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Intro

When our GWS team meets with prospective clients, one of the first questions we ask is, “What brought you in today?”

Most of the time, these prospective clients have undergone a significant life event — such as receiving an inheritance, going through a divorce, nearing retirement, or experiencing a liquidity event — that made them decide to seek professional guidance for their financial futures.

It may not come as a surprise that the most common reason clients walk in our door is, “I’m retiring.” Retirement is something most of us work toward for decades, but it can be overwhelming as it approaches. We’re here to help simplify the process for clients by sharing our experience with you to help you become and remain financially self-reliant.

Here are the top eight steps your GWS team will help you complete when you decide to retire.

1. Calculate your Cash Target

At GWS, we recommend identifying your Cash Target two years before you retire. However, if you are new to retirement planning with our firm, there is still time. Your Cash Target is essentially your emergency fund. This is important, so you never have to liquidate your investments when the market is down. Selling your investments during a market correction could have a significant impact on your success in retirement.

Below is the formula used to calculate your Cash Target – the first step is calculating your expenses. It might sound daunting to figure what your costs will be in retirement, but your GWS advisors will help you do the rest of the work if you have that number.

$$Expenses - Income = Annual\ Expense$$

$$\frac{Annual\ Expense}{12} = Monthly\ Lifestyle\ Expense$$

$$Monthly\ Lifestyle\ Expense \times Cash\ Target\ Timeframe = Cash\ Target$$

The "Cash Target Timeframe" above comes from the GWS Investment Committee, based on the underlying market and economy, and gets revisited quarterly. Our Cash Target Timeframe ranges from 24-36 months.

2. Calculate & Fille your Cash Hub Account Target

The next step is to calculate and fund your “Cash Hub Account Target” - in other words, the amount you need from your investments held in an account at our firm that we refill or spend down every quarter.

Depending on the tax qualification of your assets and the timeline of your income and expenses, funding and monitoring the Cash Hub Account can be complicated. Our team is here to help take the guesswork out of the process.

3. Contribute Tax Efficiently in the Year of Retirement

Whether your retirement is your highest tax bracket year or one of your lower tax bracket years, working with our team to determine how to maximize your tax-efficient contributions is vital. For one client, the best scenario could be maximizing pretax options in their 401(k) or contributing to a Donor Advised Fund for a tax deduction. While for another client, the best scenario would be to contribute to a Roth 401(k) and do a Roth Conversion in the year of retirement. Having the ability to leverage flexible tax treatment in years of higher (or lower) income is essential in this step.

4. Review Retiree Benefits Package

Your GWS team can help provide you a summary of everything you can expect from your benefits, including:

- Options with Regards to your Employers Sponsored Retirement Plans
- Pension Benefit Amount & Election Options
- Deferred Compensation Plan Payout
- Employer-Sponsored Health Insurance

Some of these benefits can get complicated because they vary based on time of service, years of compensation, age you want to take your benefits, and how the income stream is set up going forward. Also, you must decide which pension or deferred compensation elections make the most sense for you. If given the option, should you take it all at once? Spread out payments via an annuity?

Understanding how your benefits package affects your other assets and financial planning is essential. The more plans you have, the more complicated it gets because different structures are available to you. Your advisor will help you walk through all your options and determine what makes the most sense for your financial situation.

5. Access Health Insurance Options

If you are younger than 65 and do not have employer-sponsored health insurance, you will have to supply your health care coverage through vehicles such as COBRA, or if your employer doesn't offer a COBRA plan, you can try the Affordable Care Act (Obamacare).

Employing this option and depending on your income, you may even qualify for a subsidy. But open enrollment periods are limited, and you must plan your retirement accordingly. Other insurance options include less robust coverage choices with short-term plans. These plans are usually viable for generally healthy people who have no pre-existing conditions.

6. Elect Social Security

Social Security can be confusing — let alone understanding how to maximize it. Your advisor can help walk you through all the pros and cons of when you and your partner should elect to take it.

At GWS, we have our own Social Security Maximization Process to help you determine how to get the most Social Security benefits for you and your family. We can help you visualize the financial implications of electing your benefit early, at full retirement age, or later in life. That way, you can know what to expect from each possible scenario, allowing you to make informed decisions.

