

MARVIN MITCHELL

# RETIRE EARLY



**9** Critical  
Decisions  
When Retiring  
before 65



Retire Early

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# What's Inside...

<b>Introduction</b>	1
<b>Why Aren't More People Able to Retire Before 65?</b>	3
<b>Critical Decision #1</b> Where Will My Income Come From?	8
<b>Critical Decision #2</b> Should I Reduce My Risk?	12
<b>Critical Decision #3</b> Should Pay Off My House.	15
<b>Critical Decision #4</b> When Should I Take Social Security?	18
<b>Critical Decision #5</b> Should I Rollover my 401(k)?	21
<b>Critical Decision #6</b> Should I Choose a Lump Sum Pension?	24
<b>Critical Decision #7</b> What Should I Do About Health Insurance?	27
<b>Critical Decision #8</b> What About Taxes?	32
<b>Critical Decision #9</b> How Do I Choose an Advisor?	35
<b>Our Investment Philosophy</b>	38
<b>Our Unique Process</b>	39
<b>Are You Planning to Retire Before 65?</b> There Are Critical Decisions You Must Make Before Taking the Leap Into Retirement.	40



# Introduction

I wasn't born with a silver spoon in my mouth. I didn't have money growing up. My mom was a single mom, to myself and my two sisters. Thank God my grandmother was able to step in and help my mom raise us. It was my grandmother who taught me life values, and the importance of never letting my circumstances dictate the outcome of my life. I will always remember how strong my grandmother was and how much her Christian faith meant to her. She made prayer a focal point of her life. I know I was a topic of many of those prayers! I am forever grateful to my grandmother for all her years of love and support.

Because of my grandmother's faith in me, I was able to do something, no one in my family had ever done. I was the first person in my family to graduate from college, and even more exciting, from there I decided to go to law school.

Unfortunately, my dreams of becoming a lawyer didn't last long. I got a call in my first semester of law school from my mom that my grandmother had cancer. As many of you may have experienced, when someone gets seriously ill, typically one or two people in the family end up taking care of everything. Those two people for my family were my mother and I. My mom quit her job to stay by my grandmother's side and I made the hard decision to leave law school and move back to Saint Louis to help my mom.

# Greatest Fear

One of my grandmother's greatest fears was being a burden on our family. When she asked me to be her durable power of attorney, I began to look over her finances. I noticed she was losing money every month; this caused me a great deal of worry. Eventually, when the market crashed, she lost a large percentage of her money. Things got even worse, because she had no long-term care, the rest of her money was lost through spend down, to qualify for Medicaid which made her feel she was a big burden on the family. Although we didn't feel she was a burden, she did. Sadly, she soon passed away with no money.

Although the whole story is sad, the worst part was my grandmother was the person who worked at the same company for 35 years and did everything she was supposed to. She saved her money and invested it in her 401(k). Unfortunately, she retired early, not realizing the risk she was taking, and it ended up costing her dearly. I decided to go into this business because I wanted to make sure, in my grandmother's memory, I could help others avoid the costly mistakes she fell victim too.

I started my career at a big Wall Street firm, where I genuinely thought I would work my entire career. I rose quickly in the company enjoying many promotions. I was doing well until about five years into my career. One of my first clients told me he wanted to retire early, and he wanted his portfolio to be safe because he couldn't afford to lose. We went over different strategies, but he had other ideas. He shared with me different opinions, and strategies he had learned about, that I had never heard of in the big Wall Street firm. This made me very curious, so I called our headquarters and spoke to one of the representatives. They told me it did exist, but the company doesn't offer it because they only offer their model portfolios.

# Why Aren't More People Able to Retire Before 65?

From my years in the financial industry, I have realized there is one major issue. The major issue is most Wall Street advisors are out of touch with the needs of their clients and end up leaving their clients' money in high risk investments. They say things like, "You're in this for the long haul. It's only a paper loss," you've probably heard those lines before. They also overcharge in fees and make things way too complicated, thinking that it makes them look smarter. Most advisors are focused on accumulating money and never think about the huge impact of clients losing hundreds of thousands of dollars in retirement

# Too Focused on the Small Picture

Most Wall Street firms are overly focused on investments, when, investments are only a small part of what you must worry about in retirement. What about Social Security options? When do you take your Social Security? What about taxes? Why aren't they looking at the future and addressing the big picture? When I speak to my clients the number one feeling I sense across the board is fear. It comes in many different words. Some people are anxious. Some people are worried. Some people are concerned. But at the end of the day, fear is fear. And fear of the future is the worst fear you can feel.

