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Financial Briefs

JULY 2025

Estate Planning Considerations for Your Children

It takes special care to create an estate plan that efficiently distributes your assets and meets your goals for every person and cause important to you. But no part of the process means more to most people than that which involves their children. After all, for most of us, our children are our most important legacy, and how your estate documents treat them will have an impact long after you're gone.

To help organize this process, it is useful to think of children in three categories: minors, young adults, and fully grown adults with spouses and children of their own.

Minor Children

Children from infancy through high school have a different set of needs than children of other ages. One is simply to be able to rely on an income for daily needs in case you're no longer there for them. Since the parents of young children usually don't have large savings or net worth, the challenge is to provide an instant estate, for which life insurance is the best answer.

There are several rules of thumb for how much life insurance to buy — from four to 10 times your annual income. The right amount should be the result of a thorough needs analysis of your entire family, which can be accomplished by asking your spouse and yourself a series of probing questions, including:

- How much do the two of you already have saved?
- Will your spouse be able to work full- or part-time? If so, what will childcare cost?
- Will your children go to public or private elementary and secondary schools?
- How much will your children need in college funds by the time they're ready to attend?
- How much will your spouse need for retirement, and how much of that will he/she be able to accumulate on his/her own?

After you determine how much life insurance to buy, you need to think about who will raise your children if you and your spouse both die before the children are adults. This calls for naming a guardian in both of your wills. If you don't have a will, a state court will appoint a guardian for you, and it may not be someone you or your spouse would have wanted for this role. In addition, parents might also wish to designate a person to manage the children's assets, known as a custodian or trustee. This can be the same person as the guardian, but designating an unrelated third party, like an attorney, banker, or trust company officer, who can be charged with thinking only of your children's welfare, appeals to some people.

Among the other major decisions you have to make is whether

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Overcoming 5 Retirement Fears

We've all heard stories about people losing all of their retirement money in a stock market crash, outliving their money, or incurring unexpected medical expenses that forces 80-year-olds back into the workforce. At times, these stories can seem overwhelming — even to the point of deterring people from planning for retirement. Are these fears likely to become realities? Probably not, but the truth is that these things can happen. Here's how you can deal.

1. Outliving your money — There's a rule of thumb to decrease the odds of outliving your money over a 25 year retirement: by the time you're ready to retire, you should have saved 8 times your annual salary. To get there, gradually work up to it. For example, at age 35, you should have 1 times your

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Estate Planning

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and how to split your assets between your surviving spouse and your children, and if you leave some assets directly to your children, how to determine the split among them. Often, it can make sense to leave all or most of your assets to your spouse and to provide assets you bequeath to your children evenly. But this might overlook such considerations as children with special medical needs or special abilities.

Young Adults

Once children reach the age of majority — 18 in most states — a new set of considerations enters the picture. By this age, your children no longer require a guardian and are legally capable of spending their money in any way they want — and therein lies a potential problem. What if you leave $250,000 for college, and instead, your children decide to waste the money and skip college?

One way to control how the inheritance is spent is to establish a trust with a schedule for distributions. One option is to delay a full distribution until they reach a certain age, like 25 or 30. Another choice is to give them a series of partial distributions at ages that make sense to you given what you know about your child. Another increasingly popular strategy is the incentive trust. This vehicle makes payouts contingent on your child's achievement of specific accomplishments — like maintaining a certain grade point average; graduating from college, graduate, or professional school; marrying; or buying a home.

Adult Children

Many of the same kinds of considerations that apply to minors and young adults can also influence your decisions regarding adult children. Do they, their spouses, or their children have special medical needs? Have your adult children fallen on hard times or are they irresponsible with money? How many children do they have and how much help will they need to finance their education?

Another consideration has as much to do with your own objectives for minimizing estate taxes. If your estate is much larger than you and your spouse's combined estate tax exemptions (currently $13.99 million for each spouse in 2025), you might want to shrink it with an aggressive campaign of gifts to your children and grandchildren. On the other hand, any funds you leave to your children might encumber them with estates equally as large as yours or larger, with the same tax challenges. In this case, you might want to transfer some of your assets to a generation-skipping trust, which bypasses your children and names your grandchildren as the beneficiaries.

Don't go it alone when mulling over these decisions. Most importantly, you need to reach a meeting of the minds with your spouse and even your children, especially if they are adults. One thing you don't want to do is to create bad feelings after you're gone, either toward you or among your survivors. Please call if you'd like to discuss this in more detail.

