

FINANCIAL JOURNEYS

FINANCIAL & RETIREMENT PLANNING FOR LIFE



Embarking on an encore career as an entrepreneur

Starting a business in retirement

Working in retirement might seem like a paradox. But it can help to provide a myriad of benefits, a potential cushioning to your savings only be one of them. If you start your own business, you have the flexibility to create your dream job in your second act, one that gives you purpose and fulfillment.

Being an entrepreneur allows you to be the boss, make the rules and set boundaries, so you can still enjoy the retirement you envisioned. This is the opportunity to intertwine your passion with work and spend your time building a business that is all your own.

BENEFITS ABOUND

Naturally, the income stream from working in retirement will help pad your bank account. This will help allow you to take fewer withdrawals and distributions from your retirement savings to pay for living expenses and might help the funds last longer. But that may not sound so attractive if you're still working for someone else, conforming to their hours and expectations.

The beauty of starting your own business is that you get to determine how small you keep it or big you grow it. You can decide how many clients to take on and exactly what you offer.

(continued on the next page)

Robert D. Pearson, CFP®, CRPC®

Managing Director
Senior Vice President, Wealth Management
6303 Cowboys Way, Suite 425
Frisco, TX 75034
T 469.476.3655
www.simpleshadewealthmanagement.com



Andrea Burkhalter

Registered Practice Coordinator
T 469.476.3669
andrea.burkhalter@raymondjames.com

Amanda Adams

Client Service Associate
T 469.476.3656
amanda.adams1@raymondjames.com

Embarking on an encore career as an entrepreneur (cont.)

It's flexible, yet the structure and commitment can give you built-in purpose.

Studies show having meaningful purpose is important in retirement. After all, many of us not only dedicate our lives to a career but also make our career part of our identity. Running a business would definitely give you that purpose (if it's an appealing prospect).

While working later in life correlates to improved cognition, there's a specific benefit if you're doing a different kind of job than the one you did when you were younger. When you learn something new, psychologists call it "novelty processing," which may slow cognitive decline. It stimulates curiosity, motivation, attention and memorization.

According to research by AARP, loneliness is not uncommon in aging adults. By starting your own business – whether you hire other employees or act as a consultant for other organizations – you'll have a network of connections. It puts you in an environment to build new relationships and have regular interactions.

CONSIDERATIONS IN STARTING YOUR BUSINESS

Many retirees are primed for becoming entrepreneurs and may not even realize it. You may have the financial confidence and personal stability it takes to start business, and the wisdom from the successful career you've already had. You can start planning your new venture by drawing inspiration from your experience.

The easiest transition into owning your own business is to do what you know. If you were a marketing executive in your prior career, you can be a marketing consultant for other organizations building or overhauling the department. If you were a CPA, maybe you'll consider opening a boutique accounting firm that focuses on local business's taxes.

There might be something you've always wanted to try in your career journey, but you couldn't accept the lower salary or take the time away to learn something new. Think about your hobbies and other interests to guide you. If you love to play golf or racquetball, maybe you'd enjoy sharing the sport with young people. If you played the piano or saxophone, perhaps you'd like to open a store that sells musical instruments.

This is a time when you can let your passion win out, especially if you're not reliant on the income like you were during your peak earning years. It's empowering to feel in total control of your new career, where you get to go all-in on a soul-filling opportunity.

Before running off to create a website or print business cards, conduct some market research and be sure your business idea has legs. It can be as formal or informal as you want but you should understand the demand and competition in your market. The Small Business Administration (SBA) is a good place to start. Getting in touch with trade organizations or the regional chamber of commerce will give you a good pulse on the local market as well.

KEEP BALANCE IN MIND

Launching a business is exciting, especially when you're letting your passions guide you. Remember to keep the balance of entrepreneurship and retirement in check. Don't let a new business venture get in the way of living out some of the other retirement visions you've had.

If there are other aspirations that are important to you, work your business ideas around that. If traveling's important to you, maybe a virtual business is best. If staying active is a non-negotiable, consider something away from the computer.

Additionally, be mindful of the financial investment you make in your start-up. Don't throw your retirement planning to the wind and invest your 401(k) to get it started. You don't want to sacrifice the freedom you worked so hard to gain for all those years.

