

# Cash-flow planning tips for the soon-to-be- retired

How to secure  
the life you want



**WIPFLI**



What do you imagine retirement to be like? Sandy beaches? Globe-trotting? More time for voluntarism? Or just a slower cadence, day-to-day?

Whatever you envision, it's time to stop daydreaming. Executives who are nearing retirement age need to start thinking about their next phase of life as a goal.

What is your goal retirement date? Where do you intend to live? How do you want to spend your time? Once you have a grasp on a retirement goal, you can craft a clear and secure plan to fund it.

To help you get there, our team has compiled guidance on cash-flow considerations for you to explore.





# What to draw, when

## Social Security

Social Security is an obvious source of income for retirees, so many assume they'll file for Social Security benefits as soon as they retire. However, holding off could increase your overall earnings.

Social Security can be taken as early as age 62, and those born after 1960 can receive their full retirement age (FRA) benefit at age 67. But if you delay drawing on Social Security until age 70, your benefit will [increase 8%](#) for every year delayed beyond your FRA. If you pass away, your [spouse](#) may step into your full, larger Social Security benefit at that time. Ultimately, delaying Social Security could help you protect against longevity risk.

## Traditional retirement plans

Distributions from 401(k) and 403(b) plans can also be delayed. There's no rule that you have to withdraw from your "nest egg" as soon as you stop working. In fact, there's a [10% penalty \(with a few exceptions\)](#) for distributions taken prior to age 59.5. The IRS does not [require you to draw funds](#) from these plans until age 72. By holding off, you could enjoy additional tax-deferred or tax-free growth during that time.

Regardless of timing, any non-Roth distributions you take from a 401(k) or 403(b) retirement plan will be subject to income taxes. If your accounts contain both pretax and after-tax contributions, any distributions will be taxed pro-rata, unless rolled over to a Roth IRA. Rolling your balances into a traditional and/or Roth IRA in retirement could give you more flexibility and control over the distributions.



Delaying distributions from Social Security or other savings plans could increase your overall earnings and protect against longevity risk.



# Other sources of retirement income

Aside from Social Security, where will your retirement income come from? You may have multiple sources of retirement income – each with different tax and timing implications.

These sources of income could fund your retirement:

## 457(b) plans

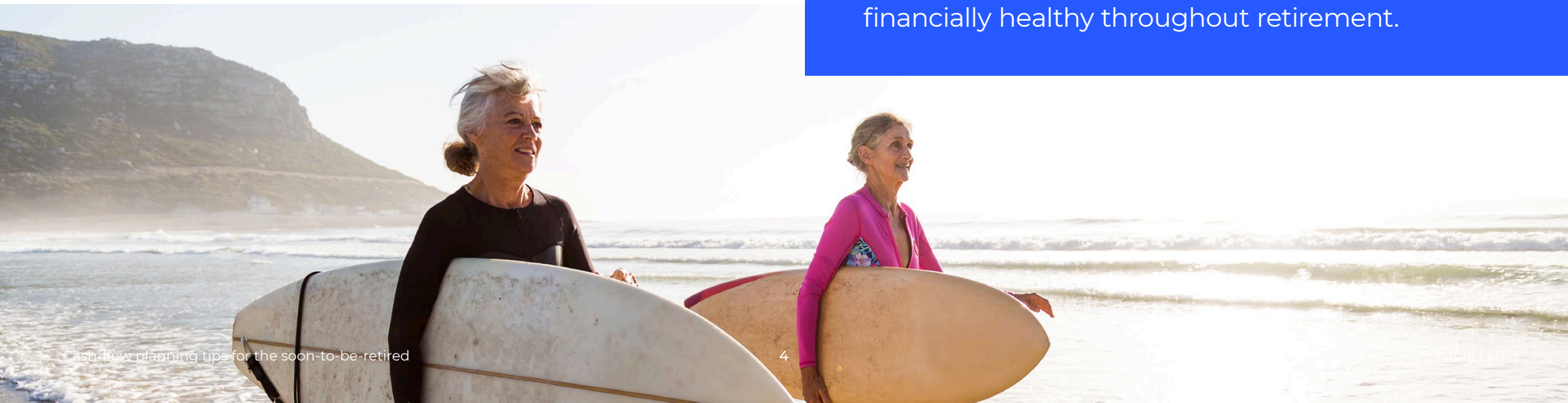
If you are employed by a government or state-run institution, you may have access to a governmental 457(b) plan.

