BEDELFINANCIAL

Spring 2019
Retirement...How to Spend It

By: Meredith Carbrey, CFP®
Sr. Wealth Advisor

That's not a trick title. This article isn't about saving for a financially secure retirement; it's about spending your retirement. It's about transitioning from a saver to a spender both financially and mentally, and how you'll spend your time as you move from work to retirement.

Transitioning from a saver to a spender can be nerve-wracking. Rather than looking at how much you've contributed to your retirement account you now look at how much you're taking out of it. Think you're concerned about market swings now? Wait until you're counting on your portfolio to maintain your standard of living! That's why Bedel Financial provided you with a financial security analysis which projects how much you can comfortably spend in all market conditions.

Three Stages of Retirement Spending
How much will you spend in retirement? The answer to that question is different for everyone. However, we find that most retirees spend the same amount they spent prior to retirement. That's why we provide you with a financial security analysis—to help ensure your available savings cover your current spending patterns.

In This Issue

I don't know who coined the three stages of retirement (the Go-Go years, the Slow-Go years and the No-Go years), but in my years of financial practice it's been accurate.

In the Go-Go years, the first stage of retirement, you're active and ready to pursue the things you've always wanted to do but didn't have the time. You may travel more, indulge your passions and hobbies, play with the grandchildren and remodel your home.

In the second stage, the Slow-Go years, your energy levels decrease. You don't travel as much and you favor hobbies that keep you closer to home. Maybe you start thinking about downsizing. Typically, spending decreases in this stage, but you still need to account for inflation.

In the No-Go years, your world gets smaller and your expenses decrease with the possible exception of medical and long-term care costs.

Accessing Your Money
While working, you probably received a paycheck at specific intervals and felt comfortable knowing you'd receive a set amount at a certain time. Moreover, many of your bills come at the same time of the month. Not surprisingly, we've found most people budget on the basis of monthly income. So, when you retire, we'll send a set amount from your investment account to your checking account every month.

But everyone's needs are different. Some people like quarterly amounts. And everyone has occasional expenses, whether they're anticipated like a vacation or they catch you by surprise like a major home repair! Those things happen and we can get the funds to you quickly and efficiently.

Filling the Time Gap
So, what will you do all day long when you're retired? You'll probably travel more often and play more rounds of golf, but that's only a beginning. You'll need a plan for how to fill your days. You've probably been on a similar schedule since kindergarten: Get up, go to school/work, come home, sleep and repeat. So, what's the new "work" that will fill that gap in your retirement days?

For some, it's actually a new job. Many seniors "retire" to another job that has always interested them. Others opt to work part-time in a field similar to their full-time jobs. A new job is a great way to transition to retirement. It provides a continued income stream, and may offer medical benefits, which is a nice perk for retirees who aren't yet age 65.

Maybe your new work is volunteering for a favorite charity, joining a gardening club or participating in a book club. Whatever it is, it should be something that keeps you engaged socially and mentally.

In closing
We spend so much time looking forward to retirement and preparing for it financially that we don't know what to do when we get there. Don't just plan on taking European vacations and hitting the links, plan what your daily life will look like. Once you have that down, you'll be set. Now, let's Go-Go!

Contact Meredith if you have questions or would like additional information regarding this topic.

Save the Date!

Our Ask the Expert: Family Meetings event will be held on Tuesday, October 1st. Additional details will follow this summer.

BLT Corner

2019 is Zooming Along!

Wow! 2019 is off to a fast start. We all hope the New Year is treating you well and that you enjoy many good experiences in the months to come. We've been busy with tax law changes, market fluctuations, and keeping your financial plan up-to-date. But that doesn't mean we haven't had time to keep forging ahead with new employees, ideas, events and strategies!

If you haven't already, you might soon hear from our new Operations Specialist, Andrew Rogers. Andrew, who started in mid-March, is working alongside Kristina Dougan and Alex Golding, preparing account documentation and acting as a liaison with account custodians.

One person you won't be hearing from for a while is Sarah Mahaffa, one of our Senior Wealth Advisors. Sarah gave birth to her second daughter, Claire Ann, on April 16th and will be out of the office until mid-July.

Our other Wealth Advisors will be happy to assist you while Sarah's enjoying getting acquainted with her new daughter. Congratulations to Sarah and her family!