Retirement is defined differently for different people, and entrepreneurship fits in nicely for some. Think about what expertise you can bring to a business and if it's in line with your vision for this next chapter of life. ■

NEXT STEPS

If you're considering starting a business in retirement:

- Think about what kind of business will be fulfilling and where you can lend expertise.
- Decide where you'll get the money for start-up costs that won't sacrifice your hard-earned savings.
- Speak to your advisor about income considerations, potential expenses and your overall retirement goals.

The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee that it is accurate or complete, it is not a statement of all available data necessary for making an investment decision, and it does not constitute a recommendation. Prior to making an investment decision, please consult with your financial advisor about your individual situation.



529s are more than a college savings tool

These versatile savings accounts are a powerful estate planning vehicle

Most of us associate 529 accounts with college savings. They're flexible, allowing you to transfer assets to anyone, including yourself, for the express purpose of furthering the education of your beneficiary. But did you know that a 529 can be a powerful estate planning tool?

MODERN ESTATE PLANNING

These specialized savings accounts have advantages for the beneficiaries – but there are benefits for the donors, too, given the tax advantages and the option to change heirs.

The tax rules that govern these accounts allow you to pare down your taxable estate, potentially minimizing future federal gift and estate taxes.

With 529s, you can make a lump-sum contribution of up to five times the annual limit of \$18,000. That means you can gift \$90,000 per recipient (\$180,000 for married couples), as long as you denote your five-year gift on your federal tax return and do not make any more gifts to the same recipient during that five-year period. However, you can elect to give another lump sum after those five years are up. In the meantime, your investments have the luxury of time to compound and potentially grow.

OTHER BENEFITS

Many people worry that gifting large chunks of money to a 529 means they'll irrevocably give up control of those assets. However, 529s allow you quite a bit of control, especially if you title the account in your name. You can change the beneficiary to another member of the family as many times as you like, since most 529s have no time limits.

If your chosen beneficiary receives a scholarship or financial aid, they may not need the money you've stashed away in a 529. You can earmark the money for other types of education, like graduate school. Or you can take the money and pay the taxes on any gains. Of course, that means it becomes part of your taxable estate again subject to your nominal federal tax rate, and you'll have to pay an additional 10% penalty on the earnings portion of the withdrawal. You can always use the funds to pay for other qualified education expenses, like room and board, books and supplies.

Many plans offer you several investment choices, including diversified portfolios allocated among stocks, bonds, mutual funds, CDs and money market instruments, as well as age-based portfolios that are more growth-oriented for younger beneficiaries and less aggressive for those nearing college age.

Saving for college takes discipline, as does estate planning. Talk to your professional advisor about the nuances of different investment strategies and vehicles before making a years-long commitment. ■

NEXT STEPS

If you're considering opening a 529:

- Speak to your advisor about how you can maximize the benefits of this specialized savings account.
- Discuss your intentions of the account with your family from an estate planning perspective.

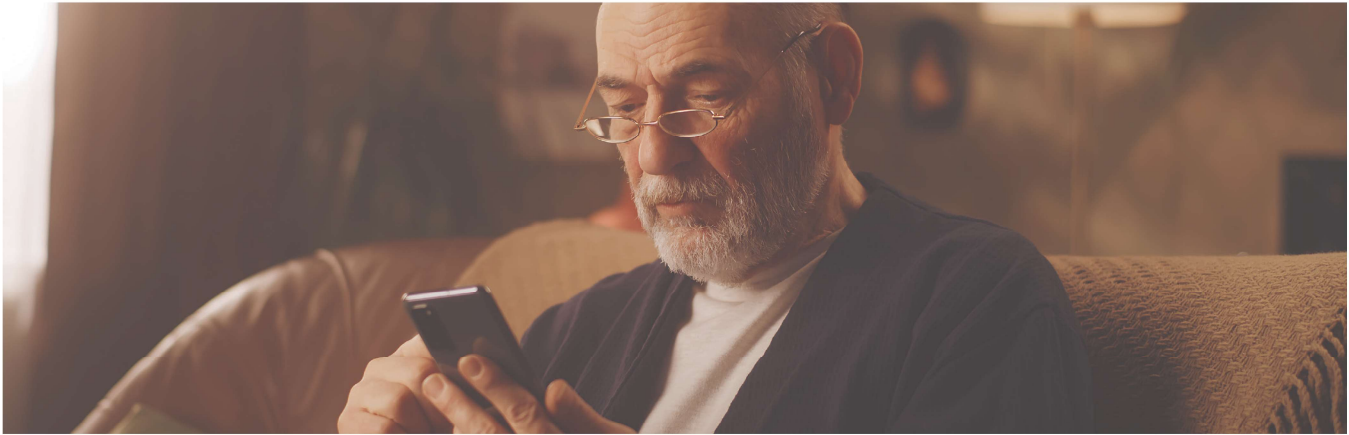
Raymond James and its advisors do not offer tax or legal advice. You should discuss any tax or legal matters with the appropriate professional.

