BLUE RIDGE
WEALTH PLANNERS

RETIREMENT PLANNING STARTER KIT

Congratulations! The first step to a confident retirement is deciding to develop a plan. You will find many informative documents in this Retirement Planning Starter Kit to help you start building the best plan for your retirement. The following pages will begin to familiarize you with the crucial elements of several aspects of retirement, but nothing is a substitute for sitting in a closed conference room with a professional who can look over your documents and help design the best plan for you. At Blue Ridge Wealth Planners, we work with professionals in these areas and more to help you build the best plan for your retirement.

Thank you,

Bob Fugate

Bob Fugate, Founder

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Table of Contents

LEGAL ISSUES

Estate Planning

Estate planning is an important part of managing your legacy. When undergoing a comprehensive financial review, skilled advisors should be able to point out the pieces of your plan that could benefit from the advice of a professional estate-planning attorney.

Simply put, estate planning is determining while you're still alive where your assets should go after you pass. Without a properly structured estate plan, your wishes may not be fulfilled, and there may be unintended consequences for your loved ones.

While the concept is simple, the vehicles, planning, and implementation process can be rather complex. Because of the estate tax laws and the emerging vehicles to help you protect and transfer your assets effectively, it's important to work with experienced estate planning professionals who stay up to date with this field and advise clients on a day-to-day basis.

Trusts

There are many different types of trusts, and they can be complex to set up and execute. However, a trust can be a very flexible and advantageous means to transfer your assets in the future. Most trusts can also provide current benefits, such as tax deferrals and deductions. Unlike a will, a trust may help avoid probate upon your death.

Probate

Probate is the potentially lengthy and costly legal process that oversees the transfer of your assets upon your death. If you do not create a will or set up a trust to transfer your property when you die, state law will determine what happens to your estate. This is called intestate. Without a will or some other form of legal estate planning, there is the chance that more of your property may not go where you want.

At Blue Ridge Wealth Planners, we work closely with an independent and experienced attorney and can provide you with a referral for a complimentary consultation concerning wills, trusts, or other questions about estate planning when appropriate.

TAX-MINIMIZATION STRATEGIES

Rising taxes may be a concern for many individuals approaching retirement. It may be important to incorporate tax planning into your financial decisions.

Investing in or purchasing a tax-deferred vehicle means your money can compound interest for years, free from income taxes, potentially allowing it to earn interest at a faster rate. Few financial vehicles avoid taxes altogether. Insurance products only allow you to defer paying them until retirement — when you may be in a lower tax bracket.

We will ask you to bring a copy of your tax return when you meet with us, and we will work closely with tax professionals in our network or yours to incorporate effective tax planning into your strategy. When appropriate, we may refer you directly to our tax professional or send your documents for him to review.

Charitable Giving

Additionally, creating a charitable gift-giving plan may provide you with multiple tax breaks: an income tax deduction, the avoidance of capital gains on highly appreciated assets, and the reduction or elimination of estate taxes on the charitable contribution upon your death.

With changes in the tax environment, there may be compelling reasons to integrate philanthropy into your financial and estate planning. We can refer you to a qualified professional to help you decide if this is a good option for you.

IRAS AND 401(K)S

When you change jobs or retire, there are four things you can generally do with the assets in any employer-sponsored retirement plan:

- Leave the money where it is.
- Take the cash and pay income taxes and perhaps a 10 percent additional federal tax if you are younger than age 59 ½.
- Transfer the money to another employer plan (if the new plan allows).
- Roll the money over into an individual retirement account (IRA).

Rolling over from one qualified plan to another qualified plan allows your money to continue growing tax-deferred until you receive distributions in retirement. We can help you determine if a rollover is the right move for you. If you determine to cash out of an IRA, we can also help you find suitable vehicles to help you reach your retirement goals.

IRA Legacy Planning

IRA accounts have become one of the largest types of assets inherited by beneficiaries. If you don't anticipate needing your IRA money in retirement, you may wish to consider a legacy planning strategy that potentially reduces taxes and also potentially increases the payout your beneficiaries will receive upon your death.

