces only about 40% of your pre-retirement income, requiring you to consider other sources.[8] This is further complicated by benefit-claiming decisions that allow you to enhance your benefit by delaying your claim, with a myriad of rules and options depending on your family status.

Required minimum distributions from your qualified retirement accounts will be a strategic source of reliable income once you turn age 72. Prior to this, how you choose to use these funds will, in large part, depend on your tax status. Medicare surcharges add further complexity as your taxable income increases with RMDs.

Earnings and interest

Identifying other sources of income is the next step. This would include interest income and dividends, as well as any employment or rental income.

Ideally the income originating from your reliable sources, along with your earnings and interest, will be sufficient to fund your essential lifestyle needs, including your healthcare expenses and taxes. This combination allows you to plan for the timing of other cash flows based on the expected level of discretionary spending each year with adjustments as needed, derived from a better picture of your annual tax bill.

Tapping into your investments and retirement assets

Depending on your funding level and cash flow needs, you will want to have a plan for tapping into your other assets. This requires both a strategic and tactical plan designed to work together. The key is to continue strategically investing while making tax efficient choices as you draw down.

Prioritizing assets to be drawn down:

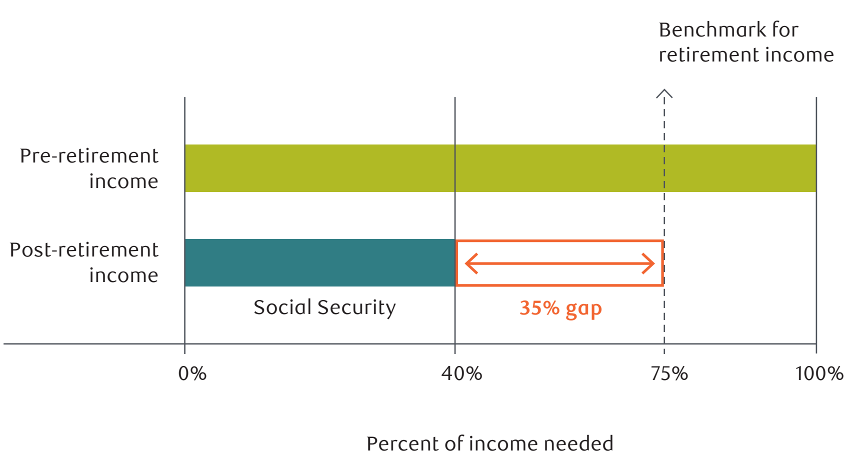
1. Taxable, including brokerage and bank accounts, with income from dividends, municipal bonds and long-term gains.
2. Tax deferred, such as an IRA and 401(k)
3. Tax free, such as a Roth IRA

TAKE ACTION

- Have a cash reserve and a ready source of liquidity to protect against periodic market downturns or spending disruptions
- Before you retire, consider establishing an equity line on your investments or home to provide an alternative source of funding during times when it does not make sense to sell your investments
- Be strategic about your distributions. Understand the potential sources of income in retirement and develop a strategy for how you will use those funds
- Assess the tax treatment of your savings and investment portfolios and look for ways to diversify to improve risk management and reduce your tax bill in retirement

Filling the income gap

As concerning as it might be to discover a retirement income gap, knowing it's there is the first step in closing it—usually by increasing your income and assets, reducing retirement spending, or both.



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Social Security strategy session

Making the most of the program requires care to maximize the benefit in a tax-efficient manner.

When it comes to thinking about the role Social Security plays in your retirement plan, you may want to know:

- When should I claim benefits?
- How much can I expect to receive?

The simple answer to those questions is, "it depends." That's because every person approaches Social Security with a different set of financial circumstances, tax issues, health considerations and other factors. That's why it's important to begin considering Social Security years before your anticipated retirement date and craft your personal strategy with the help of your financial advisor. Claiming Social Security is one area where flexibility can help you adapt to changing realities, like an early or delayed retirement, as well as your plans for working in retirement.

Claiming age

While you may elect to receive Social Security benefits as early as age 62, the full retirement age (FRA) for collecting benefits is currently age 67 for those born after 1960. If you tap Social Security after reaching FRA, your monthly benefit will be higher due to delayed retirement credits. While maximizing your benefit is important, you should consider several other factors:

Claiming while still working

If you claim Social Security benefits before your FRA and continue to work, there's an earnings test until you reach FRA. If you have earned income over $19,560 in 2022, you'll forfeit $1 of benefit for every $2 of earned income above this limit. Earned income includes wages and other employment income, net earnings from self-employment, bonuses, vacation pay, and commissions. Earned income does not include investment income, pension payments, government retirement income, military pension payments, or similar types of income.

If you reach FRA, the limit for earned income rises to $51,960 and the benefits reduction is $1 for every $3 earned over the limit.

Beginning with the month you reach full retirement age, your earnings no longer reduce your benefits, no matter how much you earn.

