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Navigating Retirement Pitfalls

Much is written about the classic financial mistakes that plague start-ups, family businesses, corporations, and charities. Some classic financial missteps have been known to plague retirees, too.

Calling them "missteps" may be a bit harsh, as not all of them represent errors in judgment. Either way, becoming aware of these potential pitfalls may help you to avoid falling into them in the future.

Managing Social Security: Social Security benefits are structured to rise about 8% for every year you delay receiving them after your full retirement age. Is waiting a few years to apply for benefits an idea you might consider? Filing for your monthly benefits before you reach your full retirement age can mean comparatively smaller monthly payments.[1]

Managing medical costs: One report estimates that the average couple retiring at age 65 can expect to need $315,000 to cover health care expenses during the course of their retirement, even with additional coverage such as Medicare Part D, Medigap, and dental insurance. Having a strategy can help you be better prepared for medical costs.[2]

Understanding longevity: Actuaries at the Social Security Administration project that a 65-year-old man has a 34% chance and a 65-year-old woman has a 45% chance to live to age 90. The prospect of a 20- or 30-year retirement is not only reasonable, but it should be expected.[3]

Managing withdrawals: You may have heard of the "4% rule," a guideline stating that you should take out only about 4% of your retirement savings annually. Each person's situation is unique but having some guidelines can help you prepare.

Managing taxes: Some people enter retirement with investments in both taxable and tax-advantaged accounts. Which accounts should you draw money from first? To answer the question, a qualified financial professional would need to review your financial situation so they can better understand your goals and risk tolerance.

This article is for informational purposes only and is not a replacement for real-life advice, so make sure to consult your tax, legal, and accounting professionals before modifying your investment strategy for tax considerations.

Managing other costs, like college**:** There is no "financial aid" program for retirement. There are no "retirement loans." A financial professional can help you review your anticipated income and costs before you commit to a long-term strategy, and help you make a balanced decision between retirement and helping with the cost of college for your children or grandchildren.

Citations

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Estate Strategies of the Rich and Famous

Famous people are all too human. Tabloid newspapers, celebrity magazines and websites make bank chronicling their every moment, from going out for a coffee to attending glamorous premieres and glitzy concerts. And, yes, whenever they make a mistake, those same outlets bring it to your phones and tablets in real time.

Sometimes these “oops” moments follow our celebrities long after they’ve taken their final bows, as their heirs and other interested parties battle over their estates. You might think that these stars, with their giant entourages, must have trusted financial professionals in their lives, assisting them in creating estate strategies –but in many cases, you would be wrong. Whether it’s because they have misconceptions about estate strategy or because they passed unexpectedly, these celebs have seen their legacies turn into games of tug-of-war.

The Queen of Soul, Aretha Franklin, was one of the biggest recording artists in American history and a best-selling artist globally. From her early days singing gospel in her father’s Detroit church, Aretha found success with singles like “You Make Me Feel Like A Natural Woman,” “Chain of Fools,” and “Think.” With 112 singles on the Billboard charts, (continue on page 2)

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Franklin had #1 hits in the 1960s, 70s, 80s, 90s, and, finally, 2014. In the world of popular music, her legacy is assured.

Less assured, though, were the many financial rewards Aretha reaped from her legendary career. After her death in 2018, multiple documents were found among her effects and papers, leading to a four-year legal dispute over the Queen of Soul's estate. The trial proved emotional and dramatic for family members, with even voicemails from Aretha, a literal voice from beyond, used to determine the fate of not only her fortune but also her intellectual property (songs, recordings, and more). Ultimately, the court decided that four pages handwritten by Aretha and discovered in her couch represented her actual final will.[1,2]

While your estate strategy can change over time, it's important to formalize your changes as soon as possible. Accidents will happen, but those handwritten pages might have done Aretha's family more good in the hands of a professional than tucked away in a piece of furniture. It might have helped them avoid such a long legal process.

Most people in their twenties aren't thinking much about their estates. Jim Morrison was too busy living the life of a rock star to give the matter his full attention. From 1965 to 1971, Morrison was the frontman for The Doors, the psychedelically inspired rock band who made hits with "Hello, I Love You," "Light My Fire," and "Love Her Madly." Together, they went from the opening act at Los Angeles's Whisky a Go Go nightclub to touring the world in support of their six albums. After recording *L.A. Woman in 1971*, Morrison (known as "The Lizard King" to fans) decided to take some time off and live in Paris with girlfriend Pamela Courson. A few months later, Morrison died of reported heart failure at age 27.

Despite his reputation for the fast life and excess, which undoubtedly contributed to his tragic early death, Morrison did leave a two-page will naming Pamela Courson as his primary heir. While his assets were relatively modest at the time of his death, between his quarter ownership of The Doors and the renewed interest in the band fostered by his passing, his estate blossomed into a financial juggernaut. Unfortunately, Courson passed three years after him, with no will of her own. This led to a dispute over Morrison's legacy, with both his own parents and Courson's heirs challenging the competence of his will. Ultimately, they elected to divide Morrison's estate evenly, out of court.[3]

The case of Morrison's will highlights two important factors: 1) Everyone needs a

competent estate strategy, even those who may feel they are too young to worry about such things. 2) A clearly written and well-thought-out will may be able to lock down your final intentions. In Morrison's case, he specifically excluded his estranged parents from his will without naming them, instead listing his brother and sister as alternate heirs after Courson. There were certainly other (or better) ways to favor his siblings over his parents, as well as avoid the courtroom drama after Courson's passing.

While these are two famous examples, there are many other famous celebrity estates to consider, including the following:

Frank Sinatra made sure his $100 million estate had no issues; he stipulated a provision disinheriting any individual who contested his will. Ultimately, they did it his way.[3]

Comic and actor Robin Williams left his estate to his children and a house to his wife, with the provision that the house went to his children after her death. Unfortunately, he said nothing about his personal effects, including valuable movie memorabilia, that existed inside the house, which led to a dispute between the parties that was settled out of court in 2015.[3]

Model and reality star Anna Nicole Smith, who famously married businessman J. Howard Marshall, was not mentioned in her elderly husband's will when he died 14 months into their marriage. The existing will, predating the wedding, named Marshall's son as his primary heir. This led to a very public legal dispute that continued for 20 years. By the time the court made its second and most recent ruling (the ruling can still be reopened), both Anna Nicole and Marshall's son were deceased.[3]

Prince, who once went to great lengths to force his record label and the media to refer to him by an unpronounceable symbol, never took the time to write a will, informally or otherwise. It took six years for Minnesota courts to determine the heirs of his $156 million, splitting it into two LLCs, each controlled by three of Prince's six half-siblings.[4]

These stories may be fascinating and tragic but they all underline the importance of a clear and comprehensive estate strategy. Even those of us mere mortals who don't have to deal with record executives, film producers, and the paparazzi have the potential to make mistakes that can be costly and troubling to our families and loved ones.

Citations

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