

## STOP WORRYING

Kay had been a tax client for longer than I (Jim) can remember. Many years ago she quit her W-2 job and set up her own business. I had the opportunity to watch it grow to provide her with a pretty good income.

One year she introduced me to Rick, her new husband. Rick had a steady job. It didn't pay well, but it had some benefits they needed.

When Kay and Rick were in their mid 50s, they contacted me. They were concerned that they would not be financially secure in retirement. Neither wanted to work forever. It was time to create the comprehensive financial life plan that they had been putting off.

We started the process, as we always do, with a discussion about values, goals, and their relationships with money. Rick's father (now deceased) was a hard worker, but that meant that he was often absent and didn't educate Rick about money. Rick mentioned that his dad used money to buy love. It had made Rick reluctant to talk about money and bare his financial soul. That had not worked out well for him in his relationships.

Kay's story was very different. Her parents taught her all about money from an early age. Money was a means to an end. It was to be earned. And shared. There were rough times when Kay was in grade school and her dad started his own business. But the family got through it and learned that money was not to be squandered. Kay had also gone through rough times as a single mother.

Despite their very different backgrounds, both Rick and Kay shared the same goals. The purpose of money, they agreed, is to provide physical security while they enjoyed the things that matter to them.

Both identified themselves as worriers.

With Kay's help, Rick learned to talk about money. Kay is quite the extravert; Rick is more introverted. Rick was embarrassed that he earned far less than Kay. We reminded him that he would one day have a pension. Kay would not. That pension would be a critical piece of their plan. They both had great senses of humor and were clearly on the same page. That's important. When spouses are not on the same page, the greatest plan in the world will fail.

They shared the same long term goals. They wanted to retire in their mid 60s, if not earlier. Retirement didn't mean sitting at home. They would both remain active in the community. She would golf, read, and maybe work part time. He wanted to paint, golf, travel, and play guitar. They planned to downsize to a condo at some point. They also agreed that, when they stopped working, they would leave Salt Lake City and its dirty air.

When we felt that we knew them well, and understood their values and goals, and that they were in sync, it was time to create the plan.

The best definition of financial planning is connecting resources and goals. If you don't have the resources to achieve your goals, you either have to increase your resources, decrease your goals, or both.

Between them they had only about \$200,000 in savings. Because Kay was self-employed, she had the opportunity to set up and fund a retirement plan herself. Rick had a 401K plan at work.

But for the prior year, they had contributed a total of only \$10,650 to their plans. Not only were they not saving nearly enough, but they were overpaying their taxes by thousands of dollars every year. That had to change.

Our retirement income projection concluded that they needed to save at least another \$17,000 per year to achieve their long term goals. Kay had already anticipated that we would recommend a significant increase in their savings. We listened as they discussed their budget and where they could get the extra savings.

They were quite confident that they could save at least \$17,000 more per year. When we combined that nest egg with their social security benefits and his pension, we concluded that there was a strong probability (but not absolute certainty) that they would be financially secure in retirement. Both were expecting small inheritances. We told them to tell us immediately if either received any inheritances so that we could devise a plan to move the money into retirement accounts to reduce taxes and increase that nest egg.

We next moved to the part of the plan that involved investing. We considered all the relevant factors and recommended the investment strategy that would most likely help them achieve their goals. We then created an action plan to reinvest their retirement savings in ways that would be consistent with that strategy, including moving the investments in a high fee annuity to a lower fee traditional IRA.

Having charted the path to financial security, it was time to move to other issues.

Both had adult children from previous marriages. There was no monetary liability to any of them, but aging parents could present a challenge.

Kay's projected social security benefits were less than we wanted them to be. So we increased her salary to drive up her contributions and, ultimately, her benefits.

We decided that the question of long term care insurance would be deferred to another day. We also decided that they didn't need more life insurance.

Kay had a SIMPLE retirement plan, but we decided to set up a solo 401K, which would allow for greater contributions. That would be especially important if one of them received an inheritance.

We discussed beneficiary and asset titling issues and found no problems. These issues are especially important when there are children and ex-spouses in the picture.

Their estate planning was not up to date, so they agreed to see the estate planning attorney that we recommended. Robbie was present at the first meeting to make sure that the estate plan was consistent with the financial plan.

Rick and Kay are no longer the worriers that they were before beginning the financial planning process.