Taxes matter

Another factor to consider is taxation of your benefits. This comes into play for those who claim benefits but still have earned income over $25,000 (single filers) or who file a joint return and surpass $32,000.

Earned income can include withdrawals from pre-tax account like a traditional IRA or 401(k). This can lead to a significant increase in total tax paid. How much of your benefit is taxed depends on the amount.

This makes a careful blending of income sources in retirement vital for optimal results. This may include pulling from pre-tax accounts, prior to claiming your Social Security benefits.

How does working in retirement affect benefits?
It depends on your full retirement age (FRA) and earnings. Here is an example of the earnings limits for the year 2022:

If you are under your FRA for the entire year:	Once you reach the year of your FRA, the limit for the months prior:	Once you reach your FRA:
$19,560	$51,960	No limit
Benefits withheld: $1 for every $2 over the limit	Benefits withheld: $1 for every $3 over the limit	Benefits withheld: None

You receive an 8% credit for each year past full retirement age (FRA) that you delay claiming benefits up to age 70

Claiming Social Security

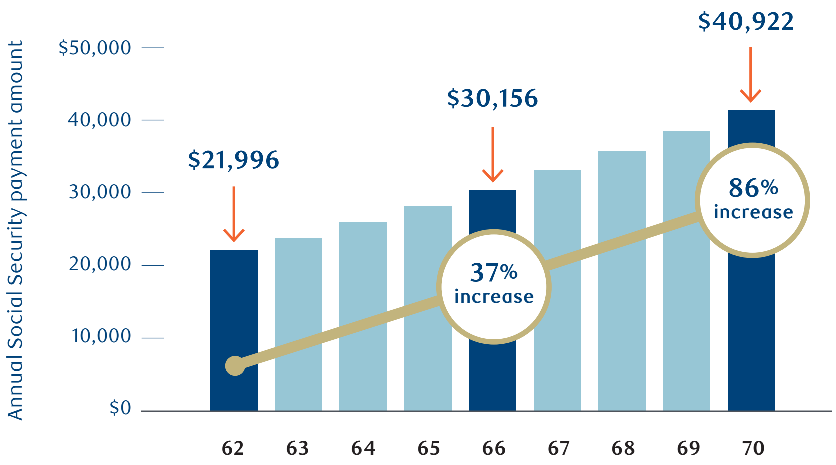
Claim early and get less monthly; claim later and get more monthly

When to claim Social Security benefits will be one of the most important decisions that you make regarding your retirement.

Although you can tap Social Security benefits as early as age 62, your monthly benefit will be significantly—and permanently—lower than if you had waited until your full retirement age. In contrast, if you delay taking benefits past your full retirement age, your monthly benefits will increase until you turn 70 and reach the maximum benefit amount. Benefits increase nearly 8% each year past your full retirement age. Where else can you receive such a high guaranteed rate of return?

The best claiming strategy for each person will vary depending on marital status, life expectancy, your spouse's age and other factors. Keep in mind that married couples have more options when it comes to collecting Social Security benefits than single individuals (though widows and divorced people also have extra options), so if you're married, be sure to coordinate a strategy with your spouse.

Waiting longer will increase the monthly amount you receive from Social Security over your lifetime. If you are healthy and have adequate savings and investments, your best strategy may be to wait as long possible before claiming Social Security. You can compute the impact of early or late retirement via Social Security Online at www.ssa.gov.



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Social Security payments calculated using the Quick Calculator on the ssa.gov website. This assumes an individual who is currently age 62 in 2016 (with a full retirement age of 66) who is continuing to work and earning $120,000 each year. All figures reflect current dollars. Assume lives to age 95. Actual benefits would be higher to reflect future adjustments for inflation.

Will Social Security be around when you retire?

Many people—particularly younger workers—believe that Social Security may not be around by the time they retire. While it's true that Social Security pays out more benefits than it receives in contributions, the Social Security Board of Trustees contends that there's enough money saved to pay out *full* benefits until 2037.

If no changes are made to Social Security, payroll taxes are projected to be enough to pay 76% of scheduled benefits after 2037. To keep Social Security solvent, Congress could decide to:

- Raise the Social Security payroll tax
- Raise the current ceiling on wages or eliminate it entirely
- Raise the retirement age past age 67
- Tie increases to a more modest price index, instead of the current wage index
- Reduce future benefits, especially for wealthier retirees
- Allow people to invest some of their current Social Security taxes in "personal retirement accounts"
- Allow Social Security to invest in assets other than ultra-safe government bonds

TAKE ACTION

- Consider multiple scenarios with your financial advisor prior to claiming Social Security
- Understand the impact earned income and claiming age may have on your benefit
- Determine if you qualify for a spousal benefit, if you are divorced, or a survivor benefit, if you are widowed
- Carefully design your plan for a paycheck in retirement and review it annually, as your circumstances and the law may change

Health care in retirement

Increased longevity and rising costs have combined to make funding health care a major concern for most Americans.