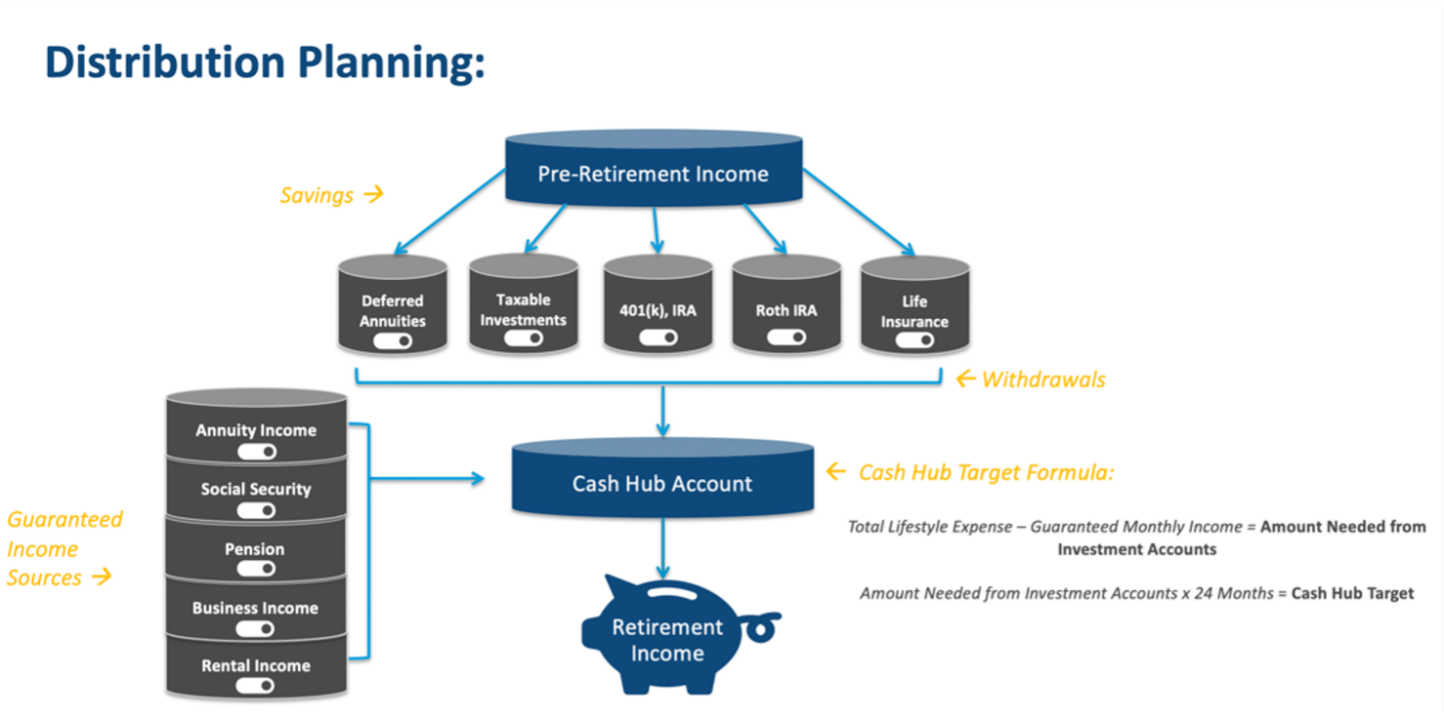
7. Set up a Monthly Withdrawal Structure and Bank Account

Our team will help you create a “paycheck” in retirement! If your company sent you your paycheck twice a month, you might set up your distributions from your Cash Hub Account to mimic that frequency. Having a set schedule like this will make your life easier and help you keep a good understanding of when your money is coming in.

By considering what your exact cash needs will be in retirement, you can make sure that you have the correct distribution funnels in place and money coming out of the bank.

8. Distribution Planning

How do you determine which accounts to pull from and when? This can be overwhelming but working with our team to create a tax-efficient strategy can save you tens or even hundreds of thousands of dollars over the long run.



Distribution Planning Cont.

It all goes back to the concept of distribution planning, which you can see depicted in our infographic above. Your advisor will help you turn on and off different levers, depending on your tax bracket, to help you take a strategic approach to tax savings.

The hallmark of our culture is our commitment not simply to answer questions but to find clear solutions that lead to better outcomes for our clients. A lot goes into the retirement planning puzzle, but your advisor can help give you confidence that you've covered all your bases.

Our highly credentialed team is here to help you and answer your questions. Feel free to reach out to us using the scheduling tool below or give us a call at (314) 924-5100. We would love to hear from you!

Disclosures

All investing involves risk, including the possible loss of principal. No strategy assures success or protects against loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

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