

Seven Steps to a Secure Retirement



STONE PINE
FINANCIAL PARTNERS



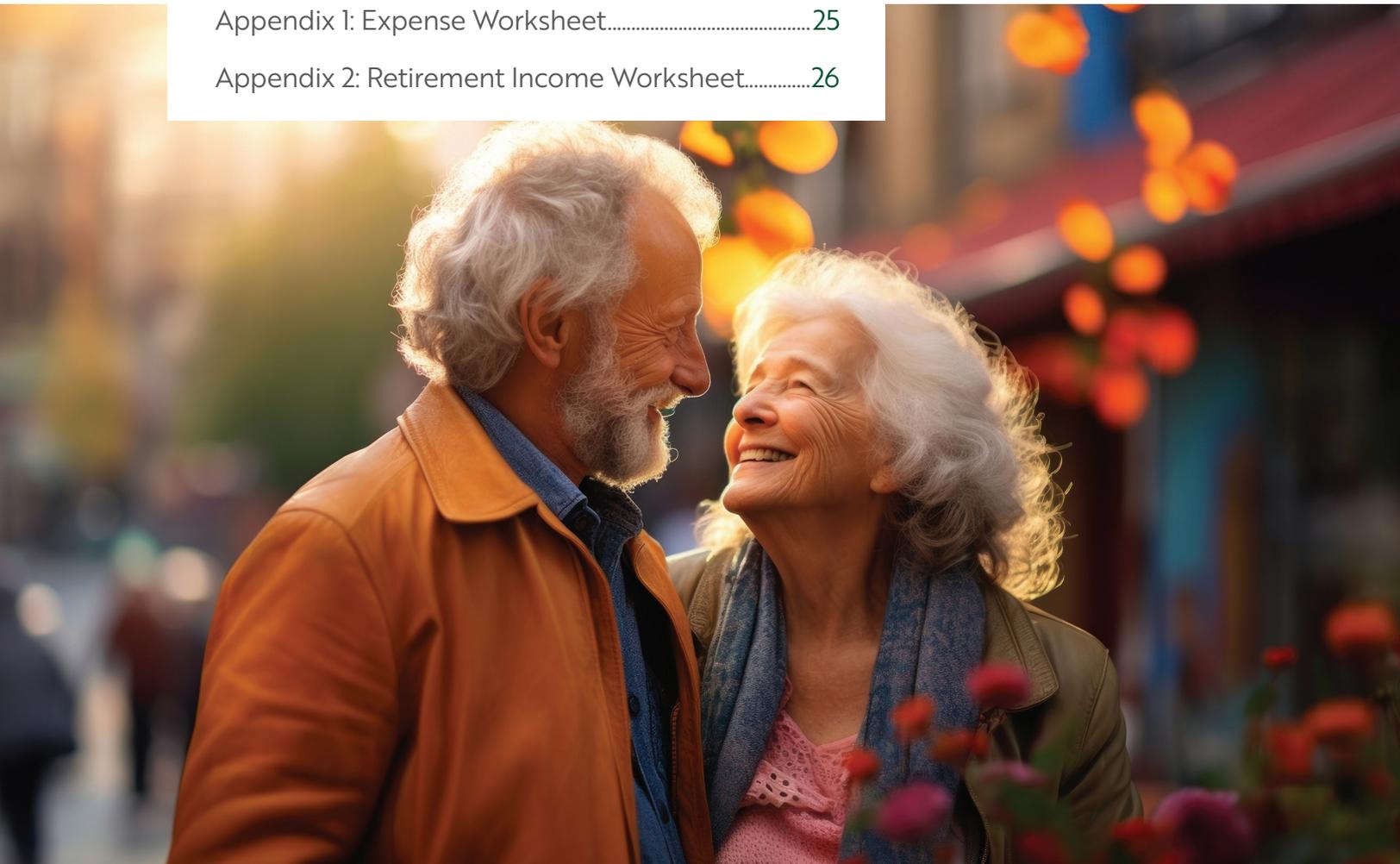
Congratulations!

If you are reading this, then you may be thinking about retirement or perhaps you recently retired.



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Retirement is a huge achievement, especially when you consider that the average person has worked more than 90,000 hours.

You have dedicated yourself to your career for decades, and you have made sacrifices for the well-being of your family. Now you want to make sure that you have control of your money in retirement. To ensure that your hard-earned assets and resources continue to work just as hard for you going forward, you need proper advice and coordinated solutions.

Stone Pine Financial Partners defines retirement as "having control of your time."

Retirement = Control of your Time

We believe the highest dividend that money can buy is control of your time, and we understand that retirement looks very different for different people. One retiree may choose to travel extensively while another may focus on a hobby or volunteering. Some may move to be closer to family and friends while others may build their dream home. And others may choose to consult or even start a new career. The key

to all of these retirement pursuits is that you have control of your time.

As experts in the transition to retirement, Stone Pine provides its clients with detailed, one-on-one planning and guidance to successfully navigate the challenges retirees face. While we are experts in investment management for retirees, there are many other decisions and considerations that need to be incorporated with your investment strategy in order to optimize your retirement experience. Once you have your coordinated plan in place, then you can fully enjoy the retirement life you envisioned, knowing your finances are working for you.

Between the clients we advise on an ongoing basis and the classes we teach in the community, Stone Pine has helped more than 900 families transition to retirement. We have found that the main concerns regarding retirement can be summed-up in the following six questions:

Retirees often ask the following questions:

- 1 Can I afford to retire? Is there a chance I could run out of money?**
Create a framework to understand your retirement readiness, which will allow you to retire with confidence.
- 2 What happens if there is a market correction? Are my investments appropriate for a retiree?**
Investing in retirement is different. Retirees have unique risks, needs and opportunities, and your investments should reflect this.
- 3 Will my spouse be okay if something happens to me?**
Attain peace of mind with a well-coordinated plan that is designed to last throughout retirement.
- 4 How do I budget for healthcare? What happens if I need long-term care services?**
Healthcare can feel overwhelming. Understand the different costs and options to make informed decisions.
- 5 Am I paying more in taxes than I need to?**
You have more control over your taxes in retirement. Learn about strategies to keep more of your hard-earned money in your pocket.
- 6 How do I coordinate all of my retirement decisions?**
Your retirement decisions should not be made independent of each other. There are many benefits to a plan that addresses all of the decisions holistically.

The answers to these questions and more can be found by following our seven-step process. As you read through these steps, keep in mind that each of their respective solutions are interconnected with the others. This means that if you make an adjustment to one area, you can be assured it will have ripple effects and potential unintended consequences in other areas. The best retirement plan is one that coordinates these seven steps into a cohesive and adaptable plan that leverages smart strategies and avoids unforeseen conflicts. This is the path to maximizing your hard work and savings, and ultimately being able to focus your time and energy where you really want to.