According to the Genworth's annual Cost of Care survey, the cost of care is projected to rise by nearly 5% per year for the next decade, doubling the estimated Social Security cost of living adjustment.

Major expenses in retirement[9]
1. Housing
2. Health care*
3. Taxes
4. Transportation
5. Travel

**10% of total expenses at age 50, rising to 20% of total expenses by age 80.*

Longer lives, higher costs

As quality of care and other factors continue to increase life expectancy, they also bring significant expenses. Colonoscopies, MRIs, joint replacement and cataract surgeries may have increased our quality of life, but they've also inflated health care expenditures across the board.

All of this comes at precisely the same time that Baby Boomers are reaching retirement age and tapping into entitlement programs like Medicare to help cover the costs.

Medicare basics

The projected lifetime cost of care for a healthy 65-year-old couple is over $600,000.[10] While Medicare provides health insurance for people age 65 and older, it does not cover all medical expenses, including long-term care costs. That's why many retirees turn to Medicare Supplement plans to help fill in coverage gaps.

Paying a premium: High income earners

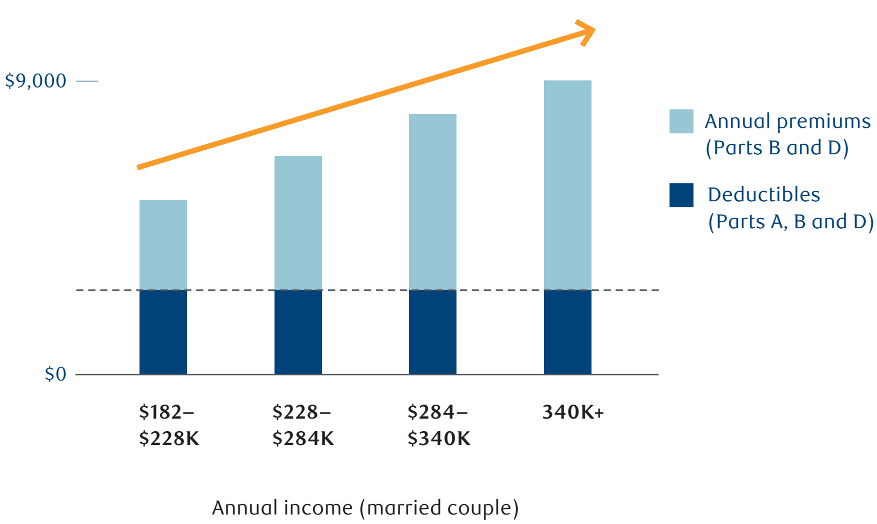
The Social Security Act requires some people to pay higher premiums for their Medicare Part B and Part D, based on their income. These surcharge adjustments can increase monthly premiums for parts B and D by several hundred dollars.

This surcharge is determined based on your modified adjusted gross income during the previous two years.

This makes managing income, including qualified distributions from 401(k)s and IRAs from age 63 on, important, as even one dollar above a new threshold triggers the higher rates.

Steep rise in premiums for higher-income earners

Medicare Part B covers preventive services and doctor visits, and Part D covers prescription drugs. Many high-income retirees face higher premiums, due to income-based increases in Medicare premiums. In fact, higher earners now pay up to 80% of the cost of their Medicare Parts B and D benefits.



TAKE ACTION

- Identify your options and gaps within Medicare, and the impact those may have, and review annually
- Understand that various sources of income may have an impact on your benefits
- Model Medicare costs into your retirement plan, including common scenarios such as a chronic illness, or a long-term care event
- Plan for premium expenses, because Medicare premiums have historically risen faster than Social Security's cost-of-living adjustment (COLA)

Minding the health care gap

With expenses on the rise and limits to Medicare coverage, filling the gaps falls increasingly to individuals. Two tools can help you in preparation for—and while—living in retirement.

Pre-retirement- Health Savings Account

One tax-efficient opportunity to plan for future medical expenses is offered by a Health Savings Account (HSA).

Many employers offer these accounts as a benefit for employees who select a high-deductible health care plan. They allow account holders to invest pre-tax dollars year-over-year to save for health care expenses now or in the future.

This can lead to some meaningful growth and flexibility as well as the possibility of stockpiling assets in a tax-efficient manner. HSAs offer a rare "triple tax benefit," including pre-tax contributions, tax-free growth and tax-free withdrawals for qualifying health care expenses.

In-retirement- Supplemental health plans

Due to the limits of Medicare, many retirees purchase supplemental insurance to address rising costs. These plans can help with deductibles and include additional services like prescription drugs, vision, hearing and others.

There are two common paths when electing supplemental coverage.

Medicare Advantage Plans (sometimes called Medicare part C) function like employer-sponsored health insurance. They may be a fit for cost-conscious retirees who don't mind some out-of-pocket costs and are flexible as to which providers they use.