Unfortunately, most financial advisors aren't very helpful in relieving that fear, most are so busy trying to make a commission, fees and revenues that they're not diving deeper into your problems, your needs and your concerns. They're not taking the time to listen to you. They need to know, what keeps you up at night? What makes you anxious? Is it a long life in retirement? Is it taxes? Is it making sure you provide for the next generation? I think those topics are important and need to be addressed, and evaluated because those concerns and anxieties can be alleviated.

At the end of the day, if you don't answer the questions that worry you, you're going to live a long life in retirement being more concerned about your finances instead of being with your grandkids and enjoying your vacation.

# My Hope for You

What I hope you get from reading this book, is a solution. My desire for you is to see that investments, while important, will not be the main reason you succeed in retirement. If you truly want to succeed in retirement, you need a comprehensive plan to alleviate your fears. Your plan should be multi-dimensional, but at the same time it should be simple, and easy to understand. The plan needs to take into account your income along with inflation to ensure you have enough money to last throughout retirement.

Another dimension of your plan, if you're married, should include provisions for the surviving spouse to live the rest of their life, if one of you passes away. Also, you must have a Social Security plan which would include the best time to take Social Security.

When we have alleviated your fear around all those topics, we can look at your investment plan. We want to make sure you're not taking more risk than you're comfortable with, and that your investments have grown to keep pace with inflation.

Lastly the most important part of looking at your investments is to be sure if there is a market decline, you won't lose half your portfolio.

# Creating Your Plan

Now let's take a look at what it means to create your plan. Your plan should definitely include taxes. Taxes are one of the things, in my opinion, that are the number one threat for retirees, even more so than market decline. The greedy tax man wants to steal your hard-earned money.

*The government has a tax lien  
against your retirement!*

Most people don't realize the threat they are facing from the government. For example, if you needed \$1,000 out of your portfolio but you were in the 30% combined tax bracket, you're going to have to take out \$1,400 to get the \$1,000 back.

Over time, that can raise the risk of you running out of money, even more so than the stock market decline. Also, from a tax standpoint, it's not only the taxes you must pay from your portfolio.

If you don't have the appropriate plan, it can also raise the taxes on your Social Security. It could raise the cost of your Medicare, and if this government decides to raise taxes, it can put an even bigger dent in your portfolio. Taxes are a huge concern for retirees; we need a plan to alleviate that.

# Healthcare

The next big concern for retirees is healthcare. Retiring before 65 could mean you must pick up COBRA or private health insurance. Many times I've heard my clients say they have avoided early retirement not because they don't have enough money, but because they're concerned about the healthcare cost.

Here's the thing. Healthcare doesn't stop at making sure you have the proper health insurance choice. You also must consider a possible future need for long term care. In my state, in Missouri, the average cost of in-home care is about \$90,000 per year. Just imagine \$90,000 a year and the impact that can have on a person's portfolio, even if you had the perfect plan. Many clients are shocked to realize their health insurance does not cover long-term care. Your health insurance only covers 90 days. So, it's very important to have a long-term comprehensive plan in place to make sure it doesn't wipe away all the retirement savings.

# Planning Your Legacy

Finally, we need to create a plan for your legacy. We must make sure you haven't taken all this time building up your net worth, and then God forbid if you pass away, your heirs must go through probate. We want to make sure you at least have a conversation about a trust or a will. We want to make sure your heirs won't have half of their assets taken away due to the greedy tax man coming after their inheritance.

I want you to understand, to have a successful retirement, you need a plan that covers those five critical areas, and you need someone you can trust to help you with that.

# 1 CRITICAL DECISION

## Where Will My Income Come From?

One of the most important decisions you'll make before you retire is, how much income will you need for retirement? We don't want you to merely survive in retirement. We want you to thrive in retirement that's why it's so important to have an income plan.

## *Dan's Story*

Let me give you an example. I had a client who came in. We'll call him Dan. Dan sat down next to me, and we had a conversation about how much he spent per month. Dan said, "Well, I only spend about \$2,000 per month. All I'll need in retirement is about \$2,000 per month."

Granted, he did have a low house note. I think his house note was only about \$800 per month. However, as we began to talk and I dug deeper into his lifestyle, his concerns, his worries, and his needs, it became harder to believe that Dan only needed \$2,000 per month.

