

# WEALTH MANAGEMENT

at FERGUSON WELLMAN  
and WEST BEARING



## *Third Quarter Webinar*

August 18, 2020

# Our Webinar Presenters

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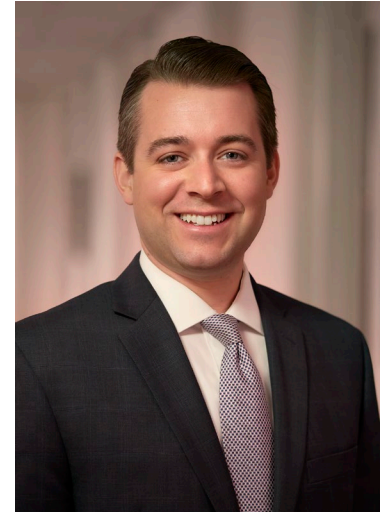
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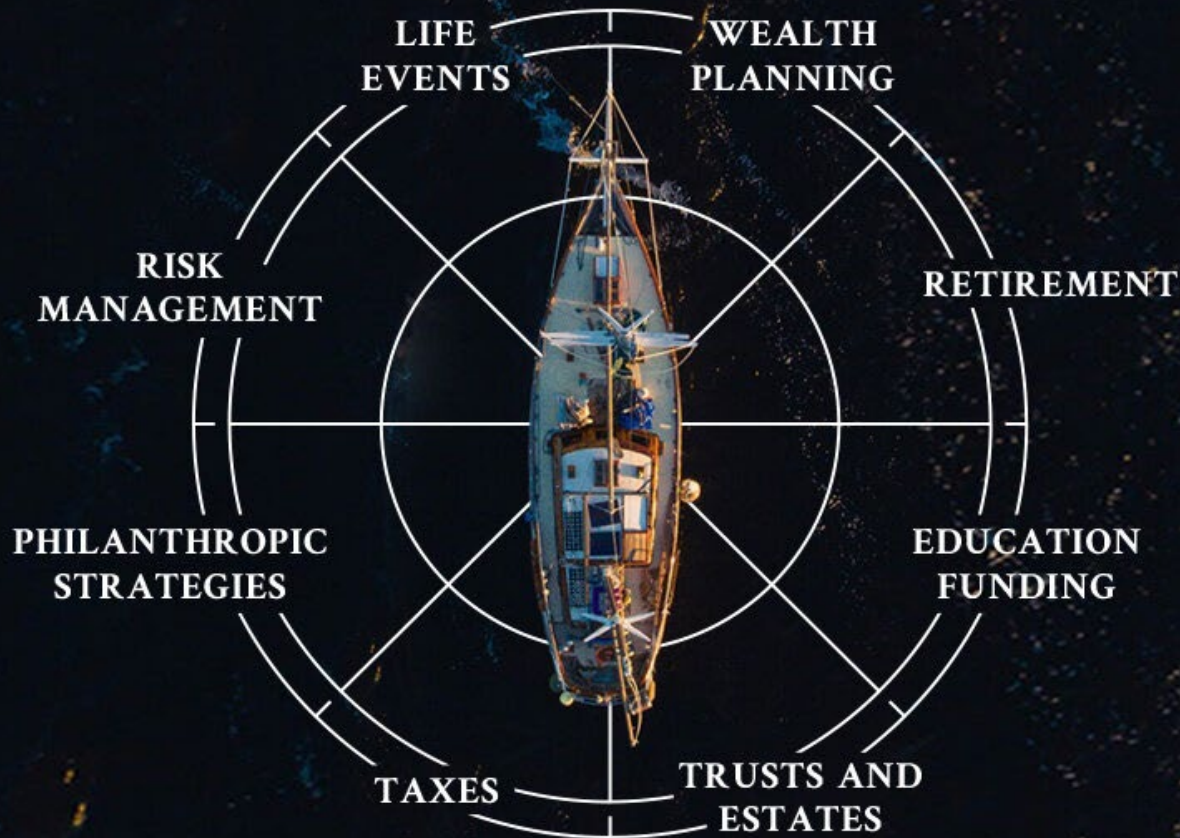
Executive Vice President  
Portfolio and Wealth Management