Alternatively, **MediGap Plans** typically charge higher premiums and require fewer out-of-pocket charges, along with greater flexibility in providers.

HSA benefits:

- **Tax efficiency-** Pre-tax investment, tax-free growth and withdrawals
- **Investment growth-** Balances grow year-over-year to fund expenses in the future
- **Qualifying expenses-** Include premiums, long-term care, preventative care, hospitalizations, vision and hearing aids
- **Flexible withdrawals-** Medical expense withdrawals for your family may be made at any time. Following age 65, withdrawals may be made for any reason (although income taxes may apply).

HSAs offer three valuable tax benefits

Investing $100 per month for 20 years in a Health Savings Account can lead to meaningful growth over time, thanks to pre-tax contributions plus tax-free growth and withdrawals. An HSA also offers flexibility and the opportunity to accumulate assets in a tax-efficient manner.

Pre-tax contributions:

$100/mo.

Pre-tax investment over 20 years (total investment: $24,000).

Tax-free growth:

$32,900

Investment earnings. *Assumes 8% growth.*

Tax-free withdrawals:

$56,900

HSA end balance. Withdrawals are tax-free for qualifying health care expenses.

TAKE ACTION

- Manage your health with regular wellness exams, exercise and weight management
- Consider saving strategically for future expenses in a Health Savings Account
- Plan for future care expenses, including health care, dental and vision costs, and model these costs into your wealth plan, using an annual inflation rate of at least 5%
- Explore ways to mitigate the financial risk that a long-term care event poses to your family
- Understand Medicare and define a plan to fill its gaps

Planning for the unexpected

Despite the many unknowns about potential care needs in the future, the proactive choices that you make today can protect your health and wealth.

Protect all that you've worked for

Anticipating potential unexpected expenses will help you identify and manage risk in your plan. This should include those big-ticket expenditures that could derail your plan, such as a sudden health care issue. One of the largest spending shocks facing a retired household is the need for ongoing long-term care.

Long-term care insurance provides benefits to cover costs associated with nursing home care, assisted living facilities and home health care. It provides relief for those expenses, so as not to burden family members or jeopardize your retirement savings.

The financial impact of memory decline and dementia

Memory decline and dementia-related diseases are leading causes for needing long-term care. Because age is the primary risk factor with dementia, Baby Boomers—with the first wave now in their early 70s—are a driving force behind this trend.

The family caregiver

Note that a dementia diagnosis doesn't just affect those with the disease; it affects everyone who loves and cares for them.

The bulk of long-term care is handled by family: two-thirds of caregivers are female family members[11], with the majority rating the emotional stress of caregiving as high or very high.[11] In addition, the majority of caregivers have full-time jobs, yet need to go in late, leave early or take time off to care for a family member.

Long-term care

As you grow older, the potential for experiencing a long-term care event becomes increasingly likely. With nursing home stays averaging two-and-a-half years and costs outpacing inflation, long-term care insurance should be part of your overall plan. Preparing for this possibility means addressing the following:

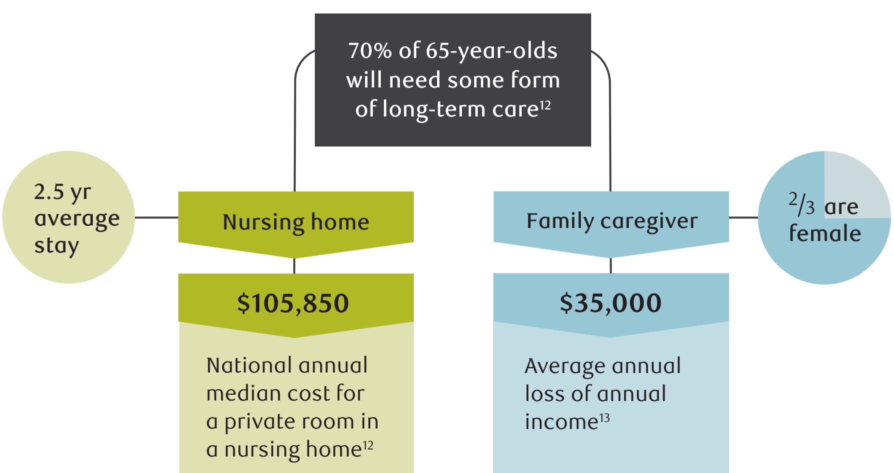
1. **Incapacity–** Document your wishes in an advanced health care directive to offer guidance for your family

2. **Funding–** Understand your options and build a plan that addresses the costs of care

3. **Adaptability–** Build flexibility into your plan and be ready to adjust as independence and overall health change over time

The real cost of care

Dementia is the most expensive disease in the United States because patients need constant care and supervision. It can also lead to financial missteps—and make people with dementia targets of fraud and abuse.



