

GREG PARADY

UNSTRESS & UNTAX

Your Retirement®



UNSTRESS & UNTAX

Your RetirementsM



GREG PARADY

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In Dedication

For my wife Jenni,

*And our children Bennett, Liliana, and Macallen, For their
support, love, and laughter,*

*For my second-grade teacher, Jean Bennett, And her husband
Gene,*

For their continued encouragement and dear friendship,

*For my Parady Financial Team, For their hardwork and
dedication In delivering world class service,*

And for our remarkable clients,

*For their patronage, fellowship, and trust In our growing Parady
Family.*

Without all of you,

this book would not be possible,

*and Parady Financial could not have achieved the success we have
enjoyed.*

Disclaimer

This book was written to be general in nature and should not be considered for individual Investment Advice, Tax Advice, or insurance recommendations. The primary author is a Licensed Annuity and Life Insurance professional ONLY that employs Investment Advisors, tax advisors, and financial planners. Some of the content in this book was contributed by other key members of the Parady Family of Companies.

We firmly believe that having a collaborative team of licensed financial professionals working towards a common goal is critically important in a Modern Retirement™. We certainly hope that you find this book to be an "easy read" and that you connect with some of our analogies - after all, my goal is to take complex financial issues and make them interesting and understandable for people of all financial IQs.

The ONLY action this book is intended to do for you is facilitate a "learning process"; it is not intended to be a transactional guide. Before you make financial decisions, you should interview multiple teams, consult with a financial team, and make sure that the people you are working with are listening to your goals and objectives.

Lastly, the content of this book was written in 2019 and 2020. Many of the examples used in this book are based on rules and tax laws that were in effect at the time it was written and may not be construed as an ABSOLUTE FACT based on the moving tax rates, product changes, etc.

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FOREWORD

By Ed Slott, Cpa and Retirement Expert



Named "The Best Source for IRA Advice" by The Wall Street Journal and called "America's IRA Expert" by Mutual Funds Magazine www.ira-help.com

Parady Financial Group has your retirement strategy.

If someone told you that they could guarantee that you won't ever lose money in retirement, you would rightly doubt that claim, or say "Where can I sign up for that?" Greg Parady, a unique individual has built a well-respected retirement planning and tax- planning firm, Parady Financial Group, focused on that core principal - guaranteed retirement income, and his clients love it.

But that's only the financial side of what Greg and his team are about. Even more impressive are the wonderful relationships Parady Financial Group has built with their clients. This is not a blind endorsement. I have seen this first hand. When I visit with their clients, it seems like I am at family function, with food, music, entertainment and oh yes, great retirement planning information. When was the last time you danced at a financial planning seminar? Their clients are like his family and it shows. It is so nice to see retired people so happy and worry free, knowing they have reliable supplemental income during their retirement years. Parady Financial Group has cultivated these relationships over many years

by creating customized financial plans based only on what's best for their clients and their families. You can see that his clients are not worried about outliving their money - the number one fear in America's retirees today. That's why they are so lively and happy, and it's fun to be around them. They make me feel young! You really have to see this for yourself, like I have.

But there's more. Another ingredient that makes this all work so well for Parady Financial is education. They never stop educating themselves. Clients need to know that their financial and insurance professionals have the specialized knowledge of how to leverage their retirement assets to make it last.

Financial and insurance professionals generally help you accumulate money, but that's only half of the game. Accumulating money is great, but protecting your assets and making them last is often the missing ingredient in most retirement plans. At Parady, Greg created a strategic planning firm that focuses on two of the biggest financial challenges in retirement: protection of assets and minimization of taxes.

In retirement, it's what you keep after taxes that counts, because that's the money you can actually spend and enjoy. More taxes means less for you, just when you need it most - in retirement.

I believe taxes are the single biggest factor that separates people from their retirement dreams and money. But the problem is that most firms do not have the specialized tax planning knowledge, and that puts their clients' retirement savings in jeopardy.

Parady Financial Group make it a priority to help you minimize taxes in retirement. I know that for a fact because I see Greg and the Parady team of professionals at our advanced training programs on

Greg Parady

retirement tax planning as members of "Ed Slott's Master Elite IRA Advisor Group." Less than one percent of professionals in the country have this level of training. If you are heading into retirement or already there, wouldn't you want to be working with a firm that values both education and client relationships above all else? Of course you would.

