JUNE

2025

THE ROAD TO RETIREMENT

OUR MONTHLY GUIDE TO EVERY MILEPOST, JUNCTION, AND LANDMARK ON YOUR ROAD TO RETIREMENT.

THIS ISSUE

WHAT'S ON OUR MINDS THIS MONTH

The step on the stair that creaks. The outlet that needs to be replaced. The door hinges that desperately need to be oiled; the bit of carpet coming loose that you keep tripping over. Everyone has something like this in their house — the "quick fix" that keeps getting delayed, overlooked, or ignored.

Almost everyone has this sort of thing in their retirement plan, too.

In this issue of *The Road to Retirement*, we're going to finish our series on commonly-neglected areas of retirement planning. Each of these are small issues at first...but if ignored for too long, they can become costly and time-consuming problems down the road.

Some of these issues may apply to you; others may not. But it's important that you be aware of them all so that the road to retirement takes you *exactly* where you want to go.

Have a great month!

WHAT'S AROUND THE BEND: TAXES, TAXES, TAXES

If there's one area of retirement that often gets dumped into the "I'll think about it when I have to" pile, it's taxes.

Many people think of taxes as a problem to pay while they are working. After all, income taxes tend to take up the largest portion of our tax burden, but this retires when we do, right?

Well, not quite. While retirees may not draw a paycheck anymore, if their plan is set up correctly, they should still earn plenty of income.

There are all sorts of taxes that can hit in retirement. Here are a few of the most important:

Required Minimum Distributions (RMDs): Standard IRAs and 401(k) accounts require the owner to begin withdrawing funds once they reach age 73. RMDs are counted as income, which means they are subject to income taxes.

(Note that with Roth IRAs and 401(k)s, it is the contributions that are taxed, not the distributions.)

Dividends: Retirees who own dividend-paying stocks typically receive payments every quarter. These payments are also considered income and are therefore taxable (in non-qualified accounts), even if you reinvest them.

Social Security Benefits: It often comes as a surprise, but a portion of your Social Security benefits may also be subject to taxes depending on your overall income in retirement. Typically, if *half* of your annual benefits combined with your other income exceeds $25,000 per year (if you are a single filer) or $32,000 (if you are part of a married couple filing jointly) then 50-85% of your benefits will be taxable.

QUOTES WE'VE BEEN THINKING ABOUT:

"The bad news is that time flies. The good news is that you're the pilot."

— MICHAEL ALTSHULER

Taxes on Social Security benefits is a subject worth talking about all on its own, so I'll have more on this in the next issue.

Capital Gains: If you sell any securities for a profit, you will typically owe capital gains taxes on the proceeds received in non-qualified accounts.

There are other potential taxes, too. Annuity payments, net investment income taxes, property taxes — you get the idea. It can all feel overwhelming, but there's good news: *None of this has to derail any of your retirement goals or detract from your desired lifestyle*. Like Monday mornings and the weather, taxes are simply a fact of life. We simply have to be conscious of these facts so we can factor them into our plans and prevent them from ruining our week.

When it comes to retirement, it's critical to ensure that changes in your tax situation are planned for well ahead of time so that nothing gets missed and stress is avoided. We recommend you work with a tax professional to accurately assess your options and plans. If you have any concerns about *your* tax strategies in retirement, please let me know!

WHAT'S OVER THE NEXT HILL: YOUR PERSONAL HEALTH

Let me be clear: I'm not a medical professional. But as a financial advisor, there are a few things I know: What people often neglect in retirement, and what makes people *happiest* in retirement.

"Their health" fits into both categories.

Having worked with so many retirees in my career, I can say with confidence that the ones who enjoy retirement the most are the ones who prioritize their health over most other concerns. That means:

Getting as much sunshine and outdoors time as possible, even if it's just going for a walk around the neighborhood or working in the garden.

Get plenty of exercise.

Drink lots of water. The older we get, the easier it is to get dehydrated without realizing it!

Get plenty of sleep, and maintain a regular sleeping schedule. It's never a bad idea to splurge on a more comfortable bed!