He told me about his spouse's shopping habits. He also began to tell me about how much he loved to golf. Now, if Dan is anything like me, golf is a very expensive sport. Most of my balls end up in the water or the trees, so I know that can catch up with you quickly.

I said, "Hey Dan, would you mind if we took 15 minutes to go through a spending plan with you to see if we can build it around \$2,000 a month?" He said, "Yep." As we began to dig deeper, I found quite a few expenses he hadn't mentioned. Not only was he paying the \$800 mortgage that he expected to pay off in a few years, but he was also paying off a student loan for his son at \$600 per month. As it turned out, I was correct about the golfing habit. He spends \$400 per month to belong to a golf organization. Also, I discovered he was helping his mom for about \$400 per month.

All of that was before we discussed other interests and expenses like travel and utilities. It turns out those expenses added up to over \$2,500 of "fixed expenses" he had to pay. Once we got his travel needs and the rest of his goals and how much he ate out, it kept adding up

Let's talk a moment about food. That's something you can't live without. He was also spending \$800 a month for a meal service company that prepared meals for him. I can understand why. Sometimes I don't want to cook either!

It turns out that his expenses were about \$5,500 per month. That's a little bit more than \$2,000. Once we found out that his actual expenses were \$5,500, we looked at his income sources. It turns out for Dan and his spouse, their income sources included about \$2,000 for a pension and \$1,500 for his spouse's Social Security. He received no Social Security, which left us with an income gap of over \$2,000 that we needed to fill per month, not including taxes.

# How Much Do You Really Spend?

The most important thing you can do is get clarity on exactly how much money you're spending in retirement. Sometimes it helps to make a budget worksheet, but when you make the budget worksheet, don't think about what you're spending out of necessity. Think about what your short-term goals are, and long-term goals are as well. Is it spending time with the grandkids? Is it traveling? Is it playing more golf? There are things you can do to still meet all your goals and at the same time make sure you don't run out of money in retirement.

And let's not forget, we also must consider inflation. When we build a retirement income plan for you, we don't look at the income you have now. We also need to look at the income projected at a 3% inflation rate. That's the first critical decision that needs to be made.

Here's the important part. Once you realize what your income gap is, the next thing you need to do is devise a plan of where you will take that money from. There will be a need to take income from your portfolio. You want to make sure you're not overly aggressive in the withdrawals from the account that you're counting on for income, for the rest of your life.

# 2

## CRITICAL DECISION

# Should I Reduce My Risk?

One of my early clients, we'll call her Martha, was a 63-year-old widow, recently retired. She came into our office and asked us to help her make sure part of her portfolio was safe. She was at a point in her life where she could not deal with the market risk. She could not deal with the ups and downs it was causing her too much anxiety. It was literally causing her to lose sleep.

We helped her devise a plan that was based on a more conservative model, which she was very pleased with. She thought for sure we were about to have a market correction. By the way, she was right. A market correction did follow. It seemed to start the very next week, so I don't know if she's a psychic or what, but she was right.

Unfortunately, after we devised the conservative plan, she called me about two days later, following a conversation with her son. She mentioned to me that her son, who was 28, asked her why she would want to reduce her risk when the market had been doing so well. This son convinced her not to adopt a more conservative plan. Instead, he convinced her to go in the opposite direction with a different advisor, which was to be even more aggressive.

Her portfolio started at about \$600,000. She ended up losing \$300,000 when the market declined. Do you think her son refunded her the \$300,000 she lost because of his advice? Probably not.

When a client comes into my office and shows me their portfolio, 80% of the time, they tell me they don't want to take too much risk, but almost always, when I look at their portfolio, they're at more risk than they thought. Therefore, for every client, we do a stress test portfolio to determine if they're taking too much risk. One of the things we always want to know is, how much are you comfortable losing if we have a bad market decline. If the market went down, what is the highest percentage you would be willing to lose? It's a scary question, but an important one to answer.

# How Much are You Willing to Lose?

Let's say a person told me, "The most I'll be willing to lose is 20%." If we stress-test their portfolio and it shows there have been several times when their portfolio lost more than 45%, then it's probable that person is taking too much risk.

One of the easiest ways to tell if you're taking too much risk is to follow a simple rule called the rule of 100. To follow this rule, you take the number 100 and subtract it by your age. If you're 62, 100 minus 62 is 38. That means no more than 38% of your portfolio should be at too much risk, 62% should probably be safer. Now, that's not for everybody, but for a typical person who is taking income from their portfolio, that is the standard rule of thumb. If you don't need income from your portfolio, it could potentially be a reverse, so it depends on your situation.