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Making Money Last through Retirement

What many people don't realize is just how hard it is to make one's money last through retirement without having proper planning in place. The fact is, making your money last is something that can only be achieved with careful calculation. Here are a handful of tips.

1. Make Your Home Age-Proof

The importance of age-proofing one's home is often overlooked by those preparing for retirement. Over time, wear and tear can wreak havoc on even the most well-built homes, and repairs can end up being extremely costly. What's the solution? Make your home age-proof before entering retirement. An age-proof home is not only able to withstand the elements and the test of time, but also will be easy for you and a partner to live in when you reach old age.

2. Choose the Right Withdrawal Rate

The withdrawal rate you choose for your retirement plan will have a major impact on how comfortably you're able to retire. It's tempting to take out a fair amount of money and treat yourself once retirement age has been met, but it's generally not a good idea. A smart starting point for the first year of retirement for most people is 4%, keeping the same rate plus adjusting for inflation in the years to come.

3. Keep a Rainy Day Fund

It's essential to keep a solid rainy day fund in case of an emergency. How much should you keep? In general, most people will benefit from keeping a rainy day fund of at least six months of living expenses available. Though it doesn't seem like much, it may be exactly what you need should an emergency occur.

4. Get a Light Job

While most people don't want to work hard once they've retired, there are plenty of lighter jobs that can not only help to foster community, but also bring in an increased amount of income each month. This money can be put towards a savings account to add extra insurance for retirement. Or you can choose to use it as spending money. Either way, holding a casual job after retirement is a great way to stay active and remain happy and healthy.

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Retirement Fears

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current salary saved, then 3 times by 45, 5 times by 55, and so on.

Of course, the amount of money you need to have saved by the time you're ready to retire depends on a huge range of very individual factors: What are your plans for retirement? How old are you? Will you still have a mortgage? Do you have long-term-care insurance? To truly decrease the odds that you'll outlive your money, work with a financial advisor to develop a robust retirement plan — then stick to the plan and revisit it often to make sure it remains in alignment with your goals and your circumstances.

2. High inflation — What if inflation went up to 12%–14% like in the 1970s? What would you do? It's probably not likely inflation will spike like that again. However, because it has happened before, you want to be prepared. This is where an annual review of your investments can be wise. In periods of very high inflation in the U.S., for example, you may need to adjust your investment strategy. Indeed, that is the point of diversification: if you are properly diversified, your portfolio should include investments that move opposite each other — so when one asset class or subclass is down, another is up.

3. Unexpected medical expenses before retirement — Unexpected medical expenses that you may incur while you are still working could totally derail your retirement. To prepare for them, it's important to have insurance in place, such as disability and life insurance. Disability insurance will ensure that if you do lose your income due to a disability, you will still be able to take care of your basic necessities and not tap into your retirement. Life insurance will protect your family in the event of your death — especially important if your income was the key to your spouse's retirement.

4. Unexpected medical expenses during retirement — For most people, healthcare is one of the largest (often the largest) expense incurred during retirement. There are a few ways to prepare for medical emergencies: private health insurance to fill the gaps in Medicare, long-term-care insurance, and rainy day savings. For today's retirees, Medicare takes care of most medical expenses. However, you need savings to cover what insurance won't — like copays and expenses exceeding your insurance limit. And just as you save before retirement for unexpected expenses, so should you continue your rainy day fund in retirement; even if you are adequately insured, copays can be significant if you have a medical emergency.

5. Market crash — As with high inflation, the key to surviving a market crash is diversification. (To be clear: there is no way to insulate yourself completely from the effects of economic turmoil. But you can take steps to ensure that turmoil doesn't completely ruin your retirement plans.) As you get closer to retirement, you should be invested less heavily in equities and more in investments like bonds.

Please call if you'd like to discuss this in more detail.

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Risk Tolerance and Your Retirement

Risk is always going to be a factor in the stock market. It's one of the things that first attracts many people to trading — the chance to see large gains over time. As we age, however, risk becomes an even more important factor that no responsible investor can afford to overlook. To gain a better understanding of how we're affected by risk when building a retirement portfolio, it's important to learn about risk tolerance and what it means as an investor.

What Is Risk Tolerance?

Risk tolerance essentially refers to an investor's ability — both emotionally and financially — to deal with major upswings and downswings in the market. This refers not just to highly volatile stocks, but to stocks themselves, which tend to be riskier than most other forms of investment. If a person is said to have high risk tolerance, he or she likely tends not to worry so much about the potential risk of certain stocks or having a large amount of stocks in a portfolio.

