How to Coordinate Your Retirement and Estate Plans

We often think of retirement accounts as monolithic resources. It is easy to see why – we spend our working years socking away money for our future. Unfortunately, though, the rising cost of healthcare can quickly deplete even the largest of retirement funds. Because retirement accounts tend to be the largest assets in a person's estate, it is crucial that proper planning is done to handle one's retirement fund.

The first thing you need to do is ensure you have the assets you need to take care of yourself and your family. With the increased costs of healthcare, it is crucial you have what you need after you retire and can manage your medical expenses on a fixed income. While we would all hope for a quiet retirement, finances can be unexpectedly stressful. In addition to budgeting out a financial strategy to keep you comfortable during retirement, we can also work with your financial advisor to help you develop a strategy for distributing any leftover funds upon your death.

In addition, the rules surrounding the taxation of retirement accounts can be difficult to understand, further complicating a potentially stressful retirement experience. Upon retiring, you will have to take a required minimum distribution, which will be subject to income tax. Most people are used to having income tax withheld from their paychecks, but sometimes overlook that they will still have a similar tax liability for their retirement account.

It is also important that your strategy for passing on the account takes into consideration the tax consequences. As mentioned above, because these accounts are created with pre-tax contributions, the required minimum distributions made to the owner are subject to income tax. When these funds are distributed to a designated beneficiary after the owner's death, there are still income tax concerns regardless of who is named as the designated beneficiary. It's why working with a trusted financial advisor and attorney is so important to enjoying your golden years. With these experts on your side, you'll rest easy knowing you've taken care of your family in the present and future.

Ultimately, you will benefit most from ensuring your retirement plan and estate plan align. By working with your trusted financial advisor and us, you can ensure the goals you have for your retirement and for your estate do not contradict one another. For example, you may have designated one beneficiary for your account when you signed up for your 401k but may now wish to change who or how the beneficiary will receive your assets upon your death. Or, you may have originally anticipated the excess funds from your retirement account being used to care for an aging loved one, but due to the market, you may need to find additional sources to cover these anticipated expenses. Meeting with your financial advisor and us is crucial to making sure your family and loved ones are not stuck in financial hardship after you have passed.

When it comes to retirement, it can be difficult to know what you do not know. If you are concerned about the state of your retirement account, assets and estate plan, schedule a meeting with your financial advisor and us today. With so much on the line, it pays to do your homework, connect with professionals and ensure your final wishes are documented and respected.