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THE POWER OF PLANNING

# EZ Retirement Plan Guide

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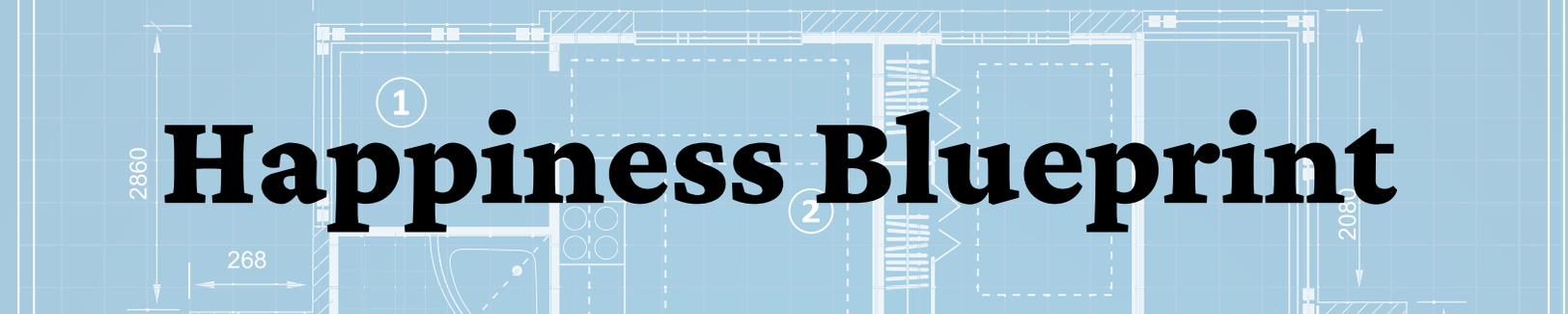
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## **EZ GUIDE TOPICS**

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- 04**    *Living Expenses in Retirement*
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# Happiness Blueprint

It may seem obvious at first, but setting yourself up for happiness in retirement is as important as being able to afford it. If you're not happy after you retire then what's the point. Remember, watching TV all day and doing nothing might not be all it's cracked up to be.

- What will you do on a normal day?
- What do you want to accomplish?
- Will you join clubs or take up a hobby?
- Will you travel frequently?
- Go on long walks everyday?
- Spend more time with your spouse?
- Spend more time with family or friends?



# RETIREMENT EXPENSES

At the heart of any good retirement plan is a detailed map of your expected expenses during retirement. How do you plan for retirement if you don't know how much you need? Obviously if you spend less then you will need less to retire. On the flip side, if you spend more then you will need more.

Your expenses will change upon retirement and often times decrease during the first part of retirement. This makes a lot of sense because you won't be driving to work anymore, spending money on work clothes or extra money on lunches. You will also stop making retirement contributions and will not have to pay those pesky payroll taxes.

Inflation will also be a factor that must be considered. As the purchasing power of each dollar goes down you will need more income. This can create a problem for people on fixed income or those who don't invest their retirement funds wisely.

# Let's compare Increasing vs. Decreasing

## Increasing Costs



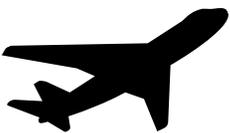
Healthcare



Entertainment



Purchases



Travel

## Decreasing Costs



Gas/Transportation



Retirement  
Contributions



Payroll Taxes



Clothing

# RETIREMENT EXPENSES

Fill out the chart below and customize it according to your own situation.

	Monthly \$		Monthly \$
Mortgage/Rent		Insurance	
Property Taxes		<i>Life</i>	
Utilities		<i>Auto</i>	
<i>Gas</i>		<i>Home</i>	
<i>Water</i>		<i>Health</i>	
<i>Electric</i>		Memberships	
<i>Cable/Streaming</i>		Memberships	
<i>Wifi</i>		Memberships	
Car Payments		<i>Other</i>	
Food & Groceries		<i>Other</i>	
Clothing		<i>Other</i>	
Healthcare		<i>Other</i>	
Entertainment		<i>Other</i>	
Travel		<i>Other</i>	
<b>TOTAL EXPECTED MONTHLY COSTS: \$</b>			

