

# MAY

## 2025

# THE ROAD TO RETIREMENT

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



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## WHAT'S ON OUR MINDS THIS MONTH

Like a leaky pipe behind a wall or beneath the floorboards, it's easy for small issues to go unnoticed... until they become *big* problems. This is true in life, and it's true with retirement, too.

In this issue of *The Road to Retirement*, we're going to continue focusing on three commonly-neglected areas of retirement planning. Each of these are small issues at first...but if they are 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: PERSONAL GOALS

When it comes to retirement planning, most people understandably pay the most attention to one thing: *Will I have enough money to retire when I want?* That's why so much time is spent on topics like 401(k)s, IRAs, RMDs, Social Security, and the stock market.

In other words, most of our retirement planning headspace is given over to our *financial* goals. But when it comes to enjoying a happy retirement, it's equally important to prioritize planning for our *personal* goals as well.

And the best way to do that is to start sooner rather than later.

I'll give you an example of what I mean — and why it's so important. I once worked with a very successful man whom we'll call Jay. One of Jay's personal goals was to spend more time mountain biking. But in the run-up to retirement, he was so focused on earning and saving enough money that he never really had the time to hit the trail. Furthermore, he was reluctant to spend more money than he absolutely had to do, as he was so hyper-focused on building his nest egg.

Due to Jay's diligence, he was able to retire early. That meant he had more than enough time *and* money to do just about anything he wanted to do. But whenever I caught up with him, he told me he still hadn't done much mountain biking.

"You have to be in shape to do it," he would say, "and I'm just not in good enough shape yet."

"I really need to get a new mountain bike, maybe one of those electric ones," he would tell me, "as it's no fun doing it with the old hardtail I've got. I just haven't gotten around to it."

QUOTES WE'VE  
BEEN THINKING  
ABOUT:

**"Strength  
shows not only  
the ability to  
persist, but the  
ability to start  
over."**

— F. SCOTT  
FITZGERALD

There always seemed to be a reason Jay wasn't enjoying the thing he wanted to spend most of his time doing. I suspect it all had to do with one thing: Inertia. Jay had gotten so used to *not* spending time on his personal goals that it was easier to simply not focus on them at all – physically, mentally, and financially.

Now let me tell you about another man whom we'll call Mike. Mike's great love is ceramics. He loves making pots, pitchers, mugs, and miniature sculptures out of clay. Sitting at a potter's wheel with a lump of wet earth is his happy place. His dream was to finally have the time and money to get the best equipment, hone his craft, and maybe even sell some of his creations at local markets.

My advice to Mike: Don't wait. Start setting aside time to perfect your pottery now. That big, deluxe kiln you have your heart set on? Let's start fitting that into your financial plan *now*. In other words, don't wait until *after* retirement to do what you love.

Mike followed my advice. The result? When retirement finally arrived, he already had all the equipment he needed. He was already in the habit of devoting his mornings to sitting at his potter's wheel. He already had a booth lined up to exhibit his wares at a local farmer's market.

In short, retirement was pretty much exactly what he wanted it to be...because he had already made his *life* what he wanted it to be.

So, when planning your own retirement, my advice: Prioritize your personal goals just as much as your financial goals. Creating the lifestyle you want *before* you retire is one of the best ways to ensure you continue enjoying it *after* you retire.



# WHAT'S OVER THE NEXT HILL: UNEXPECTED EXPENSES

Benjamin Franklin once said, “Beware of little expenses. A small leak will sink a great ship.”

It's common in retirement planning to focus on the *big* expenses we know will hit at some point. The expenses that come with travel. The expenses that come with medical care. The expenses that come with daily living. But there are plenty of potential “leaks” that can scuttle even an airtight retirement. A tree falls on your garage during a storm and the roof caves in. The car windshield gets so cracked it has to be replaced...the same week you were planning on replacing the tires. A family member gets sick while on vacation...forcing you to pay to fly them home ahead of schedule. You get the idea.

These unexpected expenses, especially when they pile up in a short period of time – because after all, when it rains, it pours – can scuttle your retirement plans in a hurry.

That's why every pre-retiree should have an emergency fund.

What is an emergency fund? Generally, this is defined as having enough liquid assets to cover three-to-six months' worth of living expenses. In case of financial emergency, access to additional money will save you from having to rely on credit cards or loans. After all, being in debt can sometimes be its own emergency – and not one you want to experience in retirement.

When starting an emergency fund, here are a few tips to consider:

- 1. Determine what amount is best for you.** Most experts agree you should keep between three- and six-months' worth of your living expenses set aside in your emergency fund.

## FUN FINANCIAL FACT

**According to a survey conducted by PEW, Americans looking to get ahead financially expressed the most confidence in: Creating a monthly budget (59%), creating a debt repayment plan (57%) and the simple act of saving money. (56%). Sometimes it pays to go back to basics!**

SOURCE:

Your specific situation—whether you have children, carry substantial debt, and types of insurance coverage you have—will determine what amount is best for you. Examine your situation, your income, and your needs to decide how much you should save.

