



THE BUCKET PLAN PHILOSOPHY



The CP Welde Group
Tax and Wealth Advisors

**A strategic, structured approach
to bucketing assets for today's
financial dangers and challenges**

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INTRODUCTION

The old way of investing for retirement was to keep a little pile of money at the bank and the rest of your money in a bigger pile of money in investments and hope that it would last a lifetime.

Today, however, market risk, interest rate risk, and sequence of returns risk present some of the biggest dangers facing investors at or near retirement. As such, a more sophisticated planning philosophy is essential to stretch retirement dollars to cover your many needs throughout the duration of retirement.

For this purpose, we have developed The Bucket Plan[®] philosophy to segment money into three different buckets based on your investment time horizon, volatility tolerance, and income needs.



THE MONEY CYCLE

The Money Cycle is something that we all go through during our lifetime. There are three phases: accumulation, preservation, and distribution.



Accumulation

Accumulation usually starts when you're a child and begin putting money away in a piggy bank and continues as you get older and start your first job. The accumulation phase lasts through your working years as you build your life savings and open up a retirement savings plan.



THE MONEY CYCLE



Preservation

As you get closer to retirement, you should move some of that hard-earned money into the preservation phase. During this phase, you're financially stable and looking ahead to retire within the next 10 years.

With retirement on the horizon, there's less time to make mistakes with your money or experience major volatility because you're going to need this money sooner rather than later.

Distribution

The last phase of the Money Cycle is distribution. This includes distribution to yourself in retirement and to your family upon your passing. During this phase is when you begin to draw from what you've accumulated and preserved and start taking an income from your savings and investments.

The biggest mistake that people make is they go directly from the accumulation phase to distribution and they never preserve a portion of their assets to draw from in the first phase of their retirement. They continue to invest their money as if they are a long way out from retirement when, in reality, it's right around the corner.



THE RISKS TO RETIREMENT

To ensure that retirement income lasts a lifetime, investors have to prepare for and manage certain risks. The three major risks investors face in today's financial marketplace include: market risk, interest rate risk, and sequence of returns risk.

Market Risk

Even though markets have historically gained over time, it has demonstrated major swings and corrections over the past decade. If there's a significant market drop shortly before or early in your retirement—just as you're starting to tap into the distribution phase of your assets—the value of your investments could shrink to an extent that brings long-term consequences. These consequences can become even more severe in the case that you're forced to tap into your investable assets for income and sell a portion of it while the market is down, which virtually eliminates the ability to “ride out” the short-term volatility and recapture your losses as markets recover.

THE RISKS TO RETIREMENT

Interest Rate Risk

In an uncertain stock market, investors often rely on bonds as a safe haven. However, like the stock market, interest rates can fluctuate over time. Lower interest rates can reduce retirement income, which can force those who were dependent on that money to tap into other investable assets. On the other hand, rising interest rates can cause the market value of the bonds to drop. In the case where you need to cash out bonds or bond funds for income, you may find yourself having to sell at a lower price. This creates a risk for those who may need to access their money sooner rather than later.

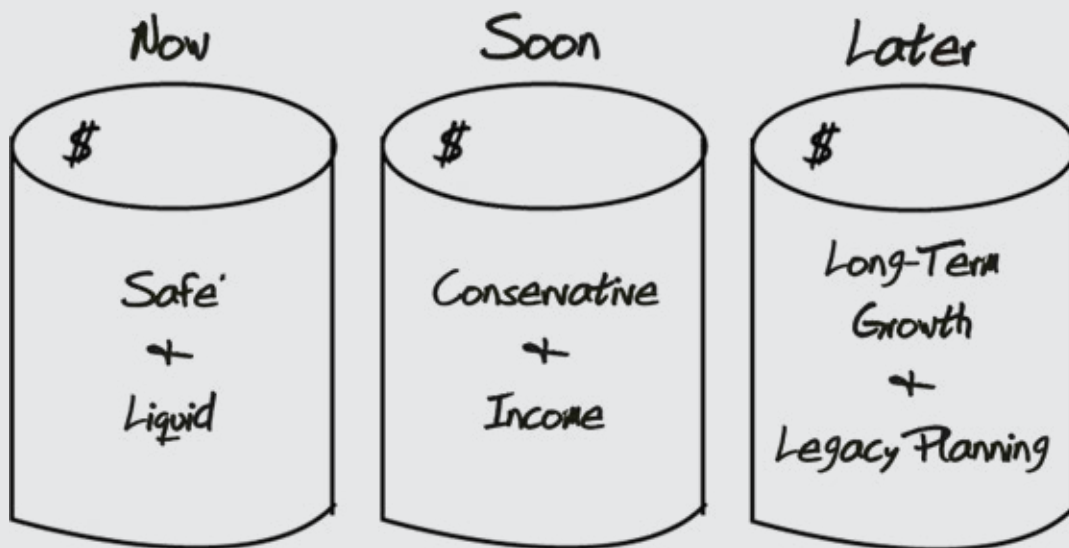
Sequence of Returns Risk

Sequence of returns risk describes risks associated with the timing of your investment returns in relation to the timing of withdrawing money. This hazard can be created due to a combination of market risk, interest risk, and an investor's own need to access their accounts prematurely. When you withdraw money from an investment portfolio, negative returns early in retirement can cause the portfolio to fail faster than if those same negative returns occurred later in retirement.



THE BUCKET PLAN

The good news is there is a way to mitigate the potential risks outlined in this paper: market risk, interest rate risk, and, ultimately, sequence of returns risk. A potential solution is to segment or compartmentalize money into three different buckets based on investment time horizon, volatility tolerance, and income need utilizing a proven planning process called The Bucket Plan. Within the Bucket Plan, each bucket has a purpose to eliminate risks and can help investors from making bad decisions that could hurt their long-term plan.