I always recommend my clients get a review of their portfolio to determine that they won't end up like my grandmother. When the market declined, she lost half of her money, causing her to run out of money.

# 3

CRITICAL  
DECISION

## Should Pay Off My House

Another of the critical concern's clients have before retirement is debt. Sometimes they have credit card debt or maybe vehicle debt. They might have student loan debt they're paying out for their child. I get a lot of clients who believe they cannot retire unless they pay off the mortgage, and that couldn't be further from the truth.

## *Greg's Story*

Greg and Sandy both retired. They were 61 years old; Greg wanted to pull money out of his Thrift Savings Plan to pay off the house. He had \$275,000 in a Thrift Savings Plan, and there was about \$150,000 pay off. The problem with that is, if Greg took the \$150,000 out, he would, of course, pay taxes on the money as well. Here's the crazy part he has to pay taxes on that \$150,000 which means he could potentially pull out \$200,000 to pay off the house of \$150,000. Not only does he pay taxes on the withdrawn money, now he put himself in a higher tax bracket.

Even though he was gung-ho about doing this, at least he called me so we could talk it over. I was able to talk him emotionally through that decision, and one of the things I told him was, "If you spend down this Thrift Savings Plan and pay the taxes, you will miss out on any gains if the market were to come back up." Thankfully, he followed my advice and decided to continue paying extra on the house, and go ahead and retired.

One of the most fantastic moments of my career was seven years later when Greg called me and said, "I want to thank you so much, Marvin, for all the help you gave me and for keeping me from making a big mistake." He said, "Not only did I make my last payment for the home this month, but I also have \$350,000 in my Thrift Savings Plan, which is even more than I had before I came to you." That was one of the most rewarding moments of my life because it made me realize the advice we give truly does help people.

# When it Makes Sense to Pay Off the House

Now, there are some situations where you're not getting an interest deduction on your house, and you have a \$30,000 mortgage, but you also have money sitting in cash not doing anything for you. In those cases, sure, it might make sense to pay off the house, but there's typically the logical side and the emotional side. The logical side might say it's better to keep the mortgage and pay it out over time, but it's that emotional side which causes you anxiety where you can't stomach the debt, where you listen to your grandmother's advice about not keeping the debt.

If that anxiety is keeping you up at night to the point you can't concentrate on enjoying your retirement, in that case, even though it may not make logical sense, it still might make sense to pay off the house. My advice is to make sure you sit down with a professional and analyze your options before you make a huge tax mistake you cannot recover from.

# 4

CRITICAL  
DECISION

## When Should I Take Social Security?

Social Security is one of the key decisions to be made when deciding to retire early. My biggest problem with a lot of investment gurus and TV talking heads is they'll give you a blanket statement like, "Oh, it's always best to take Social Security later in life, because it continues to defer. You continue to get 8% credits per year," or you get the opposite advice from some radio and TV talking heads who say you always should take Social Security early, because you need to enjoy every moment you can and spend it down. The reality of it is it's a gray area.

# A \$30,000 Mistake

I'll give you an example of a client who made a \$30,000+ Social Security mistake. He was the person who said, "No matter what, I will always take my Social Security early," so he retired at 62 and began to take his Social Security at 62. As he was taking his Social Security, he realized he was bored in retirement and wanted to go back to work, so he accepted a part-time job that was paying him \$80,000 per year part-time. That's a pretty great part-time job. I probably would've gone back to work myself!

This client was already taking Social Security, so when he sat down with me for the first time, he didn't realize what was happening to his benefits. His Social Security was more than \$28,000 per year. Now, because of his income of \$80,000, for every dollar he made above \$17,000, there was a 50% penalty on his Social Security because he took it early, before his full retirement age. Because of that, he owed the IRS \$31,000 in penalties.

Now, if I'd had an opportunity to talk to him beforehand, I would have made sure he was ready to retire before he started to take his Social Security fully.

Once you turn full retirement age, which, for some people, is between 66 and 67, you're allowed to make as much money as you want without incurring any Social Security penalties. It's only if you choose to take Social Security earlier that you get penalized.