Greg and Parady Financial Group's story is a model for all others. When I see their clients, I know you want your trusted financial and insurance professionals to operate like this. Don't you?

Ed Slott, CPA

Retirement Expert and Founder of Ed Slott's Elite IRA Advisor Group

PROLOGUE

A Word from the Author



"The future is not some place we are going to, but one we are creating. "

- John Schaar, *Legitimacy in the Modern State*, (1981)

Dear Friends,

When I started writing this book, I envisioned it as an extension of our Parady Learning Lounge®. The Learning Lounge is home to existing and prospective clients who wish to remain current and educated about topics affecting their retirement. Providing retirees with this core, basic knowledge truly does result in greater confidence when designing a personalized retirement strategy.

Then COVID-19 hit us all, unexpectedly and in the most memorable way. It forced the focus of my book to evolve as well.

Fluctuating markets, (amidst political unrest), with surmounting national debt, meant people more than ever were seeking relief from future tax liability and protection of their hard-earned assets

- and the information shared here became more important than ever.

I watched, as our clients used many of the strategies shared in this book to weather the storm.

Our clients had already been educated and worked alongside our team to protect their assets during turbulent times, and they just didn't stress.

However, much has changed, *again*, in only 14 months since I finished this book...

Record inflation has been added to the MIX to Social Security, Medicare, real estate, consumer goods, etc. As a result of the pandemic, many experts agree we are seeing some of the most dramatic and unpredictable changes to basic economics that they have ever recalled happening.

Now add a global military conflict that threatens to add more uncertainty at best, and possible dire political and economic outcomes for working Americans. Retirees will likely be impacted the most for reasons well documented throughout this book.

Tax law changes remain the biggest threat to retiree savings and income. Despite promises to change the tax code in 2021, tax rates remain largely the same, so we cannot wait any longer to get this information out to you.

In fact, the one thing inflation has not impacted-YET-is tax rates for retirees, (with the exception of widows and widowers; taxes have not been kind to the single taxpayer).

Untaxing YOUR IRAs was the original title for this book. Mainly because our company focuses so heavily on the impact of IRA taxes in retirement. The Secure Act of 2020 was just passed when I wrote it. IRA assets can impact your other sources of income and Medicare premiums much more than many of your other assets and income sources because it is taxed as ordinary income.

IRAs are also very complex because the rules change so often. The Secure Act of 2020 was the largest and most impactful changes to IRAs in the past 20 years, and it will impact you and your beneficiaries for generations.

It upended a lot of estate planning and made it more complex, but like many things during the pandemic, its impact was overshadowed by crisis after crisis.

There is no bigger risk to IRAs than the Secure Act or rising income tax rates in the future.

UnTaxing YOUR IRAs was the original title indeed, until we saw the wild behavior in March of 2020 in stock market behavior, consumer investing, and government related fiscal policy, as it responded to the pandemic.

We believe that we are living in a global super bubble of sorts, and that most retirees are making decisions or not making decisions that need to be made *now*, to protect your assets in the future.

We chose *UnTaxing & UnStressing your Retirement* as a new title to address the other primary issues that our company thrives at addressing and strives to achieve with each of our client relationships.

This book serves as an easy roadmap for retirees to navigate retirement options, without common tax missteps or stress, just like my clients.

This is not a laborious textbook written in legalese, but an easy-to-use reference tool, full of examples and (hopefully) interesting anecdotes from my years in the financial industry. It is designed to

help you better understand financial issues many retirees face in a simple read.

While writing this book, I continually revisited the most meaningful core value of Parady Financial Group, which is first and foremost that we are a relationship company. This book is not just about expounding upon our Learning Lounge, but rather an extension of relationship building as well.

Our responsibility in this relationship is to provide our clients with information to *empower* each of them to make the best financial decisions based on their individual needs and objectives.

Outside of our Parady Family, my personal hope is that this book finds its way into the hands of anyone in need of common-sense retirement, lifestyle, and customized strategies, based upon my opinions and experience, since starting in the financial industry in 1996. In this book, you will learn how my personal story turned into a company mission and philosophy for UnStressing™ and UnTaxing™ your retirement. I will illustrate how protecting your assets, while generating a predictable monthly income, should be priorities in any successful retirement strategy.