These plans are unique because there is no early withdrawal penalty for distributions prior to age 59.5, assuming you are no longer working. That makes these plans a viable source of cash-flow for those planning an early retirement.

Participants may also contribute excess contributions during the three years prior to normal retirement age (as specified by the plan). An eligible participant could contribute up to twice the annual contribution limit.

Every plan is different. It's vital that you read your plan document to understand your distribution options and make a timely election. A financial advisor can help you create a withdraw plan that complements your big-picture cash-flow goals.

Every retirement plan is different. A financial advisor can help you create a withdraw strategy that's within your plan rules and keeps you financially healthy throughout retirement.







How you leave or sell a business has cash flow implications that last for years. Tax and financial advisors can help you structure your departure to match your cash-flow needs in retirement.

## Business sale proceeds

If you own or co-own a business, you might be expecting considerable business sale proceeds after retirement. A buy-out formula is often spelled out in the partnership or shareholder's agreement.

The details of the agreement and the buy-out formula affect cash flow over the coming years. For example, will you be bought out in a lump-sum or in annual installments?

If a buy-out includes real estate, you may be able to spread out distributions from property sales to defer earnings out of a high-income year when you are still working.


Review and understand your partnership or shareholder agreement before beginning the sale process. Your tax and financial advisors can help you decide whether a seller-financed or installment note is a good alternative to spread taxable income over multiple years.

## Other savings vehicles — and opportunities

Over the years, you can accumulate many other savings vehicles: health savings accounts, taxable brokerage accounts, personal savings and more. Consider the specific rules and tax liabilities associated with each of these accounts and weigh them against other available options.

You may have enough wealth to delay certain benefits or distributions and “fill the gap” with other income sources to extend your cash flow plans along a lengthy retirement.

Different withdrawal strategies may be available, too, like Roth conversions. They allow you to transfer dollars to a Roth IRA during lower income years, which minimizes your long-term tax liability and gives you additional cash-flow flexibility in future retirement years.



Different withdrawal strategies can minimize your long-term tax liability and give you additional cash-flow flexibility in future retirement years.



# Pursue your retirement goals

When you stop collecting a regular paycheck, cash flow can become complex or overwhelming. Early planning can mitigate that stress and ensure your retirement plans come to life, worry-free.

Wipfli and Wipfli Financial Advisors teams work together to prepare for all your life changes, including retirement. We make sure tax, estate, business transition and wealth management plans are aligned with your financial and personal goals — and attainable.

Are you ready for your next chapter?

Let's find out — and get there — together.

## Disclosures

Wipfli Financial Advisors, LLC (“Wipfli Financial”) is an investment advisor registered with the U.S. Securities and Exchange Commission (SEC); however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made. Wipfli Financial is a proud affiliate of Wipfli LLP, a national accounting and consulting firm. Information pertaining to Wipfli Financial’s management, operations, services, fees and conflicts of interest is set forth in Wipfli Financial’s current Form ADV Part 2A brochure and Form CRS, copies of which are available from Wipfli Financial upon request at no cost or at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Wipfli Financial does not provide tax, accounting or legal services.

Note that Wipfli LLP and Wipfli Financial Advisors, LLC (“Wipfli Financial”), although affiliated companies, are separate entities. Wipfli Financial provides investment management and financial planning services, and does not provide tax, accounting or legal advice, or recordkeeping/plan administrative services. Services offered by Wipfli LLP, if requested by the client, will be provided under a separate and distinct engagement letter. Clients are under no obligation to engage Wipfli Financial or Wipfli LLP, and are free to choose any professional who provides similar services.

Perspective changes everything.

**WIPFLI**