Seven Steps to a Secure Retirement	
1 	Your Time: <i>Decide how you want to spend your time in retirement.</i>
2 	Your Expenses: <i>Develop an estimate of your expenses in retirement.</i>
3 	Insurance: <i>Evaluate your options for healthcare and long-term care.</i>
4 	Social Security: <i>Determine the best time to start receiving your benefits.</i>
5 	Investing in Retirement: <i>Understand the financial risks, needs and opportunities you face as a retiree.</i>
6 	Tax Strategies: <i>Implement strategies that keep more of your hard-earned money in your pocket.</i>
7 	Estate Planning: <i>Establish control of your finances during retirement and beyond.</i>



STEP

1

Your Time

Question: How will I spend my time?

Answer: Start planning prior to retirement.

Before we review all of your retirement “numbers” and calculate your financial plan, it is important for you to really think about how you want to spend your time in your retirement years.

We find that the people who make the most successful transition to retirement are those who *retire to something*. That means intentionally preparing ahead of time for the retirement lifestyle you desire, so that you can enjoy every minute once it’s a reality. We know it’s a very personal decision as to how retirees choose to dedicate their time. If you’re like many people, your identity has become closely intertwined with your work, and when your career ends, you may experience a loss of that identity. The best way to combat this is to develop a plan for how you will spend your time. This does not need to be a specific blueprint of how you will spend every minute of your day, but rather an outline of the main ways in which you will want to spend your time (where? with whom? doing what?). You should also keep in mind that your plan may change once in retirement. You may discover new interests and activities that you enjoy well after your retirement has begun. This is normal and should be embraced.

When thinking about your time and your plans for retirement, consider how you will foster new and existing relationships in your life. According to an ongoing 80-year study conducted by Harvard University¹, the quality of people’s relationships has the single biggest impact on their happiness and health.

¹<https://news.harvard.edu/gazette/story/2017/04/over-nearly-80-years-harvard-study-has-been-showing-how-to-live-a-healthy-and-happy-life/>

STEP 2

Your Expenses

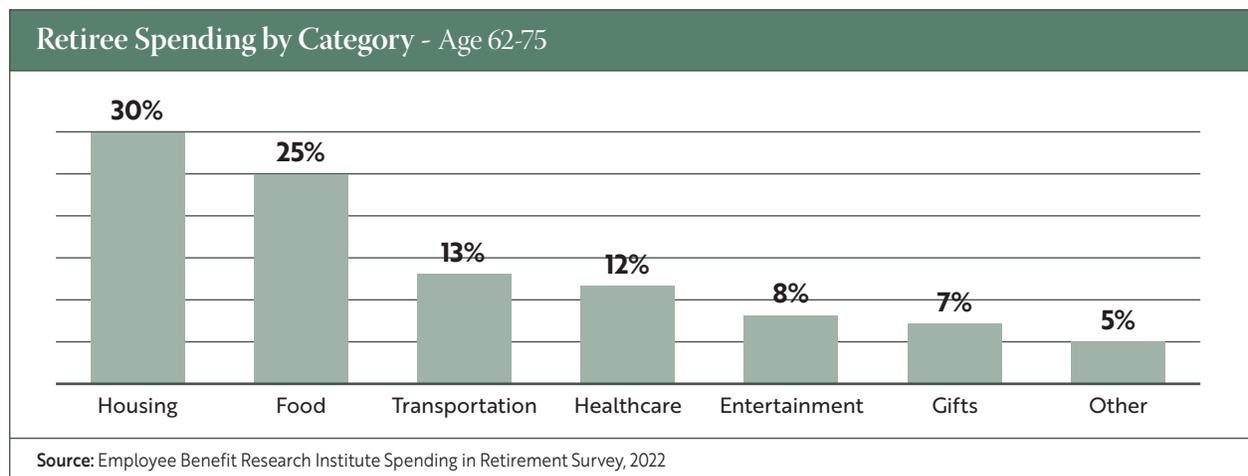
Question: Will I be able to maintain my current lifestyle, and what expenses will I face in retirement?

Answer: Create a system to review your expenses, and how they may change over time.

Once you've considered how you will spend your time in retirement, you are ready to dive into the numbers. The best place to start is with your expenses because these drive the majority of the financial decisions in retirement. **Until you know the expenses that you will encounter in retirement, it will be quite difficult to determine the best financial allocations and strategies for your situation.**

According to the Employee Benefit Research Institute (EBRI)², housing is the largest expense for retirees. On average, housing costs more than entertainment, healthcare and transportation combined. Therefore, it's wise to review your housing costs first. These may include a mortgage payment, real estate taxes, insurance, utilities, maintenance and renovations. Regardless of whether you plan to stay in your current home, downsize or move to a new location, it is a good idea to be aware of your current housing expenses and the costs of potential alternatives. Each scenario will have very different expenses related to taxes, utilities and maintenance. For example, if you currently live in a house with high tax bills, you may not get to realize a full deduction for your real estate taxes in retirement given current tax law and the makeup of your retirement income.

Once housing has been fully reviewed, it is important to draft an Expense Worksheet³ of all the other normal expenses you anticipate in retirement. This is a crucial step to understanding your total obligations in an average month.



²https://www.ebri.org/docs/default-source/pbriefs/ebri_ib_572_spendinginret-6oct22.pdf?sfvrsn=bba5382f_14

³https://docs.google.com/spreadsheets/d/1lMNDj7tAccrDR_Qroj8laQD279Q_4G7VKGWdAtIbdXA/edit#gid=0



As you complete your Expense worksheet (pg. 25), it is a good exercise to carefully consider which of your expense categories will likely decrease or increase in retirement. Perhaps your transportation costs will decrease when you no longer commute to work. Or maybe they will increase because you're embarking on travel. One trend that is interesting to note is that retiree spending on food has more than doubled since EBRI's previous study five years ago. This is probably the retiree spending category that has been most impacted due to inflation.

You'll also notice on the Expense Worksheet that there are two main categories called Core and Discretionary. Think of your "core" expenses as your "needs" (housing, food, healthcare) and your "discretionary" expenses as your "wants" (travel, entertainment, membership dues). It can be very helpful to categorize your expenses in this way so that you can later match certain income sources to specific fixed or discretionary expenses.

One other thing you'll want to consider is the expenses you incur on an irregular basis. For example, you may need a new car or a new HVAC system for your home. As you well know, these major expenses never show up consistently. It's more important than ever to plan for these costs ahead of time so that your income sources can be assigned and ready when you face them.

For those who have always utilized a written budget, completing the Expense Worksheet may come easily. For those who have made it to retirement without any budget, we understand that completing the Expense Worksheet may be daunting and seem unnecessary. For better or worse, retirement is a time of change, and the Expense Worksheet is a necessary exercise intended not to rein in your expenses, but to make soon-to-be retirees aware of their expenses. Your efforts in completing the Worksheet will have a big payoff and lead to developing various strategies you can employ to maximize your hard-earned savings and reduce the amount of taxes you owe.





STEP

3

Insurance

Question: How do I determine appropriate coverages for my situation?

Answer: Understand the basics of Medicare and Long-Term Care Insurance.

