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NOVEMBER 2022

5 Retirement Concerns Too Often Overlooked

Baby boomers entering their "second acts" should think about these matters.

RETIREMENT IS UNDENIABLY A MAJOR LIFE AND FINANCIAL TRANSITION. Even so, baby boomers can run the risk of growing nonchalant about some of the financial challenges that retirement poses, for not all are immediately obvious. In looking forward to their "second acts," boomers may overlook a few matters that a thorough retirement strategy needs to address.

RMDS. The Internal Revenue Service directs seniors to withdraw money from qualified retirement accounts after age 72. This class of accounts includes traditional IRAs and employer-sponsored retirement plans. These drawdowns are officially termed Required Minimum Distributions (RMDs).[1]

TAXES. Speaking of RMDs, the income from an RMD is fully taxable and cannot be rolled over into a Roth IRA. The income is certainly a plus, but it may also send a retiree into a higher income tax bracket for the year.[1]

Retirement does not necessarily imply reduced taxes. While people may earn less in retirement than they once did, many forms of income are taxable: RMDs; investment income and dividends; most pensions; even a portion of Social Security income depending on a taxpayer's total income and filing status. Of course, once a mortgage is paid off, a retiree loses the chance to take the significant mortgage interest deduction.[2]

HEALTH CARE COSTS. Those who retire in reasonably good health may not be inclined to think about health care crises, but they could occur sooner rather than later – and they could be costly. A report by HealthView Services found that even with additional insurance coverages such as Medicare Part D, Medigap, and dental insurance, a healthy 65-year-old couple can expect to pay almost $208,000 out-of-pocket for their healthcare expenses.[3]

ELDERCARE NEEDS. Those who live longer or face health complications will probably need some long-term care. One month's stay in a private room in a nursing home costs an average of $9,000 nationally, so it is important to consider these when preparing for retirement. Long-term care insurance is expensive, though, and can be difficult to obtain.[4]

One other end-of-life expense many retirees overlook: funeral and burial costs. Preparing to address this expense may help surviving spouses and children.

RISING CONSUMER PRICES. Historically, healthcare costs inflation has risen between 1.5-2 times the Consumer Price Index. For a 65-year-old couple, this equates to an additional projected $85,917 in lifetime retirement healthcare costs. Retirees would be wise to invest in a way that gives

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"We should all do something to right the wrongs that we see and not just complain about them."

- JACQUELINE KENNEDY ONASSIS

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them the potential to keep up with increasing consumer costs.[5]

AS PART OF YOUR PREPARATION FOR RETIREMENT, GIVE THESE MATTERS SOME THOUGHT. Enjoy the here and now but recognize the potential for these factors to impact your financial future.

Citations:

1 - thebalance.com/required-minimum-distributions-2388780 [1/14/22]

2 - https://www.investopedia.com/articles/retirement/12/will-you-pay-taxes-during-retirement.asp [7/31/22]

3 - https://hvsfinancial.com/wp-content/uploads/2020/12/2021-Retirement-Healthcare-Costs-Data-Report.pdf [2021]

4 - https://www.genworth.com/aging-and-you/finances/cost-of-care.html [2022]

5 - https://hvsfinancial.com/wp-content/uploads/2022/03/HVS-Data-Report-Brief-0312222.pdf [2022]

WISHING YOU AND YOUR FAMILIES A HAPPY THANKSGIVING! WE WILL BE CLOSING EARLY ON WEDNESDAY, NOVEMBER 23RD AND CLOSED ON NOVEMBER 24TH AND 25TH IN OBSERVANCE OF THE THANKSGIVING HOLIDAY.