TAKE ACTION

- Plan ahead, especially when there is a family history of mental decline or incapacitation and have key legal documents (power of attorney, health care directive and will) in place
- Consider the benefits of a trust and professional executor services, especially in the absence of a trusted and competent personal executor or family member
- Have a plan for long-term care funding and work with a financial advisor to identify all income sources, including benefits, disability payments, Social Security, annuities and pensions
- Act swiftly after a dementia-related diagnosis to protect the family from financial missteps, abuse and liability. A plan for transitioning financial and legal capacity should be put into motion

Housing

As we age, our lifestyle needs evolve. This has implications for where we live, our independence and the support we require.

Planning for the future means considering options today and adapting down the road.

Retirement living

Where you choose to live in the future is a complex discussion, with factors like your proximity to family and friends, health care needs, taxes and access to services all playing a role.

While a large percentage of seniors say they prefer to “age in place” and maintain their primary residence, this may require some accommodations over time.

To understand how things might change, it may make sense to consider your retirement in phases:

Early retirement: years 0–10 Re-energizing

The first phase of retirement is characterized by good health, a desire to travel, and engagement with family and friends. While your home may still meet your needs, many people find that their houses are too large and want to downsize.

Mid-retirement: years 11–15 Downshifting

Following the busy years of retirement, many seniors find life slowing down a bit, as physical limitations or other considerations impact the day-to-day. Your living situation is particularly important in this phase, as it must help support your changing needs.

Late retirement: years 15+ Reflecting

Here the focus is more on safety, contentment and maintaining quality of life. This may require relocation to a senior community, assisted living facility or nursing home.

Senior living communities with active lifestyle options are growing in popularity. They offer social activities and wellness facilities, such as swimming pools and fitness centers. Continuing Care Retirement Communities can also ease the transition from independent living to full-time care in advanced age, by offering all the benefits of your own home without maintenance.

Splitting states

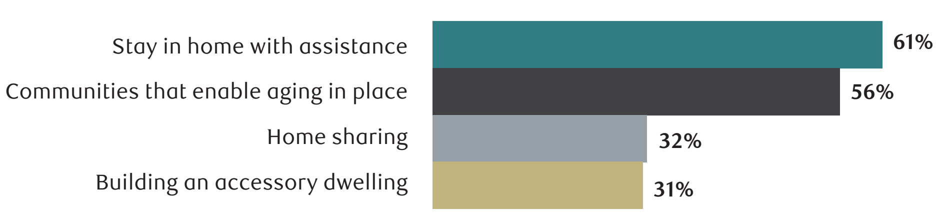
While quality of life is often the driving factor in where we live, family commitments, tax considerations and climate can make splitting time in multiple states attractive.

A few best practices can help you manage taxes if you plan to live in more than one state:

- Keep a log of days spent at each location. Generally, 183+ days in a state means you are considered a resident for tax purposes
- Be sure to maintain a driver’s license, vote and receive government documents like Medicare correspondence in your preferred state of residence
- Consider filing a Declaration of Domicile form with the courts

There’s no place like home[14]

A recent AARP survey of adults shows that 76% of adults age 50 and older want to stay in their homes and communities as they age. Here are their preferences:



TAKE ACTION

- When assessing where to live, plan for your changing needs and proximity to family and services
- If you choose to stay in your home, consider remodeling options that may support your needs better as you age
- Understand the tax implications of your state of residence, as well as the state where you plan to relocate, and manage state-splitting carefully

Estate essentials

It is important to tackle basic estate planning as part of your overall plan. No matter your age or wealth, key legal documents, proper titling of assets and maintaining beneficiary designations are important first steps.

Estate essentials

Your estate includes everything you own: your home, personal possessions, savings, investments, retirement accounts, real estate, business and digital assets.

Regardless of your age or estate value, protecting these assets requires a set of estate planning documents, including a current health care directive, will and power of attorney. Without them, transferring your estate, which may include gifting while you're alive, can be complicated by taxes, probate and family emotions.

It is also vital that your assets are properly titled and your beneficiary designations are accurate. This is especially important if your plans for transfer differ from a traditional linear family transfer, or you are single or have a blended family.

Trust considerations

Most people think estate planning is about their death. But it's really not. It's about your control over your assets—control while you're living, and control after your death. One of the most basic ways to gain control is through a simple will. But for people with more complex estates or concerns, a trust can provide a legal structure to facilitate control and see your wishes are carried out. A trust is often used to minimize estate taxes and can offer other benefits, as part of a well-crafted estate plan.

There are many reasons for implementing estate planning strategies, including:

- Providing protection, confidentiality and privacy
- Promoting family harmony and trust
- Funding the care of minors and family members with disabilities or health care needs
- Creating legacy plans for stewardship and funding of charitable causes
- Handling or avoiding probate or state estate tax considerations
- Passing on values to the next generation by controlling the timing and terms of the transfer

Taxes matter

The significant increase in the federal estate and gift tax exemption presents additional planning opportunities and may also have unintended consequences for existing estate plans.

