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FINANCIALJOURNEYS

FINANCIAL & RETIREMENT PLANNING FOR LIFE

Crafting a retirement that evolves with you

How high-net-worth individuals can make the most of retirement, from new ways of investing to preparing for the unexpected

You may be lucky enough to experience the gift of longevity, as many of today's retirees are expected to reach their 90th birthday and beyond. As you enjoy this exciting phase of your life, your financial and insurance plans should evolve with you. Below are some tips for the savvy high-net-worth individual to help ensure that you're making the most of your retirement.

EXPLORE INVESTMENT ALTERNATIVES

More investment options become available to you as your net worth increases, and it's especially important in retirement to reassess your investments and make sure they align with your changing needs. One thing to consider is alternative investment strategies, which seek opportunity outside conventional stocks and bonds. They offer different risk and reward profiles, with results that may be less affected by broader public markets.

They can be an important part of asset allocation, which often determines much of your portfolio's performance. You may have invested a certain way with a different risk tolerance early in your career, but what worked for you then may not meet your needs or match your goals now. Alternative investments allow you to serve specific goals in your broader financial plan, such as diversifying your portfolio, seeking enhanced performance or managing your tax liabilities.

UPDATE ESTATE DOCUMENTS

If you have estate planning documents in place, it's wise to review them regularly to ensure they remain relevant. Ideally high-net-worth individuals review these documents

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Crafting a retirement that evolves with you (cont.)

at least once a year, because while you may not need to make adjustments each year, things like new laws or tax code changes can also necessitate an update. You should also review your documents if you've experienced a major life change, even if you've already reviewed them that year. Some reasons for revisiting your estate plans include moving to a new state, the addition of a child or grandchild, experiencing major health changes, getting married or divorced, selling a business or investing in real estate.

And of course, it's always a good idea to review any ancillary documents like healthcare surrogate paperwork or account and asset inventory lists. These are typically good for longer, but it never hurts to periodically confirm and update them, especially if basic information like addresses and phone numbers have changed. Any accounts, like 401(k)s, life insurance policies and annuities, with a named beneficiary should be reviewed, too.

PLAN FOR THE UNEXPECTED

Health insurance, whether provided by a private company or through Medicare, does not pay for long-term care. Consider creating a specific funding plan for the likelihood that you or your spouse will need long-term care. Some options include traditional long-term care insurance, which covers costs that Medicare and other health insurance policies may not cover; life insurance with a long-term care or chronic illness rider; or asset-based long-term care contracts, which use the structure of either life insurance or annuities to provide long-term care benefits as needed.

It's also important to think about how other insurance needs might change. For example, even if you purchased life insurance early in your career, reviewing it now can help preserve the retirement you worked hard to create. You can use life insurance to help protect any dependents you may have, such as disabled adult children, or to fulfill financial obligations, such as the mortgage on a second home. You may also want to consider a secondary insurance policy, or "umbrella insurance." An umbrella policy provides extra liability coverage beyond what's included in your base homeowner, auto and boat policies, for example, and can protect you from significant loss from unexpected events.

COMMUNICATE YOUR WISHES TO FAMILY

Sometimes the most difficult piece of any good retirement plan is talking to your loved ones about your financial plans and goals. While it can feel awkward or challenging, it's often the key to success for high-net-worth families. It can help to ensure that your wishes are carried out and is a way to harness the momentum you've built throughout your life so that it grows from one generation to the next.

Think about discussing things with your family like how your health and mobility will be managed as you get older, and how big changes within the family – like births, adoptions, marriages or divorces – might impact how you think about financial plans and goals.

All too often, family wealth deteriorates in just a few generations. So a family conversation can also be a great opportunity to share the story of how your family has built what it has. This helps to create understanding and can also inspire the next generation of your family.

Whatever your retirement looks like, stay savvy and work with your advisor to explore your best options. ■

Understanding the types of endowments

How to maximize your impact through long-term support

Giving can offer a great sense of fulfillment, and a way to make a difference for others while supporting causes you're passionate about. Endowments are among the many ways your philanthropy can take shape – they are funds or property that are permanently invested for the purpose of generating income for a specific organization or cause.