# Planning for the Known and Unknown



Wealth Management Webinar  
Third Quarter 2020

# Helping Clients Navigate Financial and Life Decisions



## Disclosures

*Ferguson Wellman and West Bearing do not provide legal, tax or insurance advice. This material has been prepared for general education and informational purposes only and not as a substitute for qualified counsel. You should consult qualified professionals to understand how this information may, or may not, apply specifically to you.*

# Known: Retirement Implications of Recent Tax Acts

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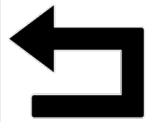

## Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act)

- Easier for small business owners to set up retirement plans
- Increases the age of required minimum distributions to age 72
- Allows IRA contributions by income earners and spouses of any age
- Eliminates lifetime stretch inherited IRA – starting in 2020, new IRA beneficiaries must deplete balances within 10 years
- Allows up to \$10,000 to be withdrawn from 529 plans to pay off student debt

# Known: The CARES Act and Retirement Plan Distributions

1. Waives all required minimum distributions (RMDs) in 2020
2. Provides the ability to recontribute any 2020 RMDs

## Planning for no RMDs in 2020:

- Suspend RMDs for the year 
- If funds are needed, reduce draw 
- Return an RMD by August 31 (recently extended) 
- Roth conversion 
- (Re)evaluate charitable IRA distributions 

Inform CPA to adjust tax estimates and strategize tax brackets

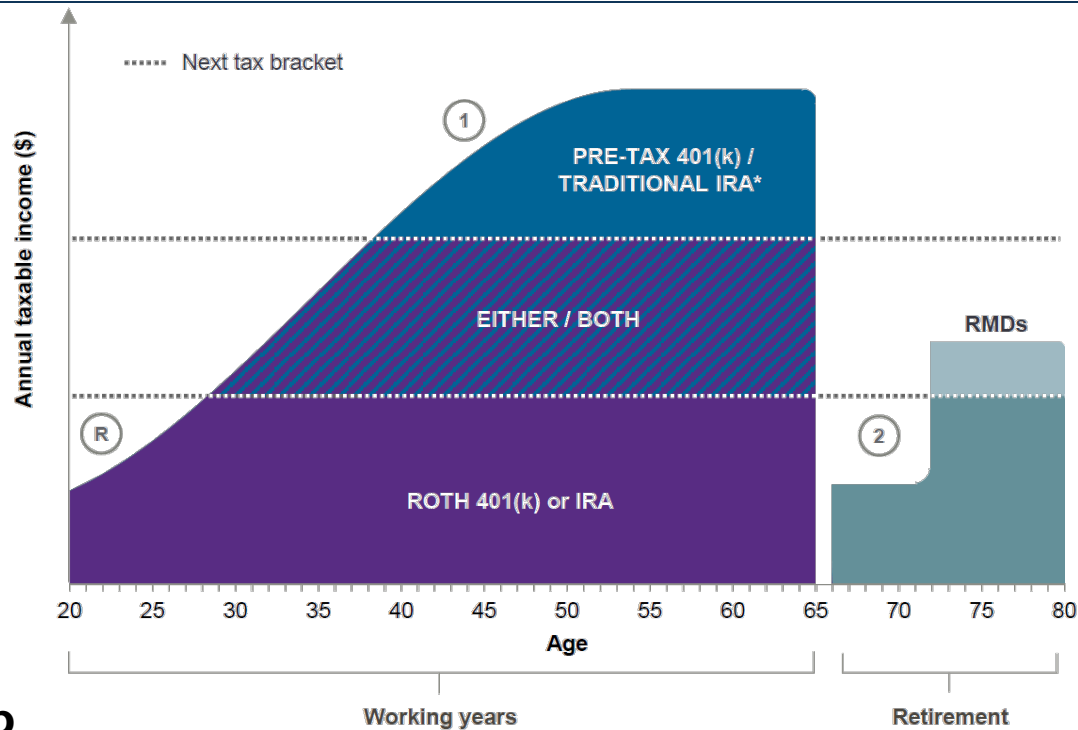
# Known: Tax-Advantaged Retirement Saving