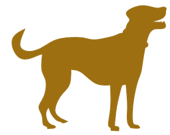
Build a personal healthcare budget into your plan so that you never need worry about whether you can pay to see a specialist or get that procedure you need.

Prioritize your mental health, too! For example, socialize as much as possible. Whether it's a game of pickleball with friends or volunteering at the local animal shelter, surround yourself with people you like who have similar interests – not just family members!

FUN FINANCIAL FACT

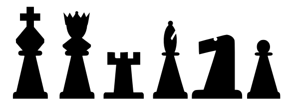
Summer is here! While that's always an occasion for joy, did you know that summer is actually the second most expensive season of the year? In one poll, participants spent an average of $2,229 in the summer, compared to $2,314 in the winter, $2,064 in the fall, and $1,952 in the spring. Much of this is likely because of vacations and social events like family weddings, however, so even if expenses still go up during the summer, you're probably still getting a lot of bang for your buck!

SOURCE: LENDEDU



Own pets. Study after study has shown how having a dog, cat, or other animal to care for can boost your wellbeing.

Keep learning new skills and putting yourself in environments that trigger personal growth.



Devote regular time to learning a new language, practicing an instrument, playing chess, or any other activity that keeps your mind engaged and challenged.

Obviously, everyone should work with their doctor to develop a personal health and wellness plan in retirement. But these are some of the activities and priorities I've seen that can really make a difference. Because, in the end, a healthy retirement is a happy retirement!

WHAT'S ON THE HORIZON:
OVERLY CONSERVATIVE INVESTMENTS

It may seem odd to think of your investment portfolio as a neglected area of retirement, but it *can* be for retirees who make this one key mistake: An overly-conservative asset allocation. This means primarily owning investments that may appear to be “low risk” but also have little to no potential for growth.

It’s an easy mistake to make, mainly because it seems like common sense. For example, let’s take a hypothetical retiree whom we’ll call J.Q. This person has worked hard, saved money, invested regularly, and as a result, was able to retire at age 67.

J.Q. knows that, despite having a sizeable nest egg, it’s always possible to outlive your money in retirement. He also wants to ensure he leaves something behind for his kids. So, he vows to be cautious, never take foolish risks with money, and avoid spending more than he has to. Accordingly, he adjusts his portfolio and invests primarily in, say, fixed annuities and long-term bonds. These types of investments aren’t as volatile as the stock market, so there’s less risk of losing his principal.

This all sounds prudent, right? That’s because, on the surface, it is. There’s nothing wrong with being cautious or careful. And for the first year or two, everything is fine. J.Q. is able to live primarily through his Social Security benefits.

But then, one day, the roof needs to get fixed.

A few months later, he has a health emergency — and then has a few more emergencies back-to-back the year after that.

Then there’s time one of his loved ones desperately needs money.

And the time he got into an accident on the interstate.

Suddenly, one day, J.Q. looks and discovers his principal is much lower than he wanted it to be. Not because he made bad decisions, or took risks, but because while he was busy living, his money was…well, doing nothing at all.