Healthcare

Many of us don't look forward to turning another year older. But when it comes to health insurance, many people are excited to turn 65. Compared to the alternatives, Medicare is the best health insurance system we have, and it tends to be significantly less expensive than "pre-65" options. For those who would like to retire prior to age 65, we encourage you to do so, but you will want to explore your healthcare options closely. One option may be COBRA coverage from your last employer to serve as a bridge until Medicare takes effect. Alternatively, you may need to obtain your own coverage from the federal or state healthcare marketplace exchange (see healthcare.gov). We also have clients who continue working part-time for an employer who provides healthcare insurance.

About three to six months before you turn 65, you'll want to start exploring your Medicare options. (Note: You won't need a reminder because your mailbox will be flooded with various Medicare advertisements.) We suggest that you engage the services of a Medicare advisor who will direct you towards the right type of coverage based on your family situation and health history. Your first decision involves selecting a Medicare Advantage Plan or a Medicare Supplement Plan. Think of an Advantage Plan like an HMO and a Supplement Plan like an open network.

Most of our clients choose a Supplement Plan (also referred to as Medigap) because while it is more expensive, it provides greater flexibility with medical providers and other services. If you choose a Supplement Plan, there is a baseline Part B premium that everyone is required to pay. This is automatically deducted from your Social Security payments, or billed to you quarterly if you have not yet claimed Social Security. Currently, the Part B premium is approximately \$185 per month. Additionally, you'll pay for your Supplement Plan and likely a Prescription Plan. Depending on your total income each year, your Part B and Prescription Plan rates may increase due to the Income Related Monthly Adjustment Amount (IRMAA). This is an area that should be examined closely in advance to understand what will result if you increase your income beyond one of the IRMAA thresholds.

Long-Term Care

Retirees also face questions about Long-Term Care (LTC). LTC is for services received at an assisted living facility, a nursing home, or most commonly through "Home Care" where a care provider comes into your home to help with various activities of daily living. Typically, these are all viewed as "later in life" assistance, however, the services also exist for recoveries from illness, accidents or medical procedures. Regardless of the reason you may need LTC (and statistics show that about 70% of seniors will need some LTC services), Medicare will not pay for the vast majority of these bills. This essentially leaves you with three options: **1) self-fund, 2) LTC insurance, or 3) Medicaid.**

Option 1.

Self-Fund:

To self-fund means that you have enough savings set aside for a future LTC need. But how much would you need to set aside? The costs of various LTC services range widely. A nursing home stay alone can cost more than \$100,000 per year.

Neither you nor your advisors can know: a) if you will actually need LTC, b) how much LTC will cost when you might need it, and c) how long your LTC will be required. Therefore, we cannot project a specific amount to reserve in advance. This becomes one of the areas of finance where we need to take an educated guess, and then revisit the topic from time to time. Typically, your mid 50s to early 60s is a good time for you and your advisor to determine a reasonable amount of money to be earmarked for LTC needs in the future, and/or investigate some type of LTC insurance.

Option 2.

LTC Insurance:

As a general rule of thumb, we find that LTC insurance is most appropriate for those with retirement assets in the range of \$500,000 - \$2,000,000. If your assets are greater than this, then the likelihood that you can self-fund increases. If your assets are less than this, then it is more likely that you will need LTC insurance. If you cannot afford it, however, you will need to explore other options with your advisors.

There are two main types of LTC insurance: "Traditional" and "Asset-Based."

With "Traditional" insurance, you pay an annual premium for life or until you "go on claim." This annual premium provides you with a pool of benefits which includes the insurance company paying for your LTC. The actual cost varies greatly and depends on factors such as your age, health and amount of benefits you seek.

One of the downsides to Traditional coverage is that many policyholders' premiums increase multiple times over the course of coverage. This is due, in part, to the fact that the LTC insurance industry is relatively new, as compared to Life or Disability insurance lines, and many of the LTC insurers underestimated the costs and number of claims they would ultimately receive. Experts believe more premium increases could be on the horizon.

"Asset-Based" insurance involves paying a significant up-front premium to purchase a life insurance policy that offers an LTC component. The good news is twofold: your coverage is locked-in and with this type of policy, you will not receive increased premium notices. But these benefits come with a hefty price tag. Asset-Based premiums can range from \$50,000 to over \$100,000. If you can afford this initial premium, the Asset-Based policy provides you with the comfort and knowledge that your money will be used in one of three ways: 1) for LTC, 2) as a death benefit for your beneficiary, or 3) returned to you, as most policies allow the cancellation of coverage and a return of your initial payment.



Option 3.

Medicaid:

Not to be confused with Medicare, Medicaid is the insurance coverage that will take over when a person has spent down almost all of their assets. Medicaid law is nuanced and mandates many rules for qualification, including which assets a person can retain (e.g., your main residence) or gift (e.g., "look back periods") in order to obtain Medicaid. Medicaid should be viewed as a last resort, but it will cover LTC costs. That said, LTC through Medicaid will provide far

fewer options for your care, because Medicaid does not approve coverage at certain facilities. Medicaid pays for about 50% of all LTC costs in the US.

Long-Term Care is one of the more complex decisions a retiree needs to make. If not carefully considered, the financial consequences of LTC can be significant and damaging.



STEP **4**

Social Security

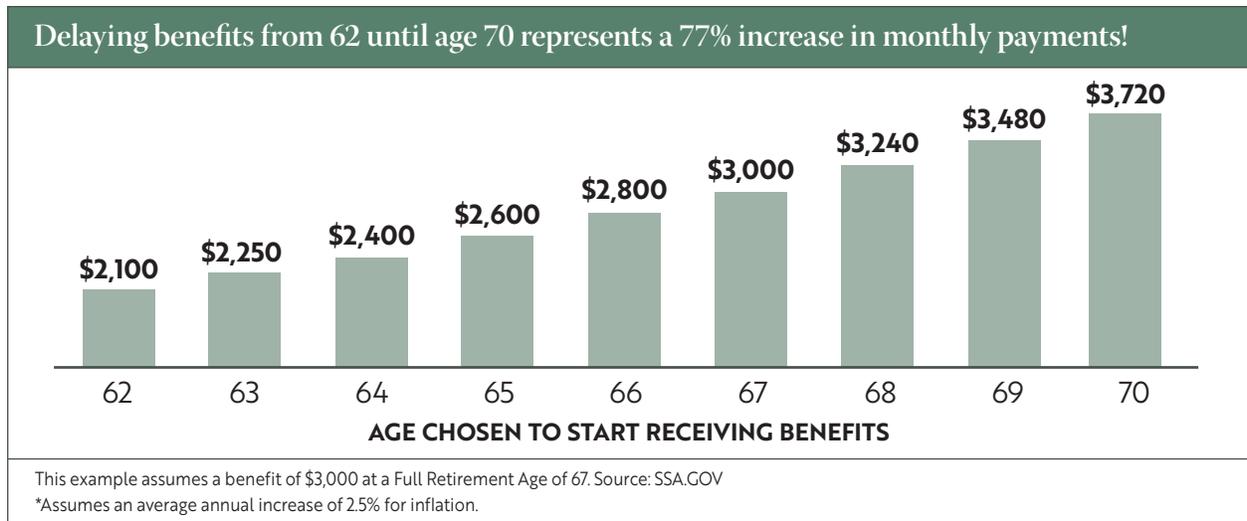
Question: When should I start receiving benefits?