	<b>Tax-deductible contributions/investments</b>	<b>Tax-deferred account growth</b>	<b>Taxation of withdrawals</b>
Pre-tax 401(k) traditional IRA	●	●	Taxable (ordinary income tax)
Roth 401(k) / IRA		●	Tax-free qualified withdrawals
After-tax 401(k) / non-deductible traditional IRA		●	Taxable investment returns (ordinary income tax)
Health savings accounts (HSAs)	●	●	Tax-free qualified healthcare expenses
Taxable portfolio		Unrealized gains	Capital gains and income taxable when realized

Source: J.P. Morgan Guide to Retirement



# Known: Plan for Tax Diversified Retirement Savings



## Rule of thumb

- Contribute to a Roth when income is low, such as early in your career, shift to pre-tax as income increases

## Opportunistically add to a Roth

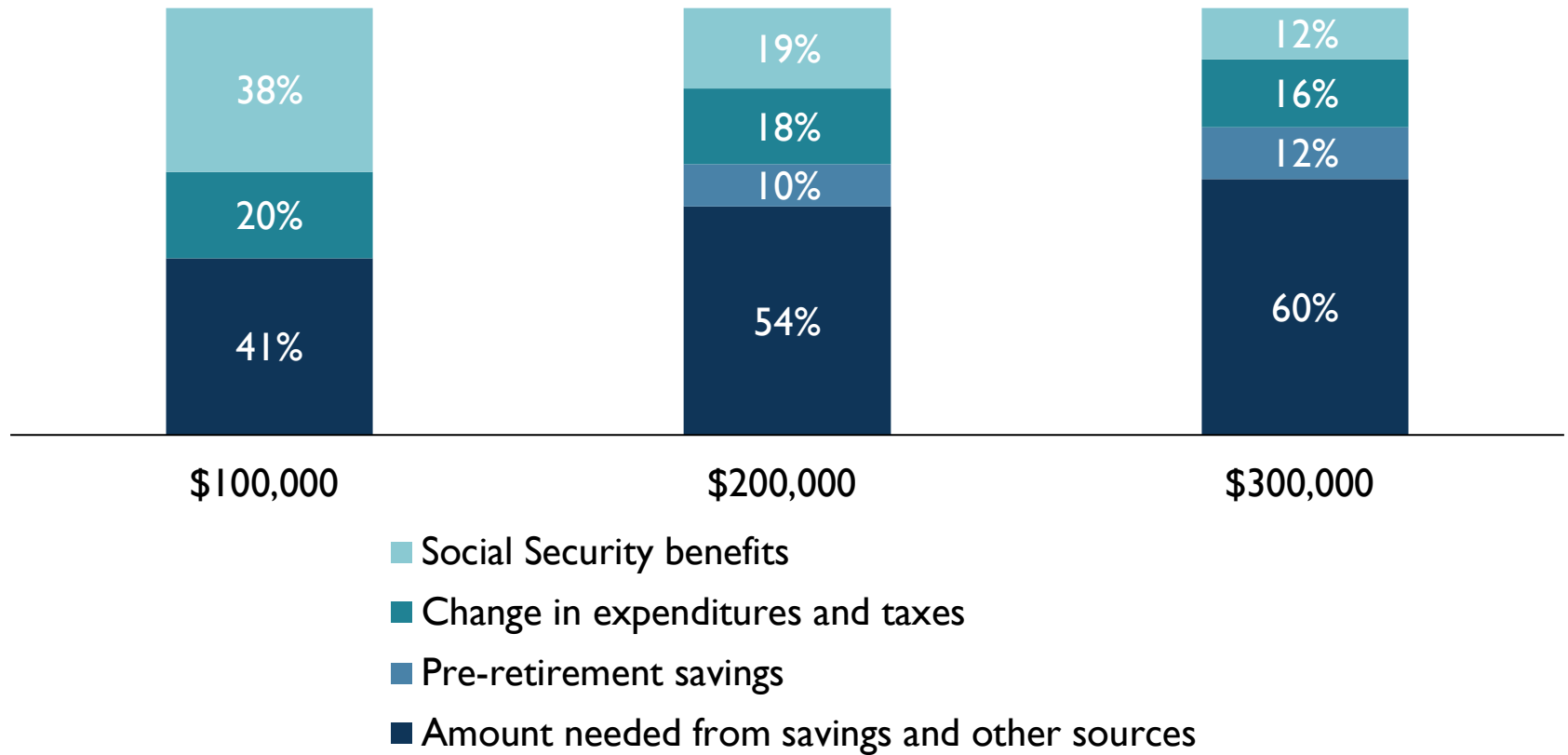
1. Any year if wealth is concentrated in pre-tax retirement accounts
2. In low-tax years prior to anticipated higher RMD years