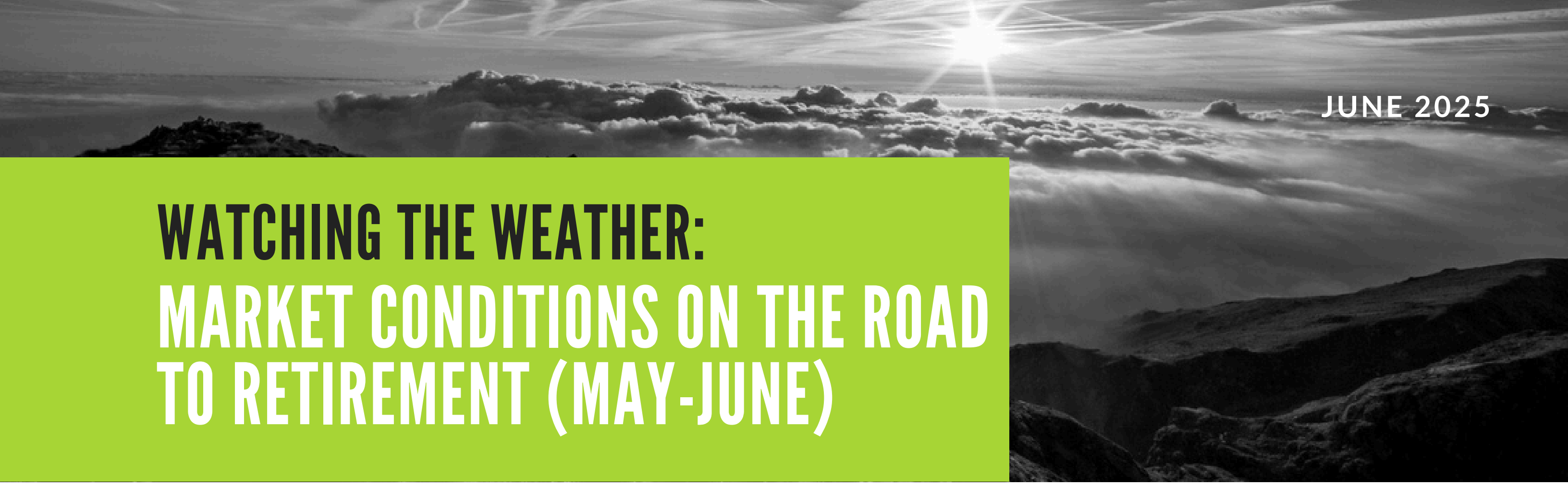
This is not an uncommon scenario. Many retirees adopt an extremely conservative portfolio in retirement. Again, it's understandable why they do this: They don't want to take on risk and see their retirement savings take a major hit. But when this happens, instead of a major hit, we often have a series of minor ones that slowly sap our principal over time.

That's why it's so important not to just automatically move to an ultra-conservative asset allocation in retirement. It's often necessary to devote at least a portion of our portfolio to assets that have the potential to grow, even if it means taking on slightly more risk.

You see, retirement isn't about running out the clock, counting down the days, or watching the sand fall in the hourglass. Retirement is about living. Which is why your assets must continue to grow while you are busy living.

Now, there's no one-size-fits-all approach to investing in retirement. Everyone's needs and wants are different. What is universally true, however, is that we must avoid shoving our investment portfolio into the neglected corner of our financial house just because we think it's "safe."

Even in retirement, our investments are something to monitor, to prune, and to water…so that they can sustain us no matter what life throws our way.



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WATCHING THE WEATHER: MARKET CONDITIONS ON THE ROAD TO RETIREMENT (MAY-JUNE)

The weather on Wall Street tended towards the stormy and unpredictable in May... but in the end, we experienced more sunshine than rain. All three major indices gained much-needed ground in May, largely due to a cooling of trade war tensions. On May 12, the White House announced that both the United States and China would lower their respective tariffs for 90 days. (Though we expect this to continue to garner headlines as negotiations continue.)

For the month, the S&P 500 gained 6.2%. The Dow rose about 4%, while the Nasdaq climbed by more than 9%.

HERE'S WHAT WE'RE KEEPING AN EYE ON IN JUNE & BEYOND

While the tit-for-tat tariff escalation between the U.S. and other countries has slowed, duties on foreign imports are still much higher than normal. In addition, many of the tariffs announced by the Trump Administration have only been paused, not canceled entirely, which means we could still see them rise again.

To add more uncertainty to an already chaotic mixture, the U.S. Court of International Trade ruled on May 28 that the blanket tariffs President Trump is seeking to impose are beyond his authority and are therefore illegal. As you'd expect, the White House quickly appealed that ruling, which was then paused by the U.S. Court of Appeals. For the moment, that means the president may continue levying tariffs as he sees fit...but whether that will change remains to be seen.

Because of all this, we can expect more tariff-related volatility for the foreseeable future. At the moment, it appears as if investors are willing to largely look past all this drama, but my team and I will continue to be alert and prepared moving forward.

Your job, however, is to enjoy your summer. Have a great month!