Answer: Consider other income sources, your age, your health and your spouse’s circumstances.

You may have never thought of Social Security from this perspective before, but you’re sitting on a rather significant asset. For someone with a \$3,000/month benefit, at what the Social Security Administration deems to be “Full Retirement Age,” **a person will receive a total of about \$1,100,000 in payments by age 90***. You have a lot of money on the line, and you’ll want to consider your options carefully.

The big question everyone tries to figure out is “when should I start receiving my benefits?” Yes, there are free software programs you can access online that will run projections for you regarding Social Security benefits and show you the differences in claiming earlier or later. Most financial advisors can run a similar analysis for you as well. But, in addition to simply understanding the difference in amount you will receive based on the age at which you start claiming, you need to make sure your claiming strategy takes into account the other aspects of your retirement planning. For example, when you start receiving Social Security will have an impact on your taxes and your retirement distributions, and could even affect how much you pay in Medicare premiums and more!

Before we dig into all of the details and rules that make up the complex Social Security system, you should first get an estimate of all of your retirement income sources. This will prove helpful in deciding when to start collecting Social Security. The Retirement Income Worksheet ⁴ (pg. 26) provides you with an easy way to estimate your income sources. Once you have completed your income estimate, you can then determine if you will have the flexibility to delay your filing date or if it will be necessary to collect right away. This estimate will provide you with more context as you weigh some of the other variables and decision points which you’ll read about below.



⁴https://docs.google.com/spreadsheets/d/1B8yM-aCScd9g5xpsjj_tudPpLiuwulWBJ_VyyZ4FrA/edit#gid=0

Generally, you can start claiming benefits at any time between the ages of 62 and 70 (age 60 if you are a widow/er). The majority of people claim benefits early, and while there are sometimes good reasons to claim early, many of those who do so would have benefited from postponing that decision. If you claim early, you receive a reduced benefit, and if you wait until later, you receive more. These increases or decreases adjust on a monthly basis. So, if someone receives benefits at age 62.5 versus 62, they would receive a bit more for having waited the additional six months. The difference in benefit amounts can be significant. In fact, the difference in benefits between someone who claims at age 62 versus waiting to age 70 can be up to 77%!

Breakeven Age: Regardless of when you decide to start collecting benefits, you will receive the same total amount of Social Security benefits by approximately age 80. If you started collecting at 62 versus Full Retirement Age⁵ (FRA) or 70, by the time you reach 80 you will have received roughly the same total amount of dollars. So, for those people who live well into their 80s, 90s or beyond, this is when a delayed filing can amount to significantly more total dollars received.

Earnings Limit: When trying to determine when to start benefits, the earnings limit is a great place to start, and it can reduce your appropriate age-range for filing. If you are still working and have not yet reached FRA, you will probably **not** want to file for Social Security benefits early. If you earn more than \$23,400 per year, Social Security will withhold a significant portion of your benefits. Note that this is only on “earned income” from working. Therefore, if you have “investment income” or other income on your tax return, that would be okay as long as it is not from employment. It rarely makes sense to claim a reduced benefit and then have a large portion of that benefit withheld. The earnings test goes away once you hit FRA, at which point you could go ahead and claim benefits even if you’re still working.

Spousal Considerations: If you are married, you need to view Social Security as a joint decision. One reason for this is because when one spouse passes away, the surviving spouse gets to continue the higher of their own benefit or their spouse’s (but not both). Therefore, it is often a good strategy to try to maximize the higher benefit by delaying a claim as long as possible, and therefore lock-in this high benefit for both spouses’ lifetimes. In addition, there is also something called a “spousal benefit” which is 50% of the spouse’s FRA benefit. Each person is entitled to either their own benefit or a spousal benefit, whichever is higher. If you are a widow/er, there is an additional claiming strategy that can potentially help you maximize your Social Security benefits. You can first claim a benefit off of your deceased spouse’s record (survivor benefit), while allowing your own benefit to continue to grow. By age 70, you can switch to your own Social Security benefit if in fact it is higher than your survivor benefit.

⁵<https://www.ssa.gov/benefits/retirement/planner/agereduction.html>

Other Considerations and Coordination:

Health: You should think about your health and family longevity. If you have longevity on your side, that may tip the scale toward potentially delaying for higher benefits. If the opposite is true, that would tip the scale toward an earlier filing.

Work and other income: When you retire, will you need Social Security benefits to meet expenses, or will you have other resources that would allow you to delay filing? If you have other resources, not only will you lock-in higher benefits by delaying, but you will also avoid paying taxes on the Social Security income until a later date. More on this below.

Taxes: Yes, most people have to pay taxes on their Social Security benefits. You will likely pay ordinary income taxes on 85% of your Social Security benefits (said another way, 15% of the benefit is received tax-free). If Social Security is your only income source, or your main income source, then anywhere from 0%-50% of the benefit would be taxable.

The early years of retirement present you with some great tax planning options. For those who can afford to wait until at least FRA or longer, your overall taxable income will stay lower, which in turn provides you more “room” to evaluate other smart tax strategies. We discuss these strategies later in this guide.

STEP 5

Investing in Retirement

Question: Will I need to change my investment strategy in retirement?

Answer: Investing in retirement is different. You'll need a coordinated plan that allows for consistent distributions and protects against the unique risks retirees face.

Investing in retirement is different. Even if you had some good investing habits during your working years, you'll need to make some adjustments to your investment strategy as you approach retirement. In retirement, you have two competing needs from your investments: safety and growth. The problem is that the more you focus on either of these needs, the farther away from the other you go. Focus too much on safety, and you won't have a portfolio that grows or keeps up with inflation. Focus too much on growth, and you introduce many risks that are otherwise avoidable.