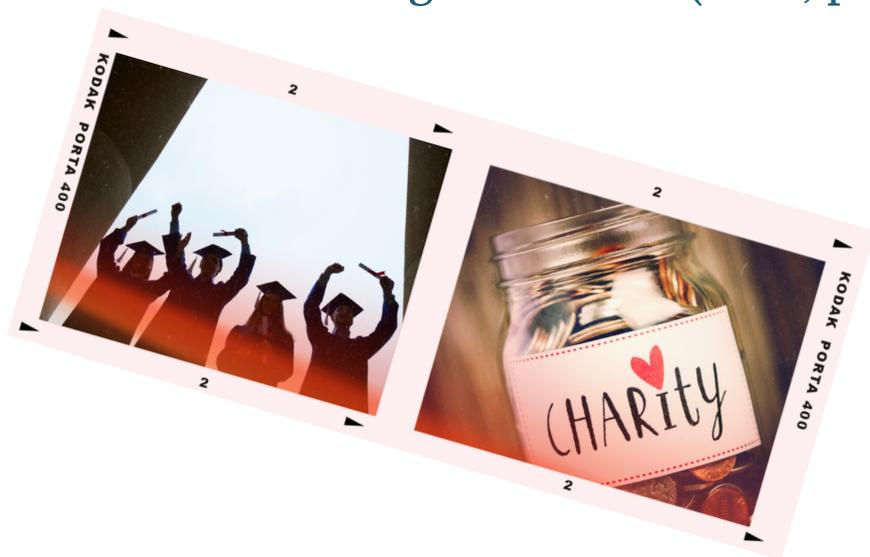
# Goals

## What are Goals?

We put goals in their own category because they are secondary to living expenses. There is no point in saving for your grandchildren's college if you can't afford to pay your mortgage.

## Examples

- Annual Vacation
- Grandchild's college fund
- Charitable contributions
- Legacy
- Large Remodel
- Large Purchase (boat, plane, etc.)



# Streams of Income

Add up all your various streams of income listed below.  
Categorize each income source as taxable or non-taxable.

## Social Security

You should understand the strategies of when to take start your payments. However, there is no right answer but there is a smarter decision to be made. The longer you delay your payments the higher your lifetime payment will be. When you decide to take your payments will depend on many factors.

## Pensions

If you are fortunate enough to have a pension then you have a great retirement foundation to build upon. There are typically a few options when it comes to receiving your payments which have to do with risk vs. reward. Talk to your spouse, loved ones and financial professional to find the best option for you and your family.

## Other Income

Other income can come from many different sources. Rental properties, business income, royalties, etc. Add these other sources to your Social Security and Pensions and you should be close to your expected income in retirement.