You may want to use some of the value in your IRA to provide your beneficiaries a regular stream of income while leaving the balance of IRA assets invested for tax-deferred growth. This result may yield substantially more money paid out over the course of your beneficiaries' lifetimes. We can help you evaluate your financial situation to determine if IRA legacy planning could help you meet your goal of structuring a long-lasting inheritance for your beneficiaries.

SOCIAL SECURITY BENEFITS

Social Security is still a major component in many retirement plans, yet only 18 percent of married couples choose the plan that maximizes their benefits[1]. There are 567 different ways a married couple can choose to claim Social Security. Do you know which option is best for you?

We are able to analyze your Social Security information and empower you to make the best decision and maximize your benefits from this important, government-funded income stream.

More information about Social Security can be found in our supplemental booklet, "What, When, Who, How? The Social Security Decisions."

[1]Jennie L. Phipps. Bankrate.com. Dec. 2, 2014. "567 ways to collect Social Security." http://www.bankrate.com/financing/retirement/567-ways-to-collect-social-security/. Accessed Oct. 19, 2015.

WEALTH ACCUMULATION STRATEGIES

You may be able to use time to your advantage when investing for wealth accumulation.

The longer you invest, the more potential your money has to compound interest. If your portfolio has not fully recovered from losses in recent years, you may wish to consider a more aggressive allocation to make up for lost ground and get back on track to accumulating wealth.

We are able to offer a large variety of investment options into which we can allocate a portion of your wealth to best suit your individual desire for return and tolerance for risk. However, with fluctuations in the stock market, it is important to remember that more conservative retirement strategies typically have only a portion of an individual's assets invested in the stock market.

We do not believe in investing all of your assets in one place, and we work hard to create an allocation that will assist you in filling your income needs through conservative investment vehicles and in satisfying your desire for accumulation through traditional and alternative investments.

RETIREMENT INCOME STRATEGIES

As retirement nears, the traditional strategy has been to move growth-seeking products to more conservative fixed-income products. According to a recent study, for a married couple at age 65 there is now a 50 percent chance that at least one spouse will live to age 94.[2] This means that you may need to plan for your retirement savings to potentially last 25 to 30 years.

One drawback to a longer life is the greater possibility of outliving your savings – creating all the more reason to develop a retirement income strategy designed to last a longer lifetime. The fear of outliving one's assets is one of the top financial fears of many Americans.[3]

A significant loss in the years just prior to and/or just after you retire could negatively impact the level of income you receive over the course of your life. In fact, if a loss occurs earlier in life, you may have a better chance to recover versus a loss occurring later in retirement. Why? If a loss occurs in retirement, a smaller pool of assets is left to sustain you throughout your retirement years and your assets may not have as much time to recover.

We can help you design a retirement income strategy for your baseline income needs that incorporates insurance and annuity vehicles to create opportunities for long-term growth as well as income throughout your retirement.

[2]Prepared by Ernst & Young Insurance and Actuarial Advisory Services practice. This analysis uses the Annuity 2000 mortality table with Scale G2 mortality improvements. http://www.rdmarketinggroup.com/Files/AG%20Secure%20Lifetime%20GUL%20and%20LIS%20Client%20Guide.pdf

[3]Insured Retirement Institute. December 2014. "State of the Insured Retirement Industry: 2014 Review and 2015 Outlook." http://myirionline.org/docs/default-source/research/state-of-the-insured-retirement-industry-2014.pdf?sfvrsn=2. Accessed Oct. 19, 2015.

ANNUITIES

Today, the majority of the burden for retirement income seems to have shifted to the individual. For this reason, you may want to consider a fixed income component to your retirement strategy. There are many types of annuities. Some are more appropriate for a given individual than others. An annuity is not appropriate for everyone.