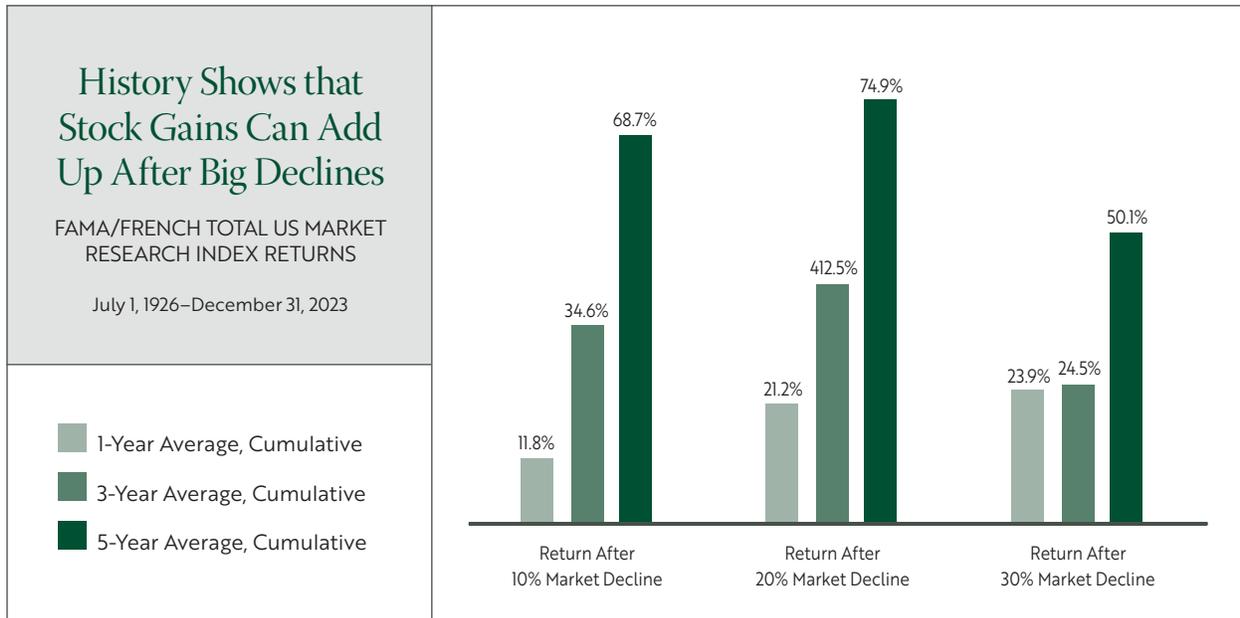
The main reason investing in retirement is different is because you maintain a portfolio of investments while also tapping into it for income and distributions. This can be a challenging mental shift for many people. For decades, you've been in the habit of saving money into your investment portfolio and watching it grow over time. Now the idea of "taking away" or distributing from the portfolio can be very difficult to stomach. The good news is that there are systems you can put in place to distribute a reasonable amount, while not being at risk of severely reducing your investment balance.

One of the main reasons you need to have a good retirement investment strategy in place is because of something called **Sequence of Return Risk**.⁶ When you are taking distributions from your investment accounts, the returns you receive in the early years of retirement can have a disproportionate effect on your portfolio balance for the remainder of your retirement years. Said another way, investing mistakes are magnified in retirement, and you can't afford big mistakes.

There is one thing about investing in retirement that does not change. You do not want to attempt to "time the market" or make investment decisions based on predictions about economic changes or a company's future prospects. Making investment changes based on predictions is dangerous at any time, and we would argue it's even more perilous in retirement.

⁶<https://www.blackrock.com/us/individual/literature/investor-education/sequence-of-returns-one-pager-va-us.pdf>

The following is a good example from recent history. In March of 2020, the stock market plummeted about 30% as COVID-19 started to shut down major parts of the global economy. People were scared both on a personal level regarding the health of their families, and also on an economic level regarding job loss and investment balances dropping precipitously. It would have been very hard, if not impossible, to predict the rapid nature of the stock market's rebound, which started just a month later. However, the stock market has a consistent track record of making rapid gains when we least expect it.



Let's assume that in the beginning of 2020, someone near retirement had \$2,500,000 in stock investments. By March of 2020, they had just experienced one of the quickest and most severe market downturns in history due to COVID-19. They rationalized that since they were about to retire, they did not have the long timeframe to wait for a recovery, and so they sold their stock funds to stop the rapid losses. Selling their stock funds in March locked in a loss of about \$750,000 and their overall account balance dwindled to \$1,750,000. Then, as the market started to make its quick recovery over the summer, it was certainly painful to realize their mistake with the sale of stocks. However, as damaging as their \$750,000 mistake was, it was actually worse. Not only did this individual need to decide when to get back into the rising market, but their \$750,000 loss equated to lots of shares in companies they no longer owned, and which would never be able to grow and compound for them in the future. Over the course of the next two decades, this \$750,000 mistake could easily balloon into a **\$3,000,000 missed opportunity!**

The stock market can be very cruel to those who try to outguess or time the market. The market has no emotions and no compassion for your situation and needs in retirement. To combat this, you must develop an investment strategy that is consistent and reliable in good times and bad. Your strategy should expect the market to have major downturns from time to time, and your plan should allow you to access consistent income in the face of unpredictable headwinds.

Investing in Retirement and Avoiding Costly Mistakes

- **Growth and Safety:** Start by determining how much of your investment portfolio should be in growth assets (stocks) and how much should be in safe assets (bonds). Bonds play a vital role for retirees. They act as a cushion and safety net for distributions in the years when stocks do not perform well. In years when the stock market is down in value, one can access distributions from bonds. This way you never need to sell stocks in times when they are down in value. We typically like to see a retiree have five to ten years' worth of future distributions in higher quality, short-term bond funds. Having the appropriate balance of growth and safety assets will have a significant impact on combating Sequence of Return Risk.
- **An Additional Layer of Safety:** Some people are comfortable seeing variation in their investment portfolio value while taking distributions, while others simply are not. Income Annuities (think: create your own pension) and other strategies such as bond ladders (investments that are segregated to provide a known amount of money for your distributions years in advance) can be integrated into a retiree's income strategy for those with a lower tolerance for risk.
- **Diversification:** Proper investment diversification is always important, but even more so in retirement. The preferred investment vehicles are typically low-cost Exchange Traded Funds (ETFs) that give you broad exposure to different areas of the investment landscape, while eliminating the risk of any one company or sector having a significant impact on your results.
- **Distributions:** You need a framework for distribution decisions. How can you be confident that you aren't taking out too much, or taking out too little? The 4% rule is commonly followed and states that you can take an initial withdrawal of 4% of your investment portfolio. In subsequent years, you can adjust this amount upwards by the inflation rate. This is a great starting place to come up with an initial estimate or range. However, we would recommend you further refine your distribution strategy (possibly allowing you to distribute more than 4%), because the 4% rule does not account for some important things such as taxes, proper investment diversification, variable withdrawal strategies and more.
- **Give Yourself a Raise:** It's also worth noting that we believe retirees run a significant risk in actually not spending enough money. Given the inherently opaque nature of their withdrawal decisions, many retirees err too far on the side of caution. This can mean retirees find themselves at the end of retirement with way more money than at the beginning. There is, of course, nothing wrong with growing your account balances throughout retirement, but if you would like to have more flexibility to spend more of your hard-earned resources, that's where we think a dynamic, rules-based distribution plan can be very powerful.

STEP

6

Tax Strategies

Question: How can I minimize my tax obligations in retirement?

Answer: Not all sources of money are taxed in the same way. A thoughtful withdrawal strategy can reduce your tax liability throughout retirement.