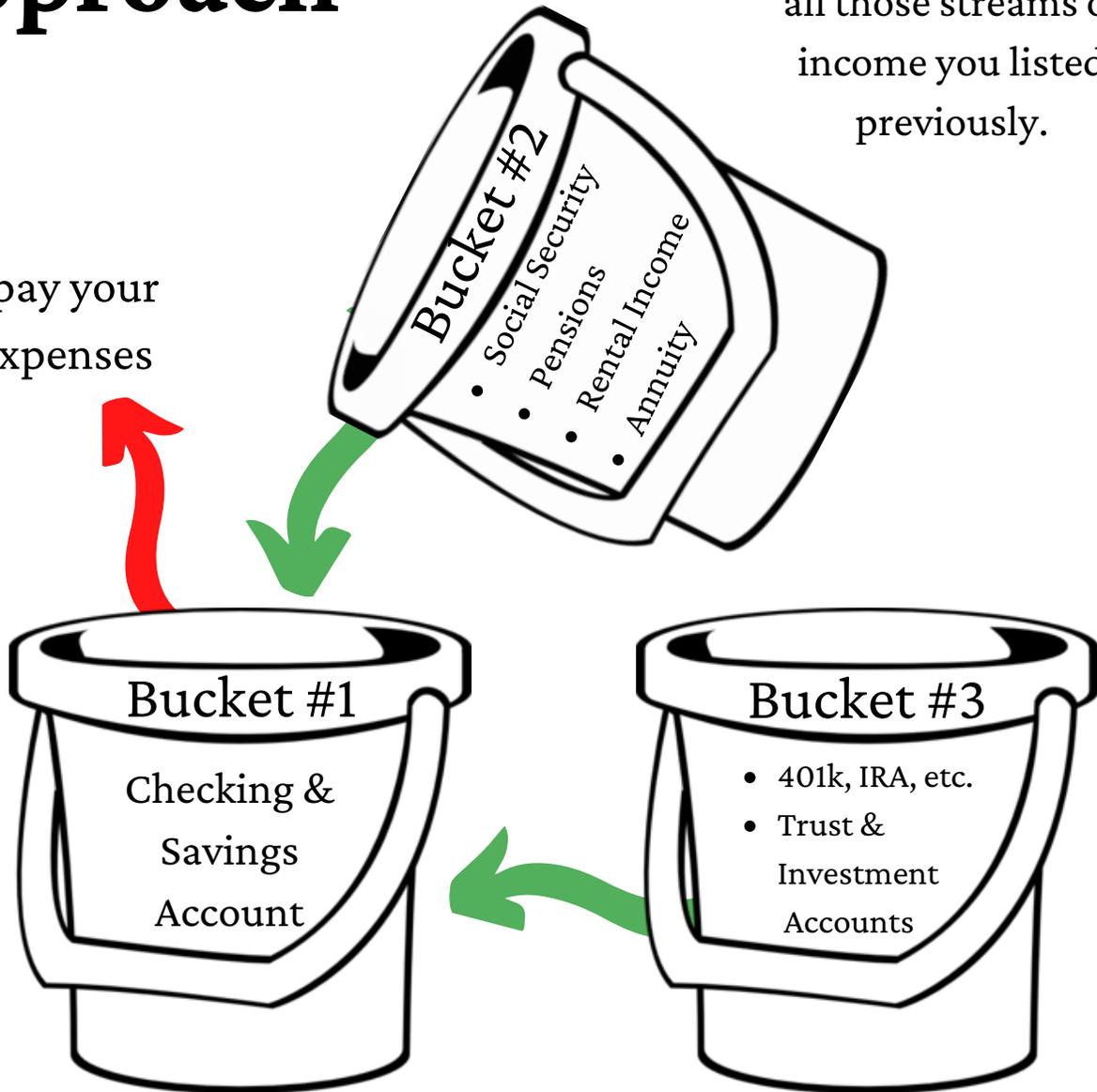
## Retirement Savings

401ks, IRAs, Trusts, Savings and other investment accounts will be used to fill the gaps of any missing income. Portfolio construction within these accounts is very important to preserving your assets and to make sure that it will last your lifetime.

# The Bucket Approach

**Bucket #2** is used to fill up the first bucket. It's going to consist of all those streams of income you listed previously.

Used to pay your Living Expenses



**Bucket #1** is your checking and savings accounts. The checking account pays your bills and your savings account will be used for any emergency expenses.

**Bucket #3** are all your investment portfolios. This bucket is going to make up the difference that bucket #2 can't complete.

# INFLATION

A soda used to cost around a dime, but today they typically cost more than a dollar. Welcome to the concept of inflation where every dollar you have saved is going to be worth less and less as time moves forward. It can be a rude awakening if you don't properly plan for inflation. The good news is that if you have a good game plan it can be relatively easy to combat.

Inflation is controlled through monetary policy by the U.S. Federal Reserve which aims to keep inflation around 2%. It does a pretty job of keeping the inflation in check but a compounding 2% can be a big strain on your budget over time.



**EXPENSES  
TODAY**



**EXPENSES  
IN 20 YEARS**

# Taxes Considerations

## Ordinary Income Tax

Taxes are inevitable, however they can be managed to be kept in check. When you are considering your income sources categorize them into taxable and non-taxable sources. If you can create a balance between the two sources you should be able to bring down your overall tax liability.

## Capital Gains

If you are taking income from a taxable source (Trust, Individual, Joint, etc.) then you should understand all the tax implications. In most instances you will want to make sure that you are realizing long term capital gains in order to receive the preferential tax treatment.

## Balancing Act

Taking income from both taxable and non-taxable sources can help bring down your effective tax rate.

Make sure you discuss these strategies with your financial professional.

# PORTFOLIO MANAGEMENT

Portfolio management is a cornerstone of the retirement planning process. You will need to build a portfolio that can weather different economic and stock market conditions.

A great exercise is to close your eyes and imagine you are retired. Now imagine, the stock market crashes. Do you depend on your retirement assets for income? What would you do? How much of a downturn can you take? Have you planned for this? Will you sell your holdings?

The easy answer is to be in cash so it won't take a nose dive, but it's not that easy. As we discussed, inflation can be a big risk in retirement. You will need to build a comfortable portfolio that can weather these storms but still provide the necessary returns.

Our approach is to build out your portfolio so that it can weather the oncoming stock market storms. We make sure you have a plan that you can stick with. One of the worst things you can do for a portfolio is selling when the market takes a downturn.

The best retirement portfolios give you the sense of security to sleep peacefully at night even during the worst stock market storms, while still providing enough in returns to keep up your quality of life.



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# THANK YOU

If you have any questions please call or email.

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