I will share case studies that we have seen in our office that support implementing these priorities, and then seven simple rules every retiree should understand to UnStress™ and UnTax™ their retirement.

Finally, I will help you understand the tools at your disposal, during uncertain economic times.

Times have changed since I wrote my last book on retirement, *Your Life, Your Way*, and since I finished writing this book in early 2021. But the one thing that hasn't changed, (and is perhaps more

important than ever), is the need for retirement options that provide peace of mind through steady, predictable results.

This guidebook will help you understand ways you can UnStress™ and UnTax™ your retirement now, so you can start transforming your bucket list into a to-do list. The retirement strategies presented in this book can be built around the goals and values that mean the most to you.

At Parady Financial Group, Inc., we have helped thousands of retirees and people nearing retirement age find freedom through education and personalized options, and we are excited to share this knowledge with you about who we are and what we do. This book is currently in the early phase of being produced as a video documentary as well, so we can reach as many retirees as possible who desire a commonsense approach to thinking about their retirement.

We hope you enjoy this book! Sincerely,

Greg

INTRODUCTION

Conquering Your Retirement Mountain



"I was very much aware that we still had to get safely back down the mountain again and that was quite an important factor. I really felt the most excitement when we finally got to the bottom of the mountain again, and it was all behind us. "

-Sir Edmund Hillary, "King Of The World," *The New Zealand Edge*, (2004)

Mount Everest is known for being one of the most challenging mountains to climb. As the earth's highest mountain, its elevation is 29,000 feet above sea level. In 1953, the first explorers to conquer this feat were Edmund Hillary and Tenzing Norgay.

But were they really the first ones to reach the summit? Or the first ones to reach the summit *and* make it back down.

Many historians believe that in 1924, George Mallory and Sandy Irvine were the first pair to reach the apex, but since they did not make it back down alive, perhaps we will never know.

It emphasizes the importance of respecting both sides of the mission. Climbing to the top safely requires unbelievable discipline, decision-making, and years of training the mind, body, and soul to reach the earth's highest peak. Unfortunately, more effort and planning are often focused on getting to the mountaintop than the equally treacherous return to base.

In fact, more people die on the descent than on the way up; it has been this way for nearly 100 years. Every year people make it to the top, only to fail at proper planning for the descent. This can be attributed to two reasons:

- **Fatigue:** The longer the trip goes, the more strain on the mind and body, causing mistakes and poor judgement that can lead to failure.
- **Half a plan:** This is a serious mission, and it is easy to understand why more energy would be put into the preparations required to reach the top. But reaching the summit is not the journey's end. Without an exit strategy, or a plan for navigating down the mountain, climbers are inadequately prepared for the descent's challenges.

Through the years, I have shared my own story of climbing to the top of Longs Peak, a 14,000 feet apex in the Colorado Rocky Mountains. I trained for weeks, ate all the right foods, and acclimated myself to the elevation. I did everything you could imagine to successfully prepare to make it to the mountaintop safely. And I did!

However, after I reached the summit and began the descent, I realized immediately I had done only half the planning. I was 50% prepared for this mission, because climbing up requires a different skill set than going down—opposite muscles, opposite mindset.

When you're climbing, you're solely focused on reaching the top. That is the goal. But, making it back down safely is how we are remembered, *or forgotten*.

Thankfully, my climbing partner was a mountain and rock-climbing expert that understood the perils associated with *both* halves of the mission, so we made it down safely.

Now, let us compare this to "Conquering Your Retirement Mountain." First comes The Accumulation Phase of life, where you save, sacrifice, and plan your future, perhaps wondering if you will ever get there. Years and years of setbacks, challenges, and disciplined choices: The Climbing.

Once you reach the summit, there is a lot riding on the choices you make now. Everyone wants to "Conquer Retirement Mountain," which means they need to safely foresee the risks. These risks are different from the ones you faced accumulating assets.

Climbing, like accruing assets, takes time. Time is your best friend. It is how you recover from financial mistakes and poor investments. Time, plus a consistent savings habit, are what allows your assets to grow enough to get to the top.

But time can work against you too. Once you reach the summit, you need an experienced team of advisors to help you map out your goals and manage risks on your journey's second half.