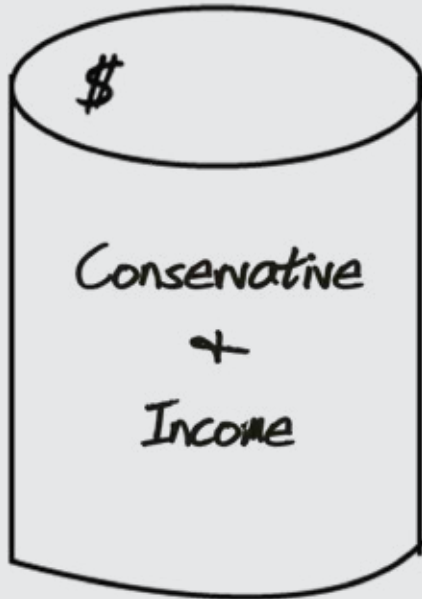


The “Now” Bucket

The “Now” Bucket is designed to be the stable and liquid money. Some examples might include bonds and/or any cash stored in savings accounts or checking accounts. Everyone has that magic number they like to have sitting in the bank as an emergency fund. In addition to that emergency fund, this bucket is for setting aside any major planned expenses that are going to be needed in the near future. It is also important for those who are retired or about to retire, to add a year’s worth of retirement income in the Now Bucket.

THE BUCKET PLAN

Soon



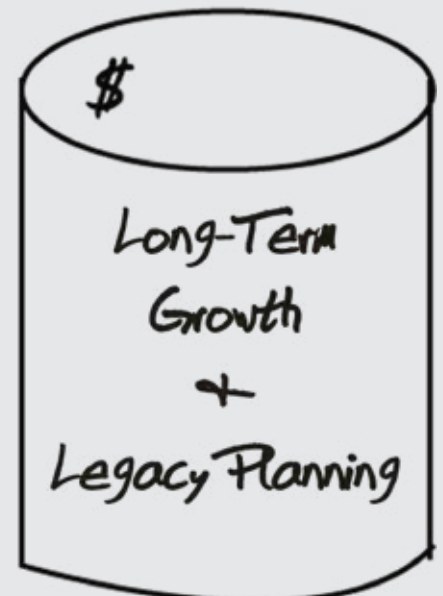
The “Soon” Bucket

The “Soon” Bucket is the preservation bucket. It is invested for conservative growth like insurance and annuity products and is the money that may be needed to tap into sooner rather than later. This bucket may be accessed for periodic distributions if additional money is needed outside of what is provided in the Now Bucket, or it may provide income in the first phase of retirement. By investing conservatively, this bucket avoids exposure to extreme market fluctuations and the risk of having to sell assets for income at times when the market is down. This helps avoid sequence of returns risks by buying a time horizon.

The “Later” Bucket

The “Later” Bucket is designed for long-term growth and legacy planning. Having bought a time horizon with the first two buckets, this bucket may contain investment vehicles with a longer time commitment and greater growth potential. Think: investment portfolios, mutual funds, and even long-term care insurance. This bucket can play a critical role in legacy planning too, particularly to provide income for a surviving spouse.

Later



SURVIVING SPOUSES: CONSIDERATIONS FOR LEGACY PLANNING

When most people hear about legacy planning, they think it refers to leaving an inheritance for the next generation. However, in this case, legacy planning really refers to making sure a surviving spouse has adequate income after the other spouse passes.

It is a common misconception that a surviving spouse won't need as much income as the couple needed when they were both alive, when in reality surviving spouses tend to need just about as much and sometimes more income as a couple does.

This is usually what happens when one spouse passes:

- **Income declines:** For example, in retirement one of the two Social Security benefits goes away and a pension may get reduced or eliminated.
- **Taxes may increase:** Surviving spouses' standard deductions get cut in half (often their largest deduction) and may find themselves in a higher tax bracket as a single person than they were as part of a married couple.
- **Expenses stay about the same:** Some expenses will increase because services that one spouse provided may need to get paid for now. Fixed expenses, like a mortgage, rent, and utility bills, really don't shrink for one person as opposed to two.

In order to ensure that your spouse and loved ones remain financially secure upon your passing, it is essential to have a sound plan in place that can address these needs and any unforeseen situations.

A FINAL NOTE

In order to maximize your investable assets and position your money to go the distance in retirement, it's important to plan ahead and limit poor investment decisions, whether from emotions or circumstances, around how you withdraw your money. That's exactly what The Bucket Plan® does. With the confidence "Now" and "Soon" buckets offer, investors can focus on long-term gains with the "Later" bucket.



Charles Welde, CPA, CFP
Founder and Owner,
The CP Welde Group

We understand that finding the time for financial planning can be a challenge, that's why we're here.

In the words of Charles Welde, CPA, CFP® who specializes in creating tax-efficient retirement plans, "Nearly everyone has a portfolio but very few have a plan," — which as you may have read by now, is **essential to retiring with confidence.**

At The CP Welde Group, we provide personalized Bucket Plans that include tax planning and ongoing management, to preserve and protect your assets and offer peace of mind. A tax-efficient and customized Bucket Plan is designed to safeguard your wealth, even in a volatile market environment.

Whether you prefer a quick phone conversation or a traditional in-person consultation, we're flexible and can meet you wherever you are in life.

You can trust our team at The CP Welde Group to answer your questions and help you plan now, so you can focus on enjoying your retirement to the fullest.

Schedule your **complimentary consultation** today for a plan and partner you can rely on in retirement.

Schedule a Consultation

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