**2. Start small. Starting an emergency fund can be as simple as depositing \$100 every month into a savings account.** Also, bear in mind that this savings account should be a separate account, unrelated to whatever you use for daily expenses. That way, you'll be less tempted to use the money for something other than what it's meant for.

**3. Stick to a schedule.** Get into the habit of making regular deposits. Whether it is weekly, bi-weekly, or monthly, create a schedule and stick to it. Once you make saving automatic, you won't even have to think about it.

**4. Use that money under the couch cushions.** Whenever you find spare change, like that \$1 Washington under the couch or the crinkled \$10 Hamilton in that old pair of jeans, deposit that into your emergency fund instead of buying a cheap burger. You'd be amazed how quickly that adds up.

**5. Allocate a portion of your tax-refund.** Most people tend to treat their tax refund as a windfall for spending, but if you set aside even as little as 5 or 10% every year, you will be creating an enormous safety net for yourself.

**6. Define what an “emergency” means for you.** Does replacing the transmission on your car count? What about that midnight call to the plumber? Generally speaking, an emergency fund can be used for expenses that come as a surprise that might affect your health or basic needs. On the other hand, it shouldn't ever be used for *expected* expenses, like buying groceries or paying for health insurance. And it should never be used for mere “wants.” Making a list *now* of what your emergency fund is, will serve you well in the future.



# WHAT'S ON THE HORIZON: BENEFICIARY DESIGNATIONS

Designating your beneficiaries is a retirement topic that often slides to the bottom of the pile – but when it comes to estate planning, it can often end up being one of the most important decisions you will ever make.

For most people the choice of beneficiaries is simple: Spouse first, then children. For others it may not be that simple—or not stay that simple. Let's see what we can learn.

The most common cases requiring beneficiary designation are on wills and trusts and on financial accounts like qualified retirement plans, annuities, etc. Some provide for “transfer on death,” which accomplishes essentially the same thing.

Most people assume that if they die without designating a beneficiary, assets automatically go to their spouse, and then to their children. This may prove true, but the determination can require a costly, unnecessary probate process, tying up money in court for many months. It's better to avoid that result.

Events like divorce and remarriage and having children from two or more marriages can complicate beneficiary designations. If you remarry, do you want all your assets to go to the new spouse, and then to the spouse's children—perhaps some of them biologically yours, others not—rather than or in addition to your children from the previous marriage? Do you have any children with special needs? Do you want to include stepchildren? If you have not remarried, do you want to include your ex-spouse? Is there anyone else who is dependent on you financially or otherwise?

Moreover, two types of distributions to children exist: per capita and per stirpes.

**Per capita** – literally, “per head” in Latin – divides assets equally to each individual at the time of distribution. Unless otherwise specified, default distribution is almost always per capita.

**Per stirpes** – “per root” – divides equally by person at one generation and then maintains that division by branch in those person’s offspring. For instance, \$10,000 divided per stirpes between a brother and sister would be \$5,000 each if they are both alive at the time of distribution. But if they are both gone, and the brother had 10 children and the sister 2, his children would get \$500 each and hers \$2,500 each. If one of the 10 had died leaving 4 children, they would share \$500, receiving \$125 each.

The difference becomes important if you want to include grandchildren and even great-grand-children in an inheritance.

As you can see, there’s a lot to think about when it comes to designating your beneficiaries. While it may not be the most pressing retirement issue to consider, that does not diminish its importance – because your choices can have an impact that lasts literally for generations to come.



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

April was one of the choppiest, most unpredictable months in recent memory. The Dow alone suffered multiple 1,000-point drops during the month, [including a 2,200-point loss on April 4](#). But we also saw the largest single-day point gain in *history* on April 9, when the Dow [rose by nearly 3,000 points](#).

As you can imagine, this was mostly driven by one thing: Tariffs. President Trump's announcement of increased reciprocal tariffs on other countries, coupled with new tariffs on the U.S. enacted by China, sent the markets tumbling. The White House injected further uncertainty into the markets when he discussed the possibility of removing Jerome Powell, the Chairman of the Federal Reserve, from his post before his term ends in 2026.

Trump soon backtracked those comments, however, while also suspending a number of new tariffs that he had previously announced. Those pivots caused investors to breathe a major sigh of relief and have helped the markets recover some of their losses from earlier in the month. As a result, by the time we closed the book on April, [the S&P 500 was down 0.76% for the month, while the Dow fell 3.17%](#). The Nasdaq, however, [rose 0.85%](#).

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

These storylines are likely not ending anytime soon, which means we must continue to be prepared for further turbulence. In addition, there are some signs that the tariffs already in effect are starting to have an impact on the economy. According to the Commerce Department, our nation's GDP [shrank by 0.3% in Q1](#). While consumer spending did rise by 0.7% in March, that was likely driven by consumers and companies buying what they could *before* more tariffs went into effect. It remains to be seen whether spending and GDP both shrink in Q2, or whether this is a mere hiccup in economic growth.

We'll have more on this next month!