In April we hosted another Women's Luncheon for our clients and friends in the community. This year's speaker, Sally Perkins, delivered a dramatic program celebrating the 100th anniversary of women's right to vote in Indiana. We also hosted our annual Shred Day on April 27th to help with your spring cleaning. It was great to see all of you who attended the luncheon and took advantage of the shredding opportunity.

Are you on LinkedIn, Twitter, or Facebook? You may have noticed we're sending more posts regarding financial strategies based on questions we've received or information we've read. Digital marketing, headed by Deanna Turner and Amy House, is one of our big initiatives for 2019. We hope you are finding our content insightful and useful.

Finally, it's hard to believe we've been in our new office for a year now. It certainly feels like home!

If you haven't been by to see us yet, don't hesitate to stop in or call for an appointment. As always, thank you for your continued trust in Bedel Financial. We enjoy working with you and look forward to our continued partnership.

With warmest regards,

The Bedel Leadership Team

Evan Bedel
Meredith Carbrey
Ryan Collier
Kathy Hower
Cassi Vanderpool
Bill Wendling

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Industry News

Customize Your Approach to Asset Allocation

By: Anthony Harcourt
Portfolio Manager

When's the right time to dial back the risk in your portfolio? This question is one many retirees (or soon-to-be retirees) face concerning their ability to withstand large fluctuations in the value of their portfolios. Take too much risk and you jeopardize the money you plan to use in the near future. Take too little risk and you may fall short of achieving the returns necessary to achieve your long-term goals. It's not something you should leave up to chance.

Two Approaches to Managing Risk

One method of determining an appropriate mix between stocks and bonds in your portfolio is called the Five-Year Rule. You can apply this concept if you are nearing or in retirement or if you anticipate you'll need to withdraw a large amount from your portfolio along the way. Here's how it works. The value of any funds you are expecting to withdraw during the next five years should not be invested in equities. Instead, this amount should be shifted to more capital-preserving strategies such as bonds or money market funds. Since stocks can be volatile and unpredictable in the short-term, it's prudent to make these asset allocation shifts ahead of time. That way, the money you are relying on isn't exposed to a potential market downturn just when you need to withdraw it.

Lifecycle funds are a seond common approach that many people use when they are unsure how to customize their asset allocations to fit their timelines. While these funds may potentially be suitable for investors with a given target retirement date, specific situations often require a more personalized approach. For example, a popular 2020 target date retirement fund (meaning investors in this fund should be looking to retire next year) currently has 55 percent of its assets in bonds. This may or may not be appropriate depending on the investor's situation.

Five-Year Rule versus Lifecycle Funds

Let's use an example to see how each of these two solutions might play out. Charlie has a $1,000,000 portfolio and expects to withdraw $50,000 per year in his first five years of retirement. If he uses the Five-Year Spending Rule for bond allocation, he would need $250,000—or 25 percent of its assets—in capital-preserving bond investments to cover his next five years of spending. If he participates in a lifecycle fund, he could end up with $550,000 in bonds, a far more conservative allocation. With this option, Charlie is likely to have missed out on potential long-term returns and is keeping too much of his portfolio's assets in stable investments.

While this is just one example, it should illustrate the importance of taking a customized approach to your asset allocation, especially as you approach retirement. A one-size-fits-all approach may not fit your needs!

Contact Anthony if you have questions or want additional information regarding this topic.

Congrats to the Mahaffa family on the arrival of Claire Ann!

GenerationNeXt

Estate Planning for Young Professionals

By: Abby VanDerHeyden, CFP®
Financial Planner

Picture this—you're a young professional with no children and a relatively small net worth. Maybe you own a home (or maybe not) and most of your money is either in checking and savings accounts or an employer-sponsored retirement plan. Do you really need an estate plan at this point? Yes! Executing incapacity documents should be at the top of young adults' to-do lists, along with stating their wishes regarding the distribution of their property.