# To Delay or Not to Delay?

On the other hand, I had a couple, age 62 and 63, who always thought they should delay their Social Security benefits no matter what. They had about \$500,000 in their retirement account. They had no pension. They needed \$50,000 per year to live on. To delay their Social Security benefits, they decided to take the money from their portfolio until they reached the age of full retirement. Well, in this instance, they were taking out over \$50,000 per year from a \$500,000 account. If you do the math, you'll realize that's 10% per year. They may not even make it to full retirement age before they run out of money at that rate. Imagine a market decline happening while they're taking over 10% of their portfolio. Now, at least they didn't go back to work and incur any penalties, but still, it wasn't in their best interest to delay their Social Security. They should have met with a qualified advisor like me to do a Social Security analysis.

More than likely, it would have been determined that at least one of them should have taken their Social Security benefits and maybe the other spouse should have delayed it. In some cases, maybe they both should've started their Social Security benefits.

It's a gray area. There are more than 400 different ways you can take Social Security. There are spousal benefits and other things you need to know. Don't think you can call the Social Security Administration and get advice. They're not trained to give you strategies. They can only tell you the facts. Even then, when you call three different times, you might get three different answers. It pays to sit down and truly evaluate their advice.

# 5

## CRITICAL DECISION

### Should I Rollover my 401(k)?

Most people are concerned about this critical decision because it's the most common decision. You leave a job. You've been used to accumulating money for all these years. You know the company is safe. By the way, contributing to the 401(k) is what got you to where you are now, so why should you move it?

There's a reason most people move their 401(k) and roll it over into an IRA when they retire. Most 401(k)s have limited investment options. When you retire, you can no longer contribute to that 401(k). Typically, nobody's watching that, and you don't have any control over that retirement plan. In some cases, they can change

the company without your permission because you have no say-so or any voting rights. By rolling over your retirement plan, you get an opportunity, if you still work, to contribute to that retirement plan still, but more importantly, you can take control of how you invest that money.

## Be Careful

Don't take a withdrawal with your name on it thinking you're going to roll it over. You want to make sure that it's written to an institution for the benefit of you. If you write it in your name, it becomes a taxable event. You want to avoid any taxable events like that.

There are some cases where I recommend a person keep their 401(k), or at least a portion of their 401(k), in their retirement plan. If you're retiring early, even before the age of 59 1/2, there is a critical rule you need to know. If you retire after 55, you're able to have access to that 401(k) without a penalty. Typically, there's a 10% penalty if you take money out of your retirement account before you're 59 1/2. That's one of the exceptions. If you leave a company in the year in which you turn 55 or older, even if you haven't reached that age of 59 1/2, you're able to take money out of that portfolio without a penalty. That might give you some flexibility and control, especially if you need the money from that retirement plan.

# Proceed with Caution

Be careful of some Wall Street Brokers who will try to convince you to roll over all that money to them no matter what. Once you make a mistake and roll over that 401(k) to an IRA, that decision is final. You cannot go back and revert it. You cannot touch that account until you're 59 1/2 without a penalty unless you enact a certain rule.

We won't talk too much about it, but there's a rule called 72-T where you can take substantial payments, but you must continue to do so over five years. You're forced to do it, or they will go back and penalize all your previous withdrawals. Let's try to avoid that and make sure you're getting good, qualified advice when it comes to rolling over your 401(k).

There's one extra rule you need to know about. Let's say you're still working, and you hit the age of 59 1/2. Even though you're still working, you're eligible to roll over that money into an IRA. It's called an in-service distribution, which means that, even while you're in service and still working, you could still roll that money over.

The reason why your company allows you to do so is they realize that more 401(k)s are focused toward the accumulation stage, and they don't have a lot of options for people who are moving closer to retirement and their distribution stage.

# 6

CRITICAL  
DECISION

## Should I Choose a Lump Sum Pension?

There was a time in the glory days, when a person could retire after working 40 years, they'd get a gold watch, a nice pension, and Social Security. Best of all they'd be able to take money from their assets. It was called the threelegged stool. Those days are almost gone. Most companies are not even offering pensions.

They're making you contribute to your retirement plan, which is the 401(k). Sure, they might give you a match, if that, but the pension decision becomes a little more complicated and a little more difficult.

Now, there are still companies that provide you with a pension, but some also provide you the choice to take it monthly or in a lump sum. The factors to consider when determining if you should take your pension lump sum is, number one, do you need the income? Do you need all the income? If you don't need all the income, at first glance, it might seem like, "Well, I might as well take it monthly, because I don't need it, so I'll have more than enough income." The challenge with taking a pension monthly is, if you're taking more income than you need, you're going to have to pay taxes on that extra money. If you don't need that extra money and you pay taxes on it, more than likely, you're going to put that extra money into a taxable account, which means you're going to have to pay compounded taxes on that money again. If you don't need the income, it makes sense to control your income and take the lump sum pension.