As we get older, time becomes less and less favorable, so mistakes need to be small, *not* big. After all, if you fall on your way up the mountain, you dust yourself off and keep going. If you fall from the top, you face much higher stakes.

The importance of navigating higher stakes with financial confidence is something I learned through (what many people might consider) a traumatic childhood. The oldest of five children, my once healthy stepfather suffered his first heart attack when I was twelve.

As a dentist with a small practice in Harrison, Maine, my stepfather suddenly found himself unable to work. I stepped in as the oldest to care for my younger siblings, including my ten-year-old sister, three-year-old brother, and twin baby sisters.

Fear and anxiety consumed me, as I worried for my stepfather's well-being and his ability to provide for us. After a few months, he was strong enough to return to work, and life returned to normal.

But in a few short years, he suffered a second heart attack. Now a teenager, I felt the weight of everything on my shoulders.

Would my family be okay? Would my dad recover? How would the next bill get paid? The pressure took a toll on me, academically and socially. Suddenly, I didn't feel like I had much in common with other kids. I felt disconnected.

After high school graduation, I knew I couldn't afford a college education.

However, my childhood left me with a built-in survival instinct, a strong work-ethic, and intense desire to succeed.

Outgoing and gregarious, retail seemed a natural fit for me, as I landed a job at Macy's Department Store in Boston. I quickly found myself on the management path, promoted from "guy on the floor" to a supervisory position.

Then my father had his third heart attack, and I felt obliged to move back home to help my family. I needed to find employment in my hometown, without a college degree.

Thanks to my retail experience, I was hired to manage a sporting goods store. Despite opportunities for growth, the position did not pay much, so I kept my eyes open.

That's when I applied for an opening at Bankers Life and Casualty. I was completely new to the field, with no college education, but they were ready to take a chance on me. During my interview, they suggested I shadow John to learn the ropes.

I went on four sales appointments with John, but they did not go well in my opinion. His prospective clients wanted help, and they tried to relay their concerns, health issues, and goals, but John seemed to only care about selling a one-size-fits-all product.

These people wanted solutions, but John was looking for a sale and a commission.

At some point in the day, John told me he made \$40,000 in the last eight months. That was enough for me. I figured if John could make \$40,000 without even listening to people, I could focus on *helping* people. I would listen and work alongside them to create the financial strategy they needed.

I called the manager and told him to put me on the team. I had found my career.

In my first month, I was named "Rookie Agent of the Month." In my second month, I broke the company's sales record. Before long, as a long-term care insurance, annuities, and life insurance agent, I became one of the youngest people ever to qualify for the Million Dollar Roundtable. I was also the youngest member on the company's Executive Council.

I enjoyed my work but became frustrated that not all Bankers Life products were suitable to my clients' individualized needs. As a "captive agent" in a big company, I was limited to only offering their products.

This clashed with my primary desire to work directly with people to provide personalized solutions to their retirement needs.

In 2001, I founded Parady Financial with a focus around customization. I offered a wide range of quality products and choices that could be designed specifically to meet the unique needs and goals of each client that walked through our doors.

As we grew, I strove to build a knowledgeable staff with a diverse skill set. Today, that team includes highly educated Certified Public Accountants (CPAs), Certified Financial Planners (CFPs®), Certified Annuity Specialists (CASs), licensed Annuity and Life Insurance agents, and registered Investment Advisors.

Together, we combine our strengths and passion to help make amazing things happen for our clients!

What's my passion? Finding talented professionals who share my mission of helping people realize retirement dreams they envisioned while climbing Retirement Mountain.

Since 1996, I have been guiding people on the second phase of their journey. For the remainder of this book, let me share some lessons I've learned.

CHAPTER 1

The Retirement Seatbelt Act



"Safety was not a big thing when I was growing up. A seatbelt was something that got in the way: 'Ma, the seat belt is digging into my back. 'Stuff it down into the seat. And roll those windows up, you 're letting the smoke out. "

- Margaret Smith, comedian

What do seatbelts have to do with retirement income planning? If you're old enough to be thinking about retirement, you probably remember when wearing a seatbelt was optional. In fact, I will bet you remember riding in a car without one.

My sister and I used to beg our parents to let us sit in the "way back" of our station wagon. This was a time when kids would pile into the back of pick-up trucks and new moms would cradle their babies in the front seat on the way home from the hospital.