In light of these changes, existing estate plans should be reviewed, including most trusts, especially those that use formulas that reference the standard exemption. There may also be an opportunity to remove limitations or rework trust structures to eliminate unnecessary complexity. These may include moving assets back into the estate to take advantage of the revaluation of assets at death.

Federal estate and gift tax changes

What changed?
The amount of your estate that can be gifted or transferred free of tax, either during your lifetime or via your estate, has risen:

The Tax Cut and Jobs Act estate tax exemption amounts in 2021:

- $11.7 million per individual
- $23.4 million per couple

What did not change?
Gift tax waiver for:

- Transfers for tuition and medical expenses paid directly to the institution
- Annual gifts of $15,000 per person and $30,000 per couple to unlimited beneficiaries
- Unlimited gifts to spouses who are U.S. citizens.

TAKE ACTION

- Ensure you have your assets properly titled and that your beneficiary designations are current
- Establish essential estate documents, including health care directive, will and power of attorney. Review annually or as circumstances change
- Understand recent tax code changes and the implications to your existing gifting and estate plan
- Work with your financial, tax and legal advisors to review established trusts that may be impacted by these changes

Trust services are provided by third parties. Neither RBC Wealth Management nor its Financial Advisors are able to serve as trustee. RBC Wealth Management does not provide tax or legal advice. All decisions regarding the tax or legal implications of your investments should be made in connection with your independent tax or legal advisor.

Creating a lasting legacy

Your legacy is one of your most important assets. Taking a values-based approach helps ensure that you achieve the desired impact.

Purpose and impact

Everyone has a legacy. Yet most individuals don't think about their legacy until later in life, diminishing the benefit that those additional (earlier) years could have for your family and causes. A values-based approach goes beyond your family role and occupation and helps you focus on your passion, purpose and priorities. Typically, this evolves and adjusts as you age. Your wealth plan is a good place to memorialize your legacy wishes and keep it fresh with annual reviews.

Most legacy plans start with your family history and the values you inherited from your parents and grandparents. If you have a spouse or partner, your histories begin to blend together. It's important to understand this process, especially as it pertains to financial values, biases and giving preferences. The next step is understanding what is important to you. Exploring these questions will help you get started:

- What core family values are important to you?
- What values do you hope to leave to the next generation?
- What is your ideal giving plan (monetary, gifts or intellectual capital)? How do you expect this to change over time?
- What impact do you want your legacy to leave?

Planned legacy giving

Wealthy families and individuals may benefit from a more structured approach to their legacy and giving plan. Formalizing your legacy plan can help ensure you achieve the impact you desire and better meet the needs of your family and the causes you support, while giving in a tax-efficient manner. While it is vital to have a robust legal structure that ensures the efficient and effective transfer of your wealth, many families also benefit from structured giving strategies.

Popular giving strategies

Supporting a cause you believe in can be hugely rewarding, but how you give also matters. One of the most important factors to consider when choosing a charitable giving vehicle is the complexity involved and the level of control you want over your assets.

Donor-Advised Funds	Trust	Family foundations
Donor-Advised Funds allow donors to make a large contribution, invest the proceeds and grow gifts over time. These funds function much like a family foundation but without the large start-up costs and extensive ongoing operating expenses.	Others families choose to provide for their favorite causes using a trust. These gifts take a variety of forms, generally funding charities either at the end of the donor's life, the end of a fixed term or as an income stream to a nonprofit.	A Family Foundation can provide ultimate flexibility in issuing grants to nonprofits and building a culture of philanthropy within a family. This option is the most complex and costly and may only be appropriate for families with considerable wealth to give.

Turnkey — **Complexity** — Complex

$$ — **Size of Gift** — $$$$

TAKE ACTION

- Be proactive and begin to invest early in your lasting legacy
- Explore and discuss your value system, purpose and impact of your wealth with your family and advisor
- Use your wealth plan to develop and memorialize your legacy goals and wishes
- Understand the tax consequences and benefits of various gifting strategies
- Consider the benefits of various legal structures and strategies that help facilitate your legacy gifting
- Revisit and refresh your legacy plan annually, when you review your wealth plan

Special considerations for modern times

A convergence of demographic trends—including increased longevity, higher divorce rates, delayed marriages, same-sex marriages and remaining single by choice—calls for fresh thinking when it comes to wealth planning.

Women

While women are rewriting the story for their 60s and beyond, they face unique financial obstacles during their lifetimes that require special consideration in the planning process. For example, women earn less than men on average and are more likely to move in and out of the workforce to raise children or care for aging parents. Lower wages and breaks in employment equate to lower retirement savings and lower Social Security benefits upon retirement.

At the same time, women typically outlive men and are poised to benefit from the biggest wealth transfer in history. Yet, they have a different perspective than men when it comes to legacy planning. In general, women would rather give while they're alive, whereas men think about legacy as what's leftover that will get passed to their loved ones.