## Cost of Living

Another factor to consider is if your pension has a cost of living adjustment? If you're receiving \$2,000 a month now on a pension, but in 20 years, it's still only \$2,000 per month, that \$2,000 per month might only feel like \$500 a month. Inflation continues to rise, but your income stays the same.

Sometimes people decide to do a lump sum pension because they're able to grow their money with inflation, and they're able to increase their income over time. Another reason a person might consider a lump sum pension is they want their heirs to get that money when they pass away. Some of the downsides of the pension income strategy are, if your spouse passes away and you pass away, your kids get absolutely nothing.

Unfortunately, I had an experience with one of my clients who took his pension as a monthly income, he chose a single life where his spouse got zero when he passed away, and God forbid, one year later he passed away in a car accident and lost everything. If he had taken the lump sum pension, it would have been over \$550,000. Because he didn't choose a lump sum the money went back to the company.

That's a factor you need to consider. If the spread is so far between the monthly income and what you think you can get a lump sum, sometimes it does make sense to take the monthly option, but again, these decisions need to be evaluated by a professional advisor.

One of the recommendations I'll give you is not to put your lump sum pension in too much risk. If that money was meant for income and the market goes down, and you lose up to 40% of your money, you've lost the money that was supposed to be focused on your long-term income security. Make sure, when you're making that decision, you're getting the professional help you need. As part of our dream retirement process, we help you evaluate, among other things, the best lump sum, the best pension option, as well as the best ways to take Social Security and protect your portfolio.

# 7

## CRITICAL DECISION

# What Should I Do About Health Insurance?

As I mentioned earlier, health insurance is one of the main worries for most retirees, especially those retiring early. They think about the fact they have an income gap so if they retire at 60, they have five years before Medicare comes into play. How do they fill that gap?

# Don't Get Bit by COBRA

One of the ways to fill that gap is for one spouse to continue working so their job will cover the health insurance under the family plan. This is one of the most common things I see people do, but if you both must retire, my advice would be not to think that COBRA is going to be your only solution. I've found, time and time again, that health insurance can be cheaper in an open market than is offered on your COBRA. On average, a person spends \$600 per month on COBRA, and it may or may not meet your needs.

Another thing to consider is your Medicare supplement plan. Once you turn 63, people begin to call you like vultures. You begin to get all these random phone calls you may get 100 different documents in the mail. Everybody is trying to tell you they have the best Medicare supplement plan on earth.

How do you pick the right plan when you have so many people giving you conflicting advice? It's almost impossible, which is why I recommend you sit down with an independent Medicare specialist. Our company has an independent Medicare specialist who meets with our clients to give them several different competitive prices, with no real conflict of interest in which company you choose. I think that's extremely important when making that Medicare decision. I strongly recommend you at least look at a supplement, because we don't want a medical situation to happen where you owe \$20,000 you didn't anticipate paying.

# Long-Term Care

The other thing we must consider is long-term care. Long-term care is one of the biggest threats that can wipe out your retirement accounts, no matter how great your investment plan is. There is a 70% chance one person in a married couple will need long-term care at some point in their life.

When you think about long-term care, I know the first thing you think about is a nursing home, but actually, most long-term care policies are meant to keep you out of a nursing home, not to put you in a nursing home. This is one of the things I wish my grandmother had known. If she had a longterm care policy, she would not have run out of money, and maybe I wouldn't be writing this book, because I might not be in this industry. It's one of those situations where it was a blessing in disguise for my career, but I wish things could have ended up differently for my grandmother.

Take a moment and think about people you know who are sick, maybe your parents or someone else you know, who had to go into a long-term care facility or have in-home care. Think about the damages that did to their financial situation. This is a real threat and something that absolutely should be addressed by every financial advisor. When it comes to long-term care you want solutions that will compliment your plan to have a long life in retirement.

# Tough Decisions

I remember one of my clients was able to get approved for a long-term care policy, it was one of those things she almost didn't do because of the premium involved with it. After much consideration, she decided to go ahead and do it. Unfortunately, three years later, she developed dementia. As her health continued to get worse, her family had to make the tough decision to put her into an assisted living facility. The assisted living facility cost her \$65,000 per year, which is inexpensive for assisted living comparisons. However, her portfolio was worth only about \$400,000.