What were parents thinking? They were thinking what everyone else was thinking at the time ... that it isn't a big deal to have the kids rolling around loose in the car.

Back then, many people even refused to wear seatbelts. Some people found them to be too uncomfortable, while others imagined them to be too dangerous. They feared not being able to use their arms to stop themselves from being thrown around,

or worse getting pinned and not being able to escape. What if the car caught on fire or was trapped underwater? People actually believed it was safer to not wear a seatbelt in a crash.

Where I grew up in Maine, ice fishing is a popular winter activity. Sadly, every year, there would be at least one tragedy where someone would drive their car on the frozen lake, fall through the ice, and be trapped in the car with fatal results. Invariably, some people blamed seatbelts, claiming without them the victims might have dodged their fate.

Me? I don't think seatbelts were the real problem.

As we get older, the joy of riding in the "way back" goes away, and most of us discover we prefer the security of a seatbelt.

Research on seatbelt effectiveness has proven our older, wiser selves right. It is clear now that seatbelts save lives, to the point where it is not even a debate anymore. In fact, seatbelt laws are now enforced in 49 states. Many of us used to doubt seatbelt safety, but now the first thing most of us do when getting in a vehicle is buckle up.

Which brings me to the question at the beginning of this chapter. What do seatbelts have to do with retirement income planning?

Well, cars are not the only things that crash. As we have learned several times over the past few decades, markets do too.

As you get older, having funds in the stock market makes you more vulnerable to market declines. Market crashes have a greater impact on your lifestyle and assets' longevity because you do not have enough time to make them up. You need a seatbelt to protect your retirement from those "once-in-a-lifetime" market crashes that seem to keep happening every ten years.

In 2009, the government suspended required minimum distributions (RMDs). People over the age of 70.5 did not have to take distributions from their IRAs or 401(k)s for one year only.

Why? Because stock market losses related to the banking crisis decimated retirement savings, and RMDs are always calculated based on the previous year's values.

This meant people would have to take money out of accounts that were low, which breaks the cardinal rule of investing: Never sell low!

In 2020, the government suspended RMDs again. Why? The stock market experienced a "once-in-a-hundred-year crash," dropping 30% in just a few weeks' time.

To protect retirees, the government passed the CARES Act to provide assistance to people affected by COVID-19. As I write this, the full economic impact of the pandemic is still unknown, but does suspending RMDs when accounts are already low really help? This means people don't have to take a withdrawal if they don't need it. It also reduces government revenues.

Is there a better way to protect those in retirement? A better way to protect assets from crashes?

The answer is yes. *Retirement Seatbelts* should be a part of every financial strategy.

Of course, I am talking about Fixed Index Annuities (FIAs). Yes, they are controversial, misunderstood, often oversold, and some people claim to hate them-others to love them-but there isn't one annuity owner that had to worry about their retirement during the dot-com crisis from 2000-2002, the banking crisis from

2007-2009, or the COVID-19 pandemic.

The fact is, when used properly, FIAs provide an economic seatbelt for your financial future. Perhaps equally important to any comprehensive financial strategy, they allow you to remain calm during uncertain times and make practical decisions.

What else do seatbelts do for us? We worry less. We know that we are more likely to walk away from a crash with a seatbelt on than without one. Isn't that what we want for our financial future?

In other words, you would not need the government to step in and protect your assets when convenient or during a crisis; you would do it yourself-before a crash- just like many of us do the second we get into our automobiles ... we put on our seatbelts!

FIAs have been evolving for decades now. Frankly, when it comes to safety, there is little doubt that they are superior to

other 'safe' assets. The argument against FIAs has always been the limited upside, like wearing a seatbelt when you don't end up needing it; in other words, FIAs don't perform as well during periods of growth. But for many retirees, who suffered losses during the dot-com, real estate, or banking crashes, the lesson of not wearing a *Retirement Seatbelt* was extremely painful.

Like seatbelts, FIAs were created to protect your assets from those unexpected, economic fender benders. A FIA may not be the right vehicle for every financial situation, but for retirees looking to protect accumulated assets, it can be a seatbelt in a market crash.