As a retiree, you will find that you have much more control over your taxes than at any other point in your life. When you are working, there is very little you can typically do to offset the amount you pay in taxes. You can, of course, fund your pre-tax retirement accounts, but beyond that you generally owe taxes on all earned income. In the US, we have a graduated tax structure. This means that as your income increases, these higher amounts of income are subject to higher rates of tax. Here are the tax rates for 2025:

TAX RATE	TAXABLE INCOME (SINGLE)	TAXABLE INCOME (MARRIED FILING JOINTLY)
10%	Up to \$11,925	Up to \$23,850
12%	\$11,925 to \$48,475	\$23,850 to \$96,950
22%	\$48,475 to \$103,350	\$96,950 to \$206,700
24%	\$103,350 to \$197,300	\$206,700 to \$394,600
32%	\$197,300 to \$250,525	\$394,600 to \$501,050
35%	\$250,525 to \$626,350	\$501,050 to \$751,600
37%	Over \$626,350	Over \$751,600

It is more important than ever to understand these tax brackets. In retirement, your various assets and investments can have different tax consequences when turned into distributions and income. The three ways retirement income can be taxed include: 1) ordinary income, 2) capital gains, or 3) tax-free. For example, if a retiree needs to distribute \$8,000/month from their investments, this money could all be taxable, tax-free or somewhere in between – depending on the source of the money. Over time, these decisions can have a major impact. This means either significant dollars will be left in your accounts to grow for your future needs, or significant dollars will go to the IRS. Obviously the first option is more appealing, which leads to the question: how do you actually do this?

The different ways retirement income can be taxed:

- ① Ordinary Income Tax
- ② Capital Gains Tax
- ③ Tax-Free

Retirees are often shocked at just how low their tax liability can be in the early years of retirement. It is not uncommon to see people with a total savings from \$1,000,000 to \$5,000,000 who have an effective tax rate below 15% or even 10%. If you retire in your early or mid-60s, not only are you not paying tax on your working salary anymore, you also might not yet be claiming Social Security, and you also don't have Required Minimum Distributions (RMDs) from your retirement accounts. The opportunity that often presents itself in the early years of retirement is to take full advantage of these low tax years.

Required Minimum Distributions (RMDs)

Many people have saved a significant portion of their retirement assets within pre-tax retirement accounts. While this was likely a smart decision, as it reduced your taxable income during your high-income working years, you could now be facing a "ticking time bomb." Whenever you take distributions from these accounts, you will pay ordinary income taxes. And by the time you are in your 70s, the IRS will start forcing you to take distributions every year, whether you want to or not. RMDs start at 73, and this age is set to increase again to 75 in 2033. Retirees who were once shocked at their low tax liability in the early years of retirement may become shocked at how much higher their taxes have become in their mid-70s and beyond. To combat this potential tax problem, you could consider the following strategies and solutions:

Retirement Tax Strategies:

- Roth Conversions:** This is the process of transferring some assets from your pre-tax retirement accounts (401k, 403b or Traditional IRA) into a Roth IRA. Funds in a Roth IRA grow tax-free for you or even your beneficiaries.

When you convert pre-tax money into a Roth, you pay taxes on that amount of money in the year in which you make the conversion. This often works best for the early years of retirement when your taxes are low. This means the extra income from the Roth Conversion could also be taxed at a low rate. In fact, you can plan this out in a rather detailed fashion by projecting your taxable income for the year, and then doing a Roth Conversion in an amount that keeps these dollars taxed at a relatively low rate.

For example, let's say a married couple in their early 60s has projected that they will have pension income of (\$50,000), a 401(k) distribution (\$20,000) and some supplemental distributions from a cash reserve (\$30,000). This will cover their total expense needs for the year of \$100,000. The pension and 401(k) distributions are taxable and the cash reserve funds are tax-free. So, they would take their \$70,000 of total income, and once accounting for the Standard Deduction on their taxes of roughly \$30,000, their "taxable income" would be approximately \$40,000. If we refer back to the tax rate chart on the previous page, you'll see that this puts them squarely in the 12% tax bracket with about \$57,000 of "cushion" until they would move into the 22% bracket.

RETIREE WITH \$100,000 OF INCOME		0% CAPITAL GAINS EXAMPLE	
Pension	\$50,000 taxable	Buy ETF (cost basis)	\$100,000
401(k)	\$20,000 taxable	Sell ETF	\$120,000
Cash Reserves	\$30,000 tax-free	Capital Gains	\$20,000
Total Taxable Income	\$70,000	Net Taxable Income	\$40,000
Standard Deduction	\$30,000	Plus Capital Gains	\$20,000
Net Taxable Income	\$40,000	Total	\$60,000
Additional Room in 12% Bracket	\$57,000	Capital Gain Tax Rate	0%

*Married Filing Jointly

If the married couple does a Roth Conversion for about \$57,000, they will only be paying 12% in taxes! Not only is this probably a lower rate than they would pay in the future (not even considering the chance that Congress could increase tax rates in the future), but it will further reduce the amount of their RMDs as well. The Roth Conversion strategy is typically most effective for retirees to evaluate on an annual basis between their first year of retirement and when they reach age 73.

- **0% Capital Gains:** Capital gains taxes are assessed on the gains you have in investments that are “realized” (sold) in “after-tax” (non-retirement) accounts. If you purchase an investment for \$100,000 and a year or more later sell it for \$120,000, then you would have a capital gains tax owed on the \$20,000 you made. The capital gains tax rate is commonly referenced as 15%, but in actuality is anywhere from 0% to 23.8% (including the 3.8% net investment income tax that applies at high income levels). Retirees may be presented with some opportunities to realize gains at 15% or even 0% (no tax!). Specifically, the 0% tax rate is for people who fall within the 10% and 12% ordinary income tax brackets. To the extent that there is still “room” within the 12% bracket, you can sell an appreciated investment and pay no tax on the gains.

Let’s take the same example that we used with Roth Conversions. The couple’s projected taxable income was \$40,000, leaving approximately \$57,000 of income that could still be realized in the 12% bracket. They could sell the \$120,000 mutual fund we referenced above with \$20,000 of gains and not owe a penny of federal taxes! And, taking this one step farther, even if they don’t need to sell this mutual fund for their distribution needs, they could still sell it (realizing the 0% gains) and then immediately buy back the same fund. Why would anyone do this? Because you will just have reset your cost basis to the current value of \$120,000. This means that when you want to sell this fund, or part of it, in the future, only gains in excess of \$120,000 would be subject to capital gains tax.

- **Donor Advised Fund:** Based on current tax law, the vast majority of retirees end up taking the Standard Deduction as opposed to Itemizing. One of the consequences is that charitably-inclined retirees are often no longer able to receive a tax deduction for their contributions (because they would need to itemize in order to receive a deduction for charitable contributions). While tax deductions are, of course, not the sole purpose of giving to charity, receiving a complimentary tax benefit is still possible but requires a little more planning. The Donor Advised Fund (DAF) is a way to “lump together” a handful of years’ worth of charitable giving while receiving a tax deduction large enough to trump the Standard Deduction amount.

For example, let’s assume that a couple plans to give \$10,000 to various charities each year. Given current tax law, they might not be able to deduct this amount each year, because the Standard Deduction is higher. However, if they took a few years’ worth of charitable donations, let’s say \$40,000, and set these funds aside in a DAF, they would then be able to take a deduction on the full \$40,000 amount. Furthermore, this would allow other smaller deductions for certain interest payments, medical expenses and more to be added on top of this figure. Once the funds were in the DAF, the couple still would have control to invest the money, and they could distribute it to charity at any time, in any year. This process could be repeated every few years so that they could itemize their taxes and receive a much higher deduction once every four years.