What does this mean for women? Start planning now. If you have a wealth plan in place and are married, be sure that you and your partner are both on the same page. Couples should prepare a scenario for the surviving spouse, so they will know what to expect and can navigate the required legal and financial paperwork.

Modern families

The blending of families through divorce and remarriage is increasingly common and presents challenges in terms of both finances and family dynamics. This can impact families across the spectrum with occurrence of "gray divorce" among seniors growing in recent years.

Divorce

- To avoid negative tax implications, leverage expert guidance when dividing assets like IRAs and other qualified plans during a divorce proceeding
- Discuss Social Security claiming scenarios, as provisions related to length of marriage, remarriage and other factors will all contribute to options
- Reassess planning pre- and post-finalization of your divorce, as this can disrupt your retirement assumptions
- Remember to update beneficiary designations on retirement accounts after all important life events

Remarriage

- Be sure to discuss goals, expectations and concerns prior to a second marriage, as merging families can also mean blending financial strategies
- Consider the benefits or challenges of merging finances and/or consolidating assets with a single goals-based provider
- Clearly understand and communicate financial support and estate planning outcomes for the new family unit, to reduce family dynamic challenges

What are women most excited for in retirement?

44%

of women are most excited about spending time with family in retirement *(15% higher than men)*

28%

of women are looking forward to the opportunity to help others or volunteer *(33% higher than men)*

Today half of Americans identify as being outside of a traditional household. While family structures have evolved, overarching financial goals have remained the same: growing and protecting wealth, funding your lifestyle today and tomorrow, protecting what is important to you and leaving a lasting legacy.

Business owners

Business owners typically consider their business to be their most important asset for ensuring a secure retirement. Yet a large majority do not have a transition plan in place. Successfully transitioning to your next phase requires a clear exit strategy and careful risk management to avoid common missteps.

- Lead with your personal goals and factor in the emotional impact of walking away from your business, including the role you intend to play in any succession plan
- Work with your financial advisor and other professionals to obtain a valuation of your business, and factor it into your plan, using a low, medium and high estimated sales price
- Identify potential successors, whether family members, internal or external buyers
- Choose the appropriate professionals to help you develop and execute your strategy
- Determine a suitable transition strategy with an idea of timing and next steps
- Review your plan with stakeholders, being careful to navigate possible family dynamics, as these can complicate a transition
- Consider funding a retirement plan away from your business
- Remain flexible and help protect against unexpected events that could derail your plan
- Understand an increasingly complex and changing tax code, including state, federal, gift and inheritance taxes

Farm and ranch owners

Farmers and ranch owners have additional considerations when planning for retirement. You may be attached to the land but expect the sale of the land and equipment to fund your retirement. While selling land could create the income you need, it means transferring property to the next generation or selling it to outside farmers, ranchers or other interested parties.

If your goal is to transition your farm or ranch to the next generation, you need to plan ahead for the process of transferring ownership, income and management responsibilities. Topics to discuss with your family and professional advisors should include:

- Transferring the farm or ranch as a gift by using annual tax exclusions and/or lifetime gift tax exemptions.
- Using buy-sell agreements to provide a source of income for succeeding family members to continue to purchase the property from the estate of the insured.
- Selling your property on an installment basis in exchange for future ownership
- Consider a wealth equalization strategy via an Irrevocable Life Insurance Trust to help provide a death benefit in equal value to the farm or ranch inheritance for non-participating children

TAKE ACTION

- Wealth planning is invaluable for people in nontraditional living arrangements. A wealth plan should account for needs, wants and wishes
- Drafting a well-thought-out estate plan, complete with a review of all beneficiary designations, can help ensure that assets are properly distributed
- A transition plan is key for business owners; by making arrangements early, owners help ensure a smooth transition and minimize any negative effects of their departure on the company
- All of these plans should be reviewed annually or when there is a change in family structure

Thriving in every life stage

Use this checklist as a starting point to begin planning.