Source: J.P. Morgan Guide to Retirement

# Known: Retirement Spending

## Projecting spending

*Based on a replacement rate of pre-retirement income*

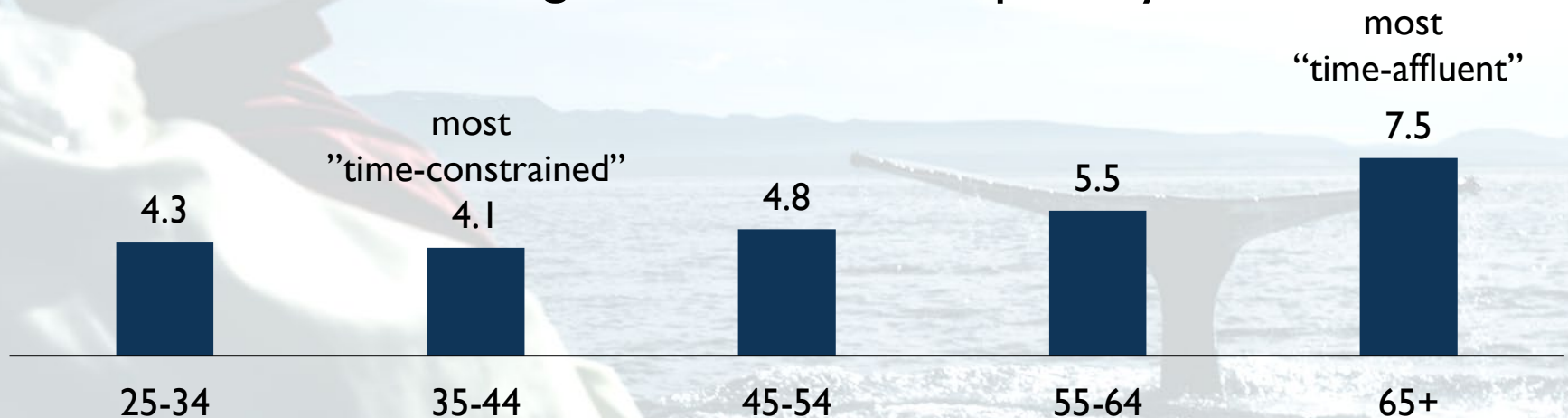


Source: J.P. Morgan Guide to Retirement

# Known: Prepare for a Smooth Transition Into Retirement

1. Build in structure and routine
2. Consider the impact to family
3. Establish social connections before retirement
4. Test run before large changes
5. Volunteer or find part-time work with a purpose