- **Qualified Charitable Distributions:** Another great way for retirees 70.5 years of age and older to give to charity is via Qualified Charitable Distributions (QCDs). You are allowed to give to a qualified charity with payments directly from your IRA accounts. Not only are the distributions to charity tax-free, they also count towards your Required Minimum Distributions (up to \$108,000). When you coordinate this with your total distribution and income planning, it can be a powerful tax strategy.

In order to take full advantage of your newfound “tax flexibility” in retirement, you need to do projections each year that assess your annual distribution needs, how to feasibly produce these distributions from certain accounts, and how you can minimize your tax liability and/or take advantage of strategies to limit your taxes in the future. More than just paying less in taxes, you will reap the real benefit: more dollars left in your investments to grow and compound into the future. Even small tax savings can result in significantly increased account balances over time. And larger account balances mean more money for you to spend in the future, give to charity or pass along to your children.



STEP

7

Estate Planning

Question: How can I ensure that my beneficiaries won't inherit some major problems?

Answer: Establish your intent with simple strategies to provide peace of mind.

If you ask a friend who handled the administration of their parents' estate, you will inevitably be told that it was more complicated and time consuming than they could have ever imagined. Proper estate planning ensures that your wishes are carried out after you are gone. It can also provide your heirs with the gift of an intentional, directed plan that they can follow at an often emotional time.

The first step to address regarding your estate planning is to make sure your wills, powers of attorney and health care directives are up-to-date. Reasons to update your estate documents include: 1) you don't have all of these documents, 2) you haven't updated these documents in more than five years, and 3) your family dynamics or financial situation has changed significantly within five years.

In addition to the primary estate documents listed above, here are some additional common strategies and estate planning techniques to consider:

- **Gifting:** Every individual can give up to \$19,000 per year to another individual or entity without needing to file a gift tax return. This can be an easy way to provide money to someone with a great need while also reducing the size of your estate. Reducing the size of your estate can reduce both your income tax and potential estate tax liabilities in the future. Giving directly to children, putting money in a 529 education savings account for grandchildren, and giving to charity are common methods of gifting.
- **Minimize Probate:** Probate is the process by which the court legally administers a person's estate after their death. While this process typically cannot be avoided in its entirety, you can avoid probate for specific assets. This can result in a much quicker transfer of some assets, less transfer costs and generally fewer headaches. Two examples: Place beneficiary designations on your after-tax investment accounts via a Transfer on Death election. If you own a second home in another state, you should look into transferring the ownership of the home to a Revocable Living Trust.



- **Trusts:** Trusts come in many different shapes and sizes and they are utilized for many different reasons. Typically, trusts are used for avoiding probate, maintaining privacy, minimizing estate taxes, helping children with special needs, maximizing charitable giving and transferring business ownership — particularly closely-held family businesses.

As we have mentioned previously, you've worked very hard to reach the milestone of retirement. Estate planning is an important step to ensure that your hard work and wishes prevail during and even beyond your retirement.

A second congratulations is in order as you've made it all the way to the end of this guide. There's admittedly a lot of information and a lot to digest. Since you're still reading, you are obviously taking your retirement seriously, which is the first step toward maximizing your retirement years. Like so many challenges in life, the best solutions require a coordinated approach. We believe people have worked too hard and too long to not take full advantage of the fruits of their labor. Once you understand the main variables, the proper order in which to address those variables, and how to coordinate and effectively implement solutions, you will have a refined retirement plan — a plan that allows you to proceed through retirement with confidence and peace of mind.

Are You Ready to Make the Most of Your Retirement?

At Stone Pine Financial Partners, we've carefully designed a three-step process to help prospective clients navigate their retirement journey with confidence. **Your Retirement 360™** organizes your financial picture, provides clarity on where you stand, and empowers you to make informed decisions about your future.

This process culminates in personalized recommendations that highlight the most important decisions and factors you need to address — ultimately providing you with a clear plan of action. Your recommendations will incorporate the Seven Steps to a Secure Retirement, showing you how to coordinate these key factors, along with other important considerations, to align with your unique needs and goals.

Your customized plan will include:

- ① How to create a "Retirement Paycheck" to provide secure and reliable income
- ② An investment approach that addresses the risks, needs and opportunities you face in retirement
- ③ Smart tax strategies to keep more of your hard-earned resources in your pocket
- ④ A Social Security strategy designed to maximize benefits for you and your family
- ⑤ Advice regarding charitable giving, healthcare, housing decisions and more
- ⑥ A trusted advisor relationship that offers a true sense of security and peace of mind

If our recommendations and course of action resonate with you, you will have the option of working with our firm on an ongoing basis to implement and oversee your retirement plan.

Take the First Step

If you'd like to explore the possibility of working with a retirement advisor, or if you'd like a second opinion to ensure that you're making the right financial moves as you prepare for retirement, contact us to schedule an introductory phone call. The call is complimentary, and there is no obligation.

610-565-9181 | info@stonepinefinancial.com

About Stone Pine Financial Partners

Stone Pine was founded in 2015 as an independent advisory firm, providing clear and customized advice while leveraging the resources of some of the largest and most respected financial institutions. Stone Pine acts as a fiduciary for its clients and believes that the transition to retirement is the most important period in people's financial lives. The average person has worked over 90,000 hours to reach the point of retirement. You have worked hard, and we believe that your assets and resources should work just as hard for you in retirement. Stone Pine helps people optimize their retirement resources by providing:

- ① **Portfolio Management:** an investment strategy designed for the risks, needs and opportunities retirees face.
- ② **Tax Planning:** proactive steps to reduce your tax obligations.
- ③ **Coordinated Solutions:** a cohesive plan that considers Social Security, charitable giving, healthcare, housing decisions and more.

Our Team



Kevin Manning, CFP®
Founding Partner

When Kevin is out of the office, he can be found spending time with his wife, Tara, and their sons, Kevin and William. A passionate musician, he has performed at numerous venues across Philadelphia and the surrounding area. With over 20 years of experience in wealth management, Kevin co-founded Stone Pine Financial with Andy in 2015 to focus on the unique needs of retirees. Alongside Andy and Myriah, he teaches retirement planning courses at Main Line School Night and other local adult education programs. Kevin holds a degree in Mathematics from Loyola University Maryland.



Andrew Herron, CFP®
Founding Partner

When Andy is out of the office, he enjoys spending time with his wife Suzie and their three children Oliver, Finley and Eleanor. They have a passion for traveling and love to get outside for hikes, runs and bike rides. Andy has been working with some of his existing clients as far back as 2003. In 2015, he and Kevin formed Stone Pine Financial Partners to meet the largely unmet need of helping people transition to retirement. Along with Kevin and Myriah, he teaches retiree finance classes at Main Line School Night and other local schools. Andy graduated from Villanova University, where he was a member of the tennis team.