Those with low risk tolerance are on the other end of spectrum, often too cautious to deal with volatile stocks or the market in general.

Risk Tolerance and Age

While plenty of factors must be taken into consideration when considering your own risk tolerance (including personality traits), age is one that can be seen as an important anchor to help risk-takers avoid getting in over their heads. This is especially true of those who are working toward building an effective retirement plan. When people are young, it makes more sense to take risks with investments than when they reach retirement age. What's important to recognize is that risk tolerance must shift with age to avoid making costly mistakes at a time when it may be potentially too late to recover.

Adjusting Risk Tolerance

It may seem as if adjusting risk tolerance is challenging, and for some people it certainly can be. That being said, often it simply means taking a realistic approach to your investments. Many successful investors find moving away from stocks to bonds is an effective later-in-life strategy, which again will require you to adjust your risk tolerance.

The Importance of Working with a Financial Planner

The best way to get a better sense of what is a realistic risk tolerance for you to have at this point in life is to work closely with your financial planner. Please call if you'd like to discuss this in more detail.

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News and Announcements

From The Flinton Household

I remember when summer break from school for our kids felt like it was half a year long. As Samantha and Emerson get ready for 7th and 9th grade respectively, it now seems as if summer break is over just as it begins. As they continue to engage in more school related activities, and their leisure time goes more to social activities and engagement with their friends, we find ourselves sneaking ways to get more time together. We're grateful that our daughters seek out downtime in similar ways as Courtney and me, and we all get re-energized after tucking away for a few days at the lake. In 2020 when we decided to take the leap and try out lake life for a while, we didn't know really what to expect or how to do "lake life". As the years have rolled on, we have found that not only is it a great time with others and a good getaway when we need it, but it also has continued to forge a bond within our family around all the activities and responsibilities that come with lake life. As the girls have become more skilled with boating, water safety, and all the responsibilities that come with the lake, we've seen their confidence in their abilities and themselves continue to grow as well. We've also realized that we have been able to capture so much time together as a family by taking the leap into the dirty water of Lake Eufaula. Early on a friend of ours said families that lake together, stay together. Thus far it's holding true, and I was thankful to be given that insight. We hope you and your family enjoy the rest of the summer.

From the shores of Lake Eufaula,

Andrew K. Flinton, CFP®
President

From the Alexander Household

I'm walking on a secluded area of Mission Bay beach in San Diego this morning, reflecting on our son Calvin's wedding last night. A stingray just swam by a few feet from me; it is peaceful, listening to the sounds of the waves and birds.

We have spent almost a week here, which has allowed time for family outings to the San Diego Zoo, a Padres baseball game and a lot of unstructured time. I've enjoyed watching the interactions between our sons and with extended family. Haylee's dance with her father last night was the Hokey Pokey, which was genius. It got everyone on the dance floor early in the evening. I enjoyed dancing with our sons, Kerry and the guests.

Last night was magical. Their wedding on the beach was exactly what they had planned. My husband, Kerry, served as officiant and Haylee and Calvin wrote their vows. I think vows are important both as a commitment and as a snapshot in time of a relationship.

In a family with four sons, it is wonderful to add a daughter and her family. I look forward to seeing their lives unfold on their shared journey.

Carol Ringrose Alexander, CFP®
AIF®, CEPS, RLP®, CDFA®, CCFC
Executive Vice President

Compliance Corner

Scams aimed at older adults result in the loss of billions of dollars each year. In honor of World Elder Abuse Day, let us discuss common scams directed at older adults:

Romance Scams — Shortly after meeting online they profess strong feelings for you and ask to chat privately via telephone, email, or text. Upon gaining your trust, they provide a story or reason they need money, gifts, your bank details, or credit card details.

Grandparent Scams — Scammers contact you via phone and claim to be a family member. They state they are in financial need or distress. They request the grandparent wire funds for bail money, attorney's fees, hospital bills, or another false expense.

Tech Support Scams — Scammers function as a technology support representative and offer to fix a non-existent computer issue. The scammer gains remote access to your computer or phone and to your personal information.

To read about other common scams and helpful tips, visit the Office for Victims of Crime here: https://ovc.ojp.gov/program/elder-fraud-abuse

Jade Franke
FPQP®, IACCP®
Chief Compliance Officer

Retirement Investment Advisors, Inc.
Holiday Hours

Independence Day
Friday, July 4, 2025 – Closed