## Average hours of leisure per day



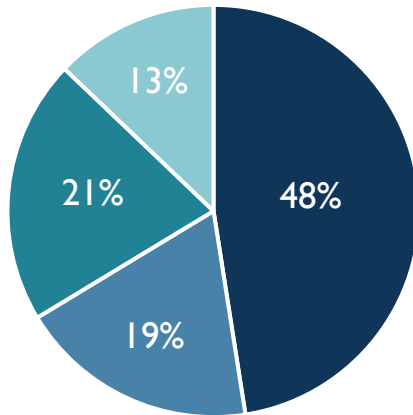
Source: Age Wave

# Unknown: Long-Term Care Planning Questions

**70 percent of people over 65 will need long-term care**

## How long?

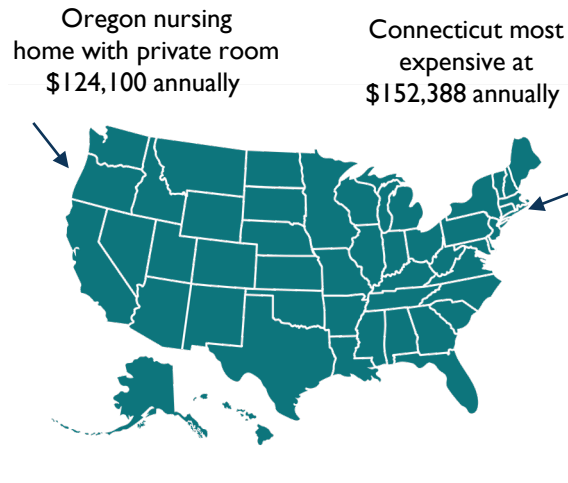
Among 65+ year-olds, the duration of care varies widely, but for many it is less than one year



- <1 year
- 1-2 years
- 2-5 years
- 5+ years

## How much?

The median annual cost of nursing home care depends on your state and type of service

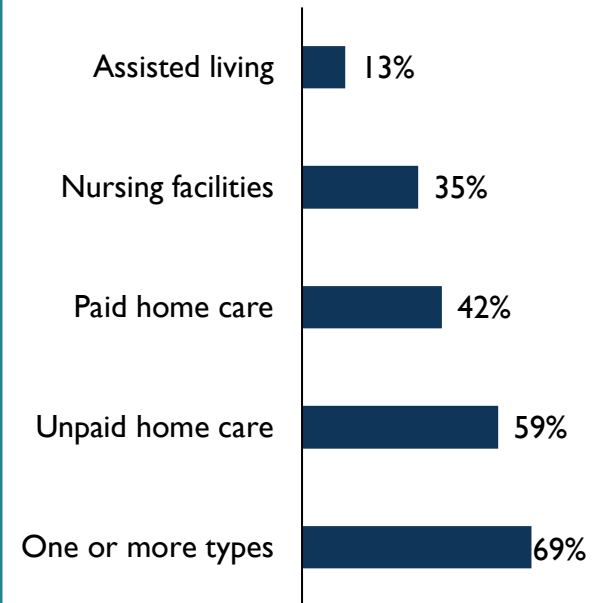


### U.S. average annual cost

- Private room: \$100,200
- Semi-private room: \$90,155
- Assisted living facility: \$48,612
- In-home health aid: \$51,480
- Oregon home care for 8-hours/day: \$81,760