Myriah Lipke, CFP®
Financial Advisor

When Myriah is out of the office, she can be found spending time with her husband Andrew and their two school-age daughters. She loves cooking, fitness, and teaching her daughters about the power of saving and compounding. Myriah joined Stone Pine in 2018 with a passion for helping people achieve financial freedom. Myriah loves listening to each client's unique story and tailoring financial plans to their individual goals and aspirations. She believes that financial education is the key to having a long and fulfilling retirement. Myriah received her bachelor's and master's degrees from the University of Delaware.



Skylar Banul
Associate Advisor

When Skylar is out of the office, she enjoys spending time with her husband Richie and their dog Willow. She often finds secluded hiking trails in Delaware County and beyond, where her labrador can explore the world. Skylar also loves the quaint shops and variety of restaurants in Media. She joined Stone Pine in 2022 as a financial planning assistant, and she's already in the final stages of completing her Certified Financial Planner designation. Prior to that, Skylar spent several years in election offices providing administrative and technical support. She earned her bachelor's degree in political science from Wilkes University. Skylar is passionate about the world of personal finance and enjoys assisting the team to realize our clients' retirement goals.



Abby Schmid, CFP®
Associate Advisor

When Abby is out of the office, she can be found spending time with her partner Eric and their family. She loves gardening, reading, and sipping a warm cup of coffee with her loved ones. From an early age, she was encouraged to save for the future, learn the value of a dollar, and of course – look out for a good deal. She is passionate about helping others achieve their goals and feels privileged to walk alongside our clients. Abby joined Stone Pine in 2025 after working as a financial planner at another local financial advisory firm. Abby received her bachelor's and master's degrees from Temple University.

What Our Clients Are Saying

“The Stone Pine team provides us with exceptional service and support. We work closely with Andy, who is absolutely wonderful to work with! He is very personable, professional and knowledgeable. Andy takes a holistic view of our finances to develop and customize the best investment strategy. Having strong investment analysis and portfolio management skills allows him to make intelligent executions. Stone Pine has free tools on their website that are available to their clients, which we have found very helpful. The Stone Pine team members support each other and collaborate when needed. In addition they are all accessible via e-mail or phone for discussion, guidance, questions, etc.”

Terri & Kevin, Horsham, PA

“Before engaging Stone Pine Financial Partners, I interviewed more than ten other financial planning firms. I knew exactly what I was looking for, but I hadn’t been able to find it – until I met Andy and Kevin. Their service offerings, technology resources and business approach aligned precisely with my needs. The team is always professional, responsive and personable. They consistently demonstrate high levels of expertise, integrity and concern for the client. I have never regretted my decision to work with Stone Pine Financial Partners. In fact, I have referred several friends to the firm, and they have become enthusiastic clients too!”

Ford, Haverford, PA

“They say it takes a village, and somehow you’ve created a wise, supportive culture that makes us feel safe, and also excited, to embrace this chapter in our lives. Thank you for your dedication. It shows each and every time we meet or talk.”

Nancy & Richard, Chesterbrook, PA

“I have invested with Stone Pine Financial for several years and have been extremely happy with their services. They are knowledgeable, personable, attentive and responsive – and they have integrity. Stone Pine also helped me with my aging parents’ investments, and I trust them completely.”

Karen, Phoenixville, PA

“I love working with Kevin and Stone Pine Financial, especially in this time when the market is dipping and diving. First of all, I trust these people implicitly. I know without a shadow of a doubt that they are keeping their eyes on my investments and are making prudent decisions based on their knowledge of me. Secondly, I can ask them anything and I get a clear and well-explained answer. I have had financial advisors who confused me and seemed irritated with my questions. This has never happened with Stone Pine Financial. They show me respect with every interaction.”

Dee, Pittsburgh, PA

“We are very pleased to say we joined the Stone Pine team in 2015 while in our mid-60s. Andy and Kevin listened to our thoughts and then developed our ‘Retirement Playbook’ that they review with us twice a year and tweak as needed. Andy, Kevin, Myriah and Skylar always keep us informed. Their guidance regarding Social Security, Medicare, taxes in retirement, working through Covid and current market conditions has been invaluable. As he entered his mid-40s, our son and his family also became Stone Pine clients. We highly recommend them to you and your family!”

Susan & Stef, Malvern, PA

“Stone Pine Financial Partners has expertly managed our retirement portfolio, and has earned our confidence in handling our financial affairs. My wife and I were in our 50s when we decided to seek a professional advisor to guide us toward our retirement goals. We consider ourselves fortunate to have met Andy Herron, one of Stone Pine Financial’s founding partners, in 2008. Since that time, the entire team at Stone Pine has been instrumental in providing our family with consistent and profitable advice. Their business model allows us to be as active as we wish; however, the firm can step-in and manage as needed. From making investment choices to taking the ‘administrivia’ off our hands – their expertise runs the gamut. Equally as important is the close relationship Stone Pine has with each client. My wife and I have experienced this care and concern since the beginning. Finding an advisor we could trust was important. We have never regretted our decision to work with Stone Pine Financial!”

Mary & Jim, Lexington, VA

Appendix 1: The Expense Worksheet

CORE EXPENSES	
Expense Category	Monthly Amount
Housing	
Utilities	
Mortgage/rent	
Taxes	
Insurance	
Maintenance	
Phone/internet/cable	
Food	
Groceries	
Transportation	
Fuel	
Vehicle maintenance	
Insurance	
Public transportation	
Car loan/lease	
Healthcare	
Health insurance	
Other out of pocket expenses	
Personal Care	
Clothing	
Products and services	
Insurance	
Life insurance	
Disability insurance	
Long-Term Care	
Additional Liabilities	
2nd Home mortgage	
Credit card debt	
Home equity loan	
Total Monthly Core Expenses	
Total Annual (x12) Core Expenses	

DISCRETIONARY EXPENSES	
Expense Category	Monthly Amount
Dining Out	
Travel	
Entertainment	
Club Dues	
Hobbies	
Gifts	
Charity	
Education	
Other	

Total Monthly Discretionary	
Total Annual (x12) Discretionary	

Total Annual Expenses (Core + Discretionary)	
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Appendix 2: Retirement Income Worksheet

	AGE AT RETIREMENT
Name	
Name	

	MONTHLY ESTIMATE
Earned Income in Retirement	
Fixed Income	
Social Security	
Social Security	
Pension	
Other	
Total Monthly Fixed Income	\$

	ACCOUNT BALANCE
Portfolio Income Calculator	
401(k)	
403(b)	
IRA's	
Roth IRA's	
Investment Accounts	
Other	
Total Retirement Portfolio	\$
multiply portfolio total by .04	\$
divide this number by 12	\$
Total Monthly Portfolio Income	\$

Pre-Tax Total Monthly Income	\$
multiply by .85	\$

After-Tax Retirement Income Estimate	\$
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Estimate of Monthly Expenses from Expense Worksheet	\$
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This worksheet is intended to be used as an initial estimate of your retirement income.

Variables such as when you decide to start various income sources, the specific tax rate for your situation, how your portfolio is invested, and more will all have an effect on your actual results.



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