Incapacity Documents

Incapacity documents are legal documents designed to care for an individual and his/her property in the event of an incapacitating illness or injury. Much as you'd like to avoid thinking about it, expressing your wishes for your health care, finances, and property now can help alleviate stress on your loved ones later during a very difficult time. Here are the main incapacity documents you'll need:

Living Will. Communicates your desire for life support systems in the event of a terminal illness.
Health Care Representative. Appointed to make medical decisions if you are unable to do so for yourself.
HIPAA Authorization. Grants specified family/friends the right to see your medical records.
Power of Attorney. Appointed to make financial and legal decisions for you if you are unable to do so for yourself.

Pro tip: Be sure to share these documents with the representatives named plus your health care provider.

Intestate Laws

If you die without a Last Will and Testament or designated beneficiaries on your retirement accounts or life insurance, you are considered to have died "intestate." Your assets will then be distributed according to state law. In Indiana, if you are deemed intestate, your assets may not pass to others the way you might think. For example, if you die as a resident of Indiana and are married with surviving parents, three-quarters of your estate passes to your surviving spouse and one-quarter will go to your parents. If you die unmarried with surviving parents and siblings, your parents and siblings will share your estate equally (parents receive a minimum of one-quarter of your property). If you were to pass today, who would you want to inherit your assets? Your surviving spouse, parents, and/or siblings? If you prefer to have control over who inherits your assets, creating a Last Will and Testament ensures you can dictate how and to whom your assets will be distributed when you pass.

Pro tip: Retirement accounts and life insurance with beneficiary designations are handled outside your Last Will and Testament. Make sure your beneficiary designations stay up-to-date to reflect your wishes!

Summary

Moral of this story: Estate documents aren't just for parents or grandparents. Incapacity documents are a must, and you should also consider creating a Last Will and Testament. Make sure all beneficiary designations are current and that you share your incapacity documents with the appropriate individuals.

Contact Abby if you have questions or want additional information regarding this topic.

Q&A

How to Introduce Your Children to Good Financial Principles

By: Kathy Hower, CFP®
Sr. Wealth Advisor, Director of Financial Planning

As a parent, you'll probably provide your children with their first and most impactful lessons on handling finances. Give them a good financial foundation by introducing them to three basic principles: SAVE for your future, SPEND appropriately, and SHARE for the greater good of others.

Q: How early should I begin teaching my children to save? And how?
A: Help them learn the benefit of saving as soon as they understand the value of money. When they receive cash gifts from others, are paid an allowance, or even find money on the sidewalk, encourage them to save at least a portion of it.

Youngsters can physically see their "cash" savings grow as they feed a piggy bank. Establish checking or savings accounts for your older children and teach them how to track the balance. Once an account reaches $1,000+, consider helping them invest a portion of it so they can also experience the value of investing. It's easier to motivate children to save when they can see their dollars grow. You know you've done a great job when it becomes a habit!

Q: What are "smart spending" principles?
A: Teach your children good spending habits by giving them an allowance to pay for small, non-essential items. Introduce budgeting by comparing this "income" with the cost of the items they want. If their wants exceed their allowance, and they likely will, it's an opportune time to talk with them about prioritizing and making good spending decisions.

As children get older, consider giving them a monthly allowance to use for clothing and entertainment. This will challenge them to make wise decisions on how to spend their money. If they fall short, don't give them extra money no matter how much you are tempted to do so. This is an opportunity for them to learn to make good spending decisions and to save for the future purchase of bigger-ticket items.

Q: How can I get my children involved in philanthropy?
A: Most children find happiness in picking out a gift for a parent, sibling, or friend. You can build on their love of giving by helping them set aside a portion of their allowance for these gifts. Encourage your older children to give to a charitable organization in which they have a special interest. This not only allows them to see the value of their gift, it can give you insight into special interests you may not have known they had. Contributing some of their own savings may be tough initially, but once they see the positive impact of their giving, it may become addictive!

Contact Kathy if you have questions or want additional information regarding this topic.

- **Thank you to all who attended our BFC Ladies Luncheon and annual BFC Shred Day event!**
- **Welcome to Andrew Rogers, our newest Operations Specialist and Investment Assistant. We're happy to have you on the team!**

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Corporate Calendar

Bedel Financial Consulting will be closed for business on the upcoming days:

May 27	Memorial Day
July 4	4th of July
Sept. 2	Labor Day
Nov. 28	Thanksgiving Day
Nov. 29	Day After Thanksgiving
Dec. 25	Christmas Day

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