She lived seven years in that assisted living facility before she passed away. If she hadn't bought plan, I can't help but think how devastating that would have been to her financially. She probably would have had to spend down her assets below \$1,000 to qualify for Medicaid. And, I'm sure she probably would have felt like she was a burden on her family. Those are some of the times I can look at it and see that it really paid off to make sure there was a plan in place. Even if you must self-insure, have a plan.

# No Cookie Cutter Plans

Every client I speak to has a different set of circumstances, beliefs and funds available to them. Just like there are a variety of people and lifestyles. There are several different ways to pay for long-term care. The traditional way is oldfashioned premiums, but nowadays, there are things you can do, such as getting an insurance policy with a long-term care rider. That means that, if you ever had a long-time-care-qualifying incident, you would be able to accelerate and spend down your death benefit early, tax-free. If you never use it, your heirs get all the money as a death benefit.

There are also asset-based ways to pay for longterm care insurance. I had a client who had \$200,000, and I asked her why she had so much in cash. She said, "Just in case an emergency happens." When I drilled down deeper, I found out that the emergency she was talking about was health. We were able to take \$100,000 of that and leverage it into an asset-based longterm care plan where, if she needed long-term care, her long-term care benefit would multiply by four times that \$100,000 amount, tax-free. If she changed her mind, she could always take her \$100,000 back. If she passed away, the money plus some interest would go to her beneficiary. Just know that you are not stuck with the old traditional way of long-term care, but it's something every person who decides to retire early should consider.

# 8

CRITICAL  
DECISION

## What About Taxes?

One of the biggest threats to retirement security that no one is talking about is the impact taxes could have on your retirement. Most retirees spent their entire working careers contributing money to their IRAs, 401(k)s, 403(b)s, Thrift Savings Plans, and other tax-deferred accounts because they were told that if you get a deduction right now, you won't need the deduction later. Defer your taxes and pay the taxes later, because you'll be making less income

# “Want to” Vs “Have to”

The problem is, for most people, that's not true because they want to. It could be true because they must. Now, statistically speaking, yes, it's true people spend less than 70%, but it's because they have no choice because they haven't saved enough money. I prefer my clients to maintain their lifestyle instead of taking a pay cut. How do you do so with the danger of taxes? When you retire, and you pull money out of those taxed accounts, you must pay taxes on everything. I call this the ticking tax time bomb. It's the ticking tax bomb because, at any moment, it could explode.

## *What If...*

What if the Government Decides to Raise Taxes? What if you have an emergency and you need to take more money out of your account, and it bumps you into a higher tax bracket? What about being forced to take money out of your retirement account once you turn 70 1/2? It's called required minimum distributions. What about when you pass away? What happens to all that tax-deferred money? Your heirs would have to pay taxes on all that money over time at their highest tax bracket, which could be a higher income level than you have, as well as, at a higher tax rate.

How do you avoid that retirement tax bomb? One of the things in any plan that we need to determine is if it makes sense to begin to convert some of your tax-deferred money to tax-free money, utilizing tools such as a Roth IRA. Granted, when you take money from an IRA or a 401(k) and move it into a Roth, you do pay taxes now, but does it make more sense to pay the taxes now while taxes are less expensive, or does it make more sense to wait until taxes potentially go up?

Our country, at the time of this book's writing, is over \$23 trillion in debt. We are currently at one of the lowest tax brackets our country has ever seen. With the entitlements, with our debt, with the fact that Social Security could be in some trouble before 2035, eventually, the government's going to have to find a way to pay for this. How do you think they're going to pay for it? You guessed it, potentially increasing taxes.

What if we could find a way to convert most of your money to a tax-free bucket so that, when required minimum distributions come at 70 1/2, you won't have to pay as many taxes, and in some cases, it's possible for you to retire completely tax-free? If we could help you do that wouldn't you want to know about it? That's a critical decision that could cure an even bigger threat than potential stock market decline.

# 9

CRITICAL  
DECISION

## How Do I Choose an Advisor?

When you're looking for an advisor to help you with a comprehensive, critical overview, you must make sure the advisor is a fiduciary. Fiduciary means the advisor must do what's in your best interest. They don't have the conflict of interest of getting commissions like most Wall Street advisors. You would be surprised to know that most advisors are not fiduciaries. Most advisors are not legally required to do what's in your best interest or legally required to do what's in their company's best interest.