This material is being provided for information purposes only and is not a complete description, nor is it a recommendation. Prior to making an investment decision, please consult with your financial advisor about your individual situation.

Investors should consider, before investing, whether the investor's or the designated beneficiary's home state offers any tax or other benefits that are only available for investment in such state's 529 savings plan. Such benefits include financial aid, scholarship funds, and protection from creditors.

As with other investments, there are generally fees and expenses associated with participation in a 529 plan. There is also a risk that these plans may lose money or not perform well enough to cover education costs as anticipated. Most states offer their own 529 programs, which may provide advantages and benefits exclusively for their residents. The tax implications can vary significantly from state to state.

Favorable state tax treatment for investing in Section 529 college savings plans may be limited to investments made in plans offered by your home state. Investors should consult a tax advisor about any state tax consequences of an investment in a 529 plan.



Navigating Medicare decisions in tricky situations

What encore careers, young dependents and early retirement mean for your elections

Medicare is an important component of holistic financial planning, but it can get complex for investors who retire early, care for young dependents or work beyond 65. But knowledge is power. Being aware that your unique situation should influence your Medicare choices is half the battle.

TIPS FOR COMMON SCENARIOS

Not everyone retires right at 65. In fact, it's becoming more common that people are making their own rules and timelines when it comes to retirement.

If you're planning to retire before age 65, think about how you plan to bridge your healthcare coverage until you become eligible for Medicare. Medicare is designed for those 65 and older or people with certain disabilities. The only way to ensure healthcare coverage before that date is with private health insurance through your employer or the exchange.

What if you decide you're working past the age of 65 (the Medicare eligibility point), and you're not sure if you should enroll in Medicare yet? You can drop your employer's healthcare plan and enroll in Medicare, but first you should consider the out-of-pocket costs associated with doctor's visits and procedures. Many people will enroll in Medicare Part A, which is hospital insurance, because there's no premium for most people, as long as they have 10 years of Medicare-covered employment. But to enroll in Part B and simultaneously carry group health insurance is like paying double.

What if you're married and cover your spouse on your employer's plan? Medicare is individual healthcare coverage, so your spouse would either need to be eligible for Medicare or have their own private health insurance.

Let's say you have young dependents at home. Maybe they're your own kids you had later in life, or maybe you care for your grandchildren or other dependents. While Social Security

offers benefits for young dependents, Medicare doesn't. Your dependents would need their own healthcare insurance plans.

KEEP UP WITH CHANGES

Regardless of the Medicare decisions you make, you should revisit your selections every year.



Open enrollment starts annually in October, which is the time to review what works for you and your family.

Sometimes changes are made to the program or laws that get passed affect Medicare. An example is the Inflation Reduction Act that was passed by Congress in 2022. It doesn't go into full effect until 2025, but it will reduce out-of-pocket costs for everyone from \$7,000 to \$2,000 for drugs. It also caps out-of-pocket insulin at \$35 per month, which is significant for those with diabetes.

If you need a little bit more guidance with your Medicare decision-making, the first point of contact is Medicare.gov. That site offers a ton of information, including how to enroll. Of course, you can enlist your trusted advisor to help you navigate these important decisions as part of a holistic financial plan as well.

NEXT STEPS

As you consider your Medicare elections:

- Determine if any of your dependents will need to switch to an individual healthcare plan.
- Speak to your advisor about your holistic financial situation to determine what makes the most sense.

Sources: aspe.hhs.gov