

FOCUS ON ASSISTED LIVING & RETIREMENT PLANNING

Tips for funding the lifestyle you want in retirement

By **MICHAEL JOYCE**

Special for Lehigh Valley Business

Retirement is an exciting time, but with it comes some challenges

One challenge is finding a way to fund your lifestyle while no longer relying on regular paychecks.



Joyce

Usually, there are stages of retirement, each requiring different levels of funding.

The first few years may be expensive, filled with travel and activities, followed by a more economical stage where traveling tends to be less appealing (“been there, done that”). The final stage involves higher costs, with more of a need for health care and/or long-term care.

You might find that you’re able to live on less than you expected. During retirement, you may be in a lower tax bracket, taking at least some of your retirement income from a return of principal, so fewer dollars will go toward taxes.

While every person’s retirement is different, when it comes to funding your lifestyle, there are a few guidelines that make sense for most people.

Social Security is a major source of income for most people who are retired and have met the eligibility requirements. Deciding when to start receiving benefits depends on many factors, including your age, health, family history and access to supplementary funds.

DEVELOPING A PLAN

It’s important to talk to your financial advisor

KEY TAKEAWAYS

Making the most out of your cash during retirement:

- **Understand** your Social Security and pension benefits.
- **Use taxable money** before tax-deferred money to keep deferring taxes.
- **Consider** a Roth conversion.

or your local Social Security office to determine a plan to begin collecting benefits. Up to 85 percent of your Social Security income may be taxed on the federal level, depending on your other sources of income.

Pensions are another source of retirement cash flow. When a pension begins, payments vary depending on the plan.

It’s imperative to speak with your employer’s human resources department prior to retiring to ensure that you fully understand your options for pension payouts.

Part of your pension amount probably will be subject to federal income tax withholding, and often you can specify how much tax is withheld. Pension payments and individual retirement account distributions are not subject to Pennsylvania personal income tax.

FIRST TAP TAXABLE ACCOUNTS

Until you reach the age to begin taking required minimum distributions from your IRA or 401k, pull retirement income from any taxable accounts you may have.

Using money from savings and investment accounts means that you won’t be paying much

in taxes, as many of those funds are considered return of capital.

If you sell investments for cash flow, you may owe taxes on gains, but don’t let that bog you down.

While it is always smart to keep taxes to a minimum, be careful not to let the tax tail wag the dog; don’t be afraid to sell when appropriate.

WAIT UNTIL 59 1/2

Tax-deferred accounts, such as employer-sponsored retirement plans (401k’s, 403b’s, etc.) and IRAs, are a popular and smart way to save for retirement.

Generally, contributions are made with pre-tax money and grow without a tax drag – and taxes are deferred until you take a distribution.

Withdrawals are treated as regular income. If possible, wait until you’re 59½ or older before you start withdrawals since taking money out of your IRA before that is considered an “early distribution,” which is subject to a 10 percent penalty tax.

Once you reach age 70½, you must begin taking your required minimum distributions from your tax-deferred accounts. If you have additional questions about these rules, review Internal Revenue Service Publication 590-B.

BENEFITS OF ROTH INVESTMENTS

Roth IRAs, another excellent savings tool, ideally should be deferred as long as possible. Required minimum distributions do not apply to Roths, so you can let this account keep growing while using your other sources of income to fund your lifestyle.

Roth IRAs have special tax benefits; if your account is at least five years old and you are 59½ or older, withdrawals from Roth IRAs are tax-free.

Also, consider a Roth conversion (converting some of another tax-deferred account into a Roth IRA).

There will be taxes due, since you are changing pre-tax money into Roth money, and it’s best to pay for these taxes out of pocket, rather than sacrificing some of the IRA money.

WARY OF REVERSE MORTGAGES

Some retirees use the equity in their home to supplement their retirement income, either by using a reverse mortgage or by downsizing to a smaller, more affordable home.

Reverse mortgages can come with high costs and are only appropriate in specific financial situations – generally only after all other income streams are exhausted.

Most importantly, plan for your retirement in advance. You should enjoy your retirement and lead the lifestyle you want.

Planning as far in advance as possible will help you reach your goals.

Michael Joyce, founder and president of JoycePayne Partners of Bethlehem and Richmond, Va., is responsible for overall investment strategy, management of investment portfolios and financial counseling services. He has more than 30 years of experience in the financial industry and seven times was named a top 100 wealth adviser in the nation by Worth magazine. He can be reached at mjoyce@joycepaynepartners.com.

SENIOR LIVING

continued from page 11

“We make sure they have resources,” Murphy said. “If they need memory support, for example, we have a list of good contacts so we can say, ‘Here’s some good facilities that might be able to help you.’”

The facility also has the equivalent of case managers on staff, people who keep an eye on the residents’ well-being and make suggestions for extra care or offer more help where needed.

FITNESS AND EXERCISE

The first goal at Traditions is to keep everyone fit and healthy. There are regular exercise and stretching classes. Heimsoth teaches a chair yoga class.

It also emphasizes health programming that



CONTRIBUTED PHOTO

The interior of one of the apartments at Traditions of Hanover.

focuses on strength and mobility to prevent falls and other injuries.

The facility doesn’t charge extra for such

classes, and Heimsoth called it a good decision from a business standpoint.

Not only is it the right thing to do to work

to keep the residents as healthy and active as possible, healthy and active residents will stay independent longer and be able to remain as residents for a longer period of time, she said.

Besides that, she said, “Residents want to be surrounded by other residents that are vibrant.”

A CRUISE SHIP YOU NEVER LEAVE

Heimsoth said despite an average age of 83 at Traditions, its residents are the kind of active, spirited individuals other seniors want to live with, which is what keeps its apartments in demand.

“I think we’re on the forefront in this area. This is the kind of community you’d find down south [where more people retire],” Murphy said.

“We’re that step in between living in your own home and assisted living. We’re like a cruise ship you never have to leave, with food, housekeeping and entertainment.”

BOOMERS

continued from page 14

Such villages, typically run by neighborhood volunteers, are funded by annual membership dues.

■ More senior-housing options.

Senior-housing options are no longer “one-size-fits-all.”

Retirees who require help with daily activities now are able to choose from a variety of settings that reflect their lifestyle choices and meet their physical needs. It is highly probable

that the choices and options available to retirees continue to grow to meet the desires and needs of baby boomers.

The life expectancy in the past 50 years has increased by more than eight years. People are living much longer and many times their families are not able to take care of them like their parents took care of their aging parents a half-century ago. In addition, baby boomers who are living longer are also looking for different housing options and a more active lifestyle.

Baby boomers are still setting new trends and continue to provide many new opportuni-

ties in the marketplace. The entire spectrum of products and services have been and continue to be influenced by baby boomers.

Indeed, the market of products and services used by baby boomers have greatly expanded at every stage of their lives. Today we are seeing that same phenomenon occurring with the options available for senior housing and assisted living facilities.

One quote to remember whether thinking about what lies ahead for assisted living facilities or many other aspects of living with the aging population is from Rosabeth Moss

Kanter, professor of business at Harvard Business School:

“The boomers’ biggest impact will be on eliminating the term ‘retirement’ and inventing a new stage of life ... the new career arc.”

Glenn Ebersole, Professional Engineer, is strategic vice president, business development/marketing and a member of the strategic leadership team at Hollenbach Construction Inc., an award-winning professional design/build construction management and general contractor organization in Boyertown. He can be reached at 610-367-4200 or gebersole@hollenbach.com.