## What type of care?

Lifetime probability of needing long-term care services by type at age 65

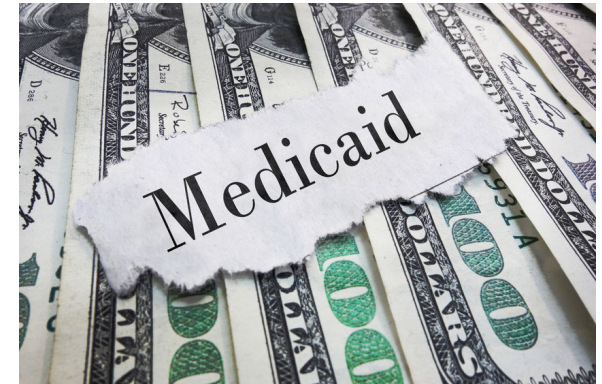


Sources: aarp.org and jpmorgan.com

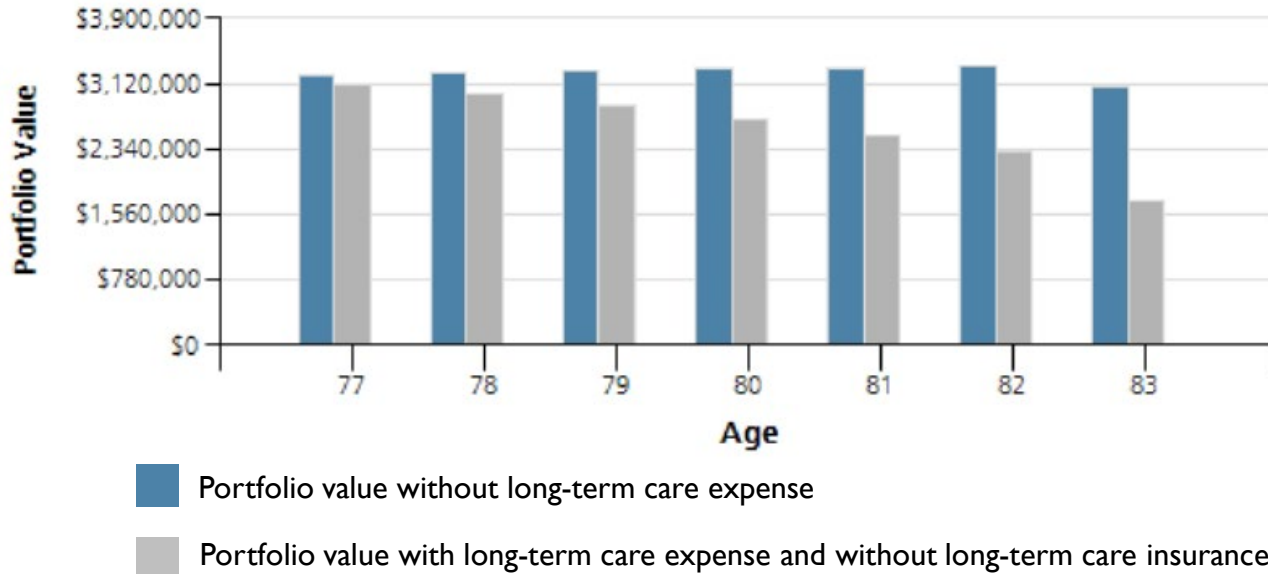
# Long-Term Care Planning Solutions



Retirement Communities



# Effect of Long-Term Care Expense on Your Portfolio



Total cost of long-term care:	<b>\$1,186,767</b>
Total of existing long-term care policy benefits:	<b>\$0</b>
Total benefits from purchasing a new long-term care policy:	<b>\$0</b>
Amount offset by expense reduction during care period:	<b>\$499,857</b>
<hr/>	
Net cost of care to be paid from portfolio:	<b>\$686,910</b>

This graph shows what would happen to your portfolio if sample client needs a home health care aide for 12 hours per day at age 77 for seven years at an annual cost, in current dollars, of \$124,100 inflating at 4.50 percent. Source: MoneyGuidePro

# Insurance Spotlight: Homeowner's Insurance

Rebuild your home at replacement cost



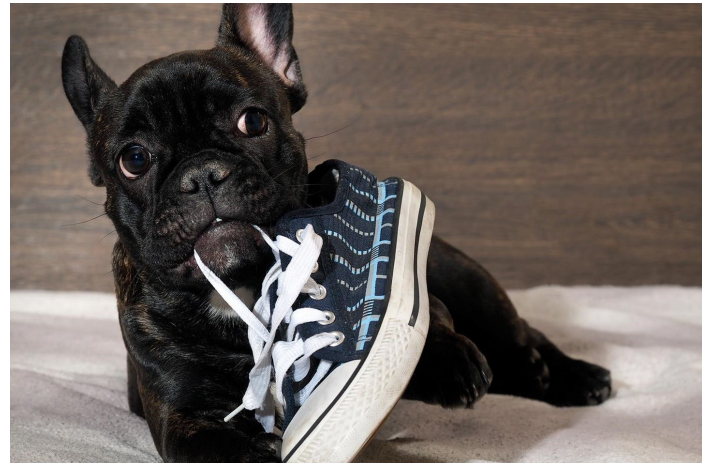
Reimburse your living expenses after the loss of an insured home



Replace your personal property



Cover injuries and damages that happen on your property



# Insurance Spotlight: Umbrella Liability

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- Provides additional personal protection against claims resulting from injuries and damage to other people or property
- Kicks in after the other (homeowner's, auto, etc.) coverage is exhausted

How much do you need?

- Net worth is a starting place
- Current and future income
- Lifestyle matters
- Review annually