Typically created through donations from individuals, corporations or institutions, endowments are managed by a board of trustees responsible for ensuring the sustainability and growth of the endowment. Giving to an organization through the establishment of an endowment allows you to create a legacy of giving that enables an organization or institution do its vital work well into the future.

Endowments have become an important funding mechanism especially for universities and other educational institutions, cultural institutions such as museums and libraries, and service organizations like hospitals. With most endowments, the principal amount is maintained while the income generated through the fund's growth is used by the organization, though there are differences between types of endowments.

Each type of endowment has its own characteristics and objectives. Understanding the differences will help you to make informed decisions about how to maximize your impact and support the causes you care about most.

UNRESTRICTED ENDOWMENTS

Unrestricted endowments are donated to an organization without any specific purpose or restrictions. The organization can use the funds as it deems appropriate, from funding general operations to supporting specific programs. Unrestricted endowments provide the organization receiving the funds with maximum flexibility in determining how to use the funds.

RESTRICTED ENDOWMENTS

Restricted endowments are donated to an organization for a specific purpose, such as funding a scholarship program or supporting a particular research project. The organization is legally obligated to use the funds only for the designated purpose. Restricted endowments provide you with the assurance your donation will be used for a specific cause or program.

QUASI-ENDOWMENTS

Quasi-endowments are funds that are set aside by an organization for a specific purpose but are not legally designated as endowments. They are usually established using surplus funds or reserves that the organization does not need for immediate operations. Quasi-endowments provide organizations with a pool of funds that can be invested to generate income while still allowing the organization to access the principal if needed.

TERM ENDOWMENTS

Term endowments are funds that are donated to an organization for a specific period, after which the funds are either returned to the donor or transferred to the organization's general fund. Term endowments are typically used to fund specific programs or initiatives that have a defined timeline. ■

START THE CONVERSATION

Talk to your financial advisor about whether an endowment would help you to achieve your philanthropic goals and build a legacy of giving.

Maintaining income after retirement

How your retirement savings can continue working for you

You've spent many years saving in preparation for retirement. You've planned strategically to get here and have secured the resources necessary to help ensure lasting comfort for yourself and your family.

Now that you've arrived, there are still decisions to be made regarding how to turn your retirement savings into retirement income. Just because you've begun withdrawing does not mean you must stop earning.

Here are some of the ways you can put your retirement savings to work.

INVEST

This one probably seems rather obvious, but turning savings and fixed income into variable income requires a special balance that is unique to your situation. Investing in retirement can come with some risks and caveats that are important to consider – talking with your financial advisor can help you determine what's right for you and choose among options such as retirement income funds, real estate investment trusts, annuities and more.

RESERVE

Preserving what you have can be as important as earning. Placing resources in a cash reserve can ensure that you have access to easily withdrawable short-term liquidity. These funds can be shielded from the effects of market declines while still gaining interest through low-risk money markets. Safeguarding immediate funds from volatility can allow your larger retirement savings to recover from changes in the market without restricting cash flow.

WORK

Yes, you read that correctly. Retirement doesn't have to mean the absence of work entirely. Rather, it can be an opportunity to maintain an active lifestyle and pursue passions you were unable to explore throughout your career. By investing your time in something you love, you can secure supplemental income and experience things that you may have always yearned for but did not necessarily have time to enjoy. ■

NEXT STEPS

Your days of earning are far from over. Keep these tips in mind to help maximize your retirement income:

- Work closely with your financial advisor to keep your investment strategies aligned with all the changes in your life, even if everything is going according to plan. Your advisor is here to help you enjoy your retirement and minimize the burden of financial uncertainty.
- Don't lose sight of what you need now and ensure that no matter what your strategy is for your savings, you always have access to enough funds available for withdrawal.
- Keep track of where your assets are and make sure that you strike a balance between long-term gains and short-term liquidity to both prolong the lifespan of your savings and meet your immediate needs.