# Accumulation Vs Distribution

The second thing you must look for is, make sure the broker or advisor is focused on the distribution stage versus the accumulation stage. It's a different planning concept. When you're accumulating your money, you don't have to worry about taxes, healthcare, Social Security or any of those things. You must worry about trying to grow your money as quickly as possible. I would always ask a financial advisor his average client's age. If his average client's age isn't in your demographic, that may not be the advisor who is most prepared to help you.

## Are They Independent?

Are they forced to follow the orders of the company, or are they forced to do what's right for you? Do they supply company, cookie-cutter investment plans, or do they take time to listen to your situation and determine your needs? Are they patient, do they give you customized advice based on your situation, not based on what the company tells them to do?

# FOCUS

# FOCUS

# FOCUS

Finally, what is their focus? I always want to know if a financial advisor focuses on comprehensive financial advice or if they focus on a product. You can get an insurance agent or even a stockbroker who can pose as a comprehensive financial advisor, but I'd always want to know what's most important to you. Do they focus more on the plan, do they focus more on income, or are they so busy trying to focus and push the latest annuity or the latest stock to you they lose focus that you need help on an overall, comprehensive view? These are very important questions. You should never feel uncomfortable asking your advisor these questions; they owe it to you to provide you with answers.

# Our Investment Philosophy

Our investment philosophy is: we cannot give you solid advice, unless we take the time to get to know you, and to understand your unique situation. We also have a philosophy that your plan should be about more than your investments. Your investments are only a piece of the puzzle, so we must look at the five critical areas. Those critical areas are income, investments, taxes, legacy, and healthcare.

## Keep it Simple

We believe in keeping things simple and easy to understand. We believe, if an advisor is giving you information that is too complex and you don't understand it, they're trying to prove how smart they are, and that doesn't serve your best interest. Many of our clients are surprised at the level of ease with which we can take them through their retirement process. I've have heard from so many of my clients that for the first time ever they now understand what they are looking at when they look over their portfolio and financial statements.

# Our Unique Process

I want to share a short version of our process with you. As I said earlier, we like to take it slow. If you are interested in working with us, you should have the preliminary information to review. Once you come in for a meeting, we will sit down and go over some pointed questions to be assured we are a good fit to work with each other. We share our basic beliefs with you to determine if we are on the same page. We must have some simple agreements. You must have realistic expectations for returns. You must be okay with us keeping it simple and easy to understand. You must be a little more conservative and not so tied to an advisor that you are not willing to consider a change.

We then dive into the investment accounts to see if there are any red flags. Red flags could be too much risk, fees, too much money in cash, not keeping pace with inflation, not enough of an emergency fund, no income protection, a previous 401(k) at another company, an advisor who is not a fiduciary or with whom they don't have a great relationship, too many taxes, etc. We then look at your income now and what you expect to receive in retirement as well as expected expenses. We look at debt you may have and any emergency funds. From there, we determine if it makes sense to pay off debt or pay off the house and how we can fill that income gap.

The next step is to design. We design an income retirement plan and strategy together that's going to help you fulfill your needs. If everything makes sense, and if we're on the same page, the last step is to implement. Of course, we continue with ongoing services which do not stop for as long as you're a client. If this plan sounds like something that would be of benefit to you, please make an appointment so we can talk about it, I look forward to speaking with you

# Are You Planning to Retire Before 65?

*There Are Critical Decisions You Must Make  
Before Taking the Leap Into Retirement*

Too many times, I have spoken with clients who, on the suggestion of friends, relatives, and wellmeaning advisors, jump into retirement without proper planning. Too many times, I have had the unpleasant experience of sharing with them the tax consequences of their decisions.



MARVIN MITCHELL

# RETIRE EARLY

Inside this book, you will learn the Critical Decisions you must make before you retire. Whether Social Security is a concern, Pension Planning, or 401(k)s, all your hard-earned money can be at risk if Critical Decisions are not made at the proper time.

Here's where I come in. I help you plan for your upcoming retirement. If you find the information in this book to be of value and you would like to learn more, here's what you do next:

Step 1: Go to our website, [www.compassretirementsolutions.com](http://www.compassretirementsolutions.com) and download your free "Retirement Rescue Kit."

Step 2: If you are interested in working with us, call 314-373-1598 to set up a complimentary 15-minute appointment.

Feel free to email me with any questions:  
[mmitchell@compassretirementsolutions.com](mailto:mmitchell@compassretirementsolutions.com).

You have worked hard your entire life to ensure you and your family are well taken care of during your retirement. Let's make sure your plans work out the way you've always dreamed.