Key financial pillars	Working toward tomorrow	Approaching retirement	Thriving in your encore years
Accumulate and grow your wealth	☐ Begin with the end in mind; define your goals, plan, save and invest with regular reviews ☐ Have an emergency fund of at least six months of expenses in liquid investments ☐ Save strategically by taking advantage of employer-sponsored retirement plans; max out your contributions and receive the employer match ☐ Leverage a Roth IRA or Roth 401(k) in your early career years	☐ Align investments, track and rebalance regularly to help offset the impact of inflation ☐ Increase your savings rate and take advantage of catch-up contributions at age 50+ ☐ Optimize your tax-deferred savings with other investments for better after-tax returns today and in the future ☐ Use a Roth conversion to build flexibility and tax diversification into your plan	☐ Understand the probable outcome of your customized wealth plan; review annually ☐ Consider consolidating accounts with one financial provider to simplify your financial life ☐ Use the bucket strategy to restructure your assets into portfolios to meet your near-, intermediate- and long-term needs
Fund your lifestyle today and tomorrow	☐ Monitor spending levels with a set budget and eliminate unproductive debt ☐ Take advantage of an HSA and consider deferring the use of those dollars to fund your health care expenses in retirement ☐ Model expected retirement expenses into your wealth plan, factoring inflation and expected lifestyle changes	☐ Create a plan for your retirement paycheck and determine when to start Social Security ☐ Understand the impact taxes will have on your retirement paycheck ☐ Consider an annuity to help manage income and longevity risk ☐ Create a retirement budget to cover your needs, but allow flexibility for your wants and wishes	☐ Manage your spending to cover your needs, goals and priorities ☐ Plan ahead for Required Minimum Distributions starting at age 72, as well as any related taxes or increases in Medicare ☐ Create your retirement paycheck in a tax-efficient manner and revisit your paycheck strategy annually
Protect what is important to you	☐ Evaluate your options for health, disability and life insurance coverage ☐ As your income, wealth and family grow, plan for adequate life insurance to cover your liabilities and provide for your loved ones ☐ Consider property and casualty insurance; as your estate grows, you may need umbrella insurance	☐ Have a plan for supplementing Medicare with a Medigap plan, plus coverage for dental and vision care ☐ Consider the impact that a long-term care event could have on your plan and evaluate your need for long-term care coverage ☐ Use credit strategically to manage the impact of the unexpected; establish a credit line before you retire ☐ Re-evaluate your life insurance needs	☐ Enroll promptly in Medicare at age 65 and claim Social Security by age 70 ☐ Avoid selling assets in down markets by using a credit strategy or insurance cash value to supplement income ☐ Discuss your care and caregiving wishes with your family; have a plan for funding your care needs
Create a lasting legacy	☐ Take care of your estate essentials by establishing a revocable trust, will, health care directive and power of attorney ☐ See that your assets are properly titled and beneficiary designations are current ☐ Think about a gifting plan that is impactful and aligned to your values	☐ Revisit estate-planning documents, asset titling and beneficiary designations to confirm intended outcomes ☐ Consider the benefits of various trust structures to protect your assets, transfer your wealth and facilitate your estate settlement ☐ Couples should have a plan that considers different scenarios for survivorship; include housing and care needs	☐ Make sure your estate plan is aligned with your wishes and updated to reflect changes in your family ☐ Understand gift and estate tax thresholds and take advantage of wealth transfer exclusions and deductions ☐ Consider various gifting strategies, including the benefits of a donor advised fund and qualified charitable distribution

Charting a course for your next chapter

Every successful journey begins with a starting point, a destination and a plan to get there safely.

A goals-based wealth plan is uniquely suited to help you navigate your financial life. Created thoughtfully and managed over time, an RBC WealthPlan enables you to set a course, define milestones, track successes and redirect you should your circumstances change. But the real value of a wealth plan lies in delivering clarity today and confidence in your financial future.

Life is busy and tactical

This can make it hard to find time to focus on larger, longer-term goals, like your plans after your primary career ends. A wealth plan helps keep these goals top of mind, as you take action and track progress.

- Discuss your expectations and concerns
- Document and prioritize your goals
- Define and execute the action items—both large and small—that can help along the way

Life comes with risk

Clearly understanding your risk tolerance can empower you to make decisions to mitigate or manage risk appropriately.

A plan can help you:

- Stress-test your goals with scenarios
- Protect what is important to you and leave a lasting legacy
- Establish proper asset allocation to diversify and minimize investment risk
- Diversify your assets to help manage risk and taxes

Every financial decision has an impact

Consider carefully—not only whether taking action is appropriate, but how best to take that action—and how the tradeoffs are likely to affect other objectives. A plan can help give you quantitative data on the impact of your choices.

- Answer retirement questions with confidence (when can I?... how might I?... what would happen if I?...)
- Strategically manage your cash flows
- Understand the various tradeoffs and implications when goals conflict

A goals-based investment plan is an important tool

A wealth plan can help your investment strategy come to life with goal funding tied to performance, along with projections to track your progress.

- Understand outcomes, avoid unnecessary risks, rebalance and chart your progress
- Make informed decisions about your financial life

IMPORTANT: The projections or other information generated by WealthPlan regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Results may vary with each use and over time.

About Wealth Insights

Your financial journey is informed by both a clear understanding of where you are today and the strategic options that can fuel your tomorrows.

At RBC Wealth Management, we are committed to delivering insights that educate, equip and engage you for that journey.

An important component to delivering on that commitment is conducting ongoing research about people already in retirement and those preparing for it.

In collaboration with Ipsos, our most recent survey sought to understand expectations, concerns and goals related to retirement. With half of our 1400+ respondents still working and the other half retired, the survey results show a distinct contrast between expectations related to retirement and realities people in their encore phase are actually experiencing.

The results not only helped fuel this report but also offer a glimpse into the realities of our changing world.

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