An annuity is a contract you purchase from an insurance company. For the premium you pay, you receive certain fixed and/or variable interest crediting options able to compound tax-deferred until withdrawn. When you are ready to receive income distributions, this vehicle offers a variety of payout options. Most annuities have provisions that allow you to withdraw a percentage of the value of the contract each year up to a certain limit. However, withdrawals will reduce the contract value and the value of any protected benefits. Excess withdrawals above the restricted limit typically incur "surrender charges" within the first five to 15 years of the contract. Because they are designed as a long-term retirement income vehicle, annuity withdrawals made before age 59 ½ are subject to a 10 percent penalty fee, and all withdrawals may be subject to income taxes.

LONG-TERM CARE STRATEGIES

As the oldest baby boomers wind through their 70s, one of the biggest concerns may not be outliving income, but outliving good health.

At-home care services average $20 per hour, and assisted living facility costs average $3,628 per month.[4] Does your retirement income strategy account for this kind of possibility? Would you be prepared for twice that amount as a married couple?

Considering that you could have to reduce your financial means before Medicaid will pay for long-term care and the fact that neither your employer group health insurance nor major medical insurance will cover long-term care, you may want to consider planning ahead for these potential expenses.

We can help evaluate your situation and determine if purchasing a long-term care policy may be the right decision to help you feel confident about your financial future. We work with a seasoned long-term care provider who is able to incorporate any non-captive product on the market, and we will refer you to him when appropriate.

[4] Genworth Financial. April 2016. "Genworth 2016 Cost of Care Survey." https://www.genworth.com/dam/Americas/US/PDFs/Consumer/corporate/131168_050516.pdf. Accessed Aug. 31, 2016.

LIFE INSURANCE

Life insurance isn't for those who have died — it's for those who are left behind. When shopping for life insurance, consider needs such as replacing income so your family can maintain its standard of living as well as paying for your funeral and estate costs. A general rule is that you may want coverage between five and seven times your gross annual income. As far as the various types of policies go, they can generally be placed into one of two categories: term and permanent.

Term insurance generally provides coverage for a specified period of time and pays out a specified amount of coverage to your beneficiaries only if you die within that time period. In a level premium term policy, you pay the same amount of premium from the first day of the policy until the term ends.

A permanent insurance policy, on the other hand, will stay permanently in effect for the rest of your life as long as premiums continue to be paid.

EXPLANATION OF THE CFP® CERTIFICATION

Anyone can claim to be a “financial planner,” but only those who have fulfilled the certification and renewal requirements of the CFP Board may display the CFP® certification marks, representing a high level of competency, ethics, and professionalism. The CFP Board’s Standards of Professional Conduct require CFP® Professionals to serve your interests above their own. Bob Fugate has maintained this designation since 2003.

Certified Financial Planner™ Professionals must complete an advanced, college-level course of study addressing the financial planning subject areas that the CFP Board’s studies have determined necessary for the competent and professional delivery of financial planning services. Certified Financial Planner™ Professionals must also hold a bachelor’s degree from a regionally accredited United States college or university or its equivalent from a foreign university. The CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning.

Examination: Certified Financial Planner™ Professionals must pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances. The average pass rate for this exam is consistently between 50 and 60 percent, ensuring that professionals who successfully earn the CFP® certification are indeed highly qualified.

Experience: CERTIFIED FINANCIAL PLANNER™ Professionals must complete at least three years or 2,000 hours of full-time financial planning-related experience prior to earning the right to use the CFP® certification marks.

Ethics: Every CERTIFIED FINANCIAL PLANNER™ Professional must agree to be bound by the CFP Board's Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® Professionals.

Enforcement: Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

> **Continuing Education:** CERTIFIED FINANCIAL PLANNER™ Professionals must complete 30 hours of continuing education courses every two years, including two hours on the Code of Ethics and other parts of the Standards of Professional Conduct, to maintain competence and keep up with developments in the financial planning field.
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> **Ethics:** Renew agreement to be bound by the Standards of Professional Conduct. The Standards prominently require that CERTIFIED FINANCIAL PLANNER™ Professionals provide financial planning services at a fiduciary standard of care. This means CERTIFIED FINANCIAL PLANNER™ Professionals must provide financial planning services in the best interests of their clients.

CERTIFIED FINANCIAL PLANNER™ Professionals who fail to comply with the above standards and requirements may be subject to the CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

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