CHAPTER 2

Monthly Income Vs. Annual Income



"A large income is the best recipe for happiness I ever heard of"

- Jane Austen, *Mansfield Park*, (1814)

When you retire, it is not about your assets-it is all about your income.

Let's face it, monthly income is easier to manage than a whole lifetime of savings. That is because almost everything financial that you have done up to this point is on a monthly basis.

When you were younger, and you got your first apartment, how often did you make rent payments? Power bill? Credit card statements?

As you got older, how often did you pay your mortgage? Car payments? Phone bills? Almost everything we pay in our lives is structured on a monthly basis. In fact, how often do you get Social Security or pension payments? Yes, monthly!

Literally, everything we learned about finance, from managing our money to budgeting our lifestyle, is based on monthly income.

From our earliest years in life, we train ourselves how to live and be happy on a monthly basis. We budget and save on a monthly basis, and that does not change as we get older.

Americans retire on a monthly basis and our *needs* are all calculated that way.

How often do we pay our golf memberships? Health insurance? Cable bills? Everything is monthly. Heck, we even refill our prescription drugs on a monthly basis.

But then we get to our retirement years, after a lifetime of learning how to manage money monthly, guess what? We do it all backwards: we have lots of assets, but little income.

When you're younger, your largest personal capital is your earnings and your smallest personal capital is your savings. You add to your 401(k) plan monthly to begin saving these earnings. The company you worked for likely matched a portion of your contributions, and as your career advanced and your income increased, your contributions to your savings increased.

This disciplined saving over time allowed your 401(k) plan and other retirement assets to grow to where they are today. This kind of Monthly Financial Planning makes life easier to handle, financially anyway.

Unfortunately, this process trains us to merely exist in a needs-based retirement, instead of freeing us to live the retirement we really want.

When you were accumulating assets, you rarely used your 401(k) plan or retirement savings for expenses. It was all about your income-specifically, monthly income.

You never dipped into your IRA to go on vacation, buy a car, pay bills, or go out to dinner. And you *never* used your retirement assets

to buy a golf cart. You planned for these things to come out of your income- monthly income to be exact.

Are you in the habit of saving for big purchases or a rainy-day fund? How about a vacation? New car? Chances are you made regular deductions part of your monthly budget to save up for these expenses.

But in retirement, income generated from monthly Social Security alone is not enough to cover lifestyle goals. Yet, going into your savings to support your lifestyle feels like dipping into the cookie jar. Plus, what if you underestimate or overestimate how much you will need in retirement?

We build a lifestyle around our monthly income because it is all we have ever known. When we want to go on vacation, we do not stop to take money out of our 401(k) plan. We don't take money out of our IRA to make mortgage payments, buy cars, pay bills, or get groceries. Apart from an emergency, we may never touch our IRAs. We paid for these expenses based on monthly income that was predictable.

While working, most people never touch their IRAs or assets because they are saving for retirement. In retirement, many won't touch this money because old habits are hard to break.

When they finally get their retirement package from work, it usually includes a rollover package, and now for the first time in their lives, retirees have less income than they have had in forty years. Now they must figure out how to make this rollover package behave like monthly income paychecks.

They will have lots of money and little income.

They will need to rely on IRAs and retirement accounts for car payments, groceries, vacations, etc. If it all seems backwards to you, it is because *it is* backwards, and it has financial and emotional consequences.

According to a 2019 study done by the Investments & Wealth Institute, more wealthy Americans are living well below their means in retirement. Wealthy is defined as having two million or more in assets.

That might sound surprising considering that every time you turn on the TV, someone is talking about the American savings crisis. Yet research shows that wealthy retirees are living well below their means in retirement.

It turns out, people who have accumulated the largest sums of retirement money tend to spend the least amount of money in their retirement years, wishing they could have done more. Old habits are hard to break, and the habits you form while saving and accumulating wealth, before retiring, often carry over into your retirement years.

For example:

- Budgeting for monthly expenses
- Keeping a 'rainy day' account
- Saving for large purchases or vacations
- Sacrificing purchases today, for a brighter future
- Not differentiating between needs vs. wants

If you spend your entire life adding to your retirement accounts *on a monthly basis*, it makes sense to take money out of your retirement

accounts *on a monthly basis*. It will feel uncomfortable at the least, and scary for most, especially since the primary fear shared in my experience is "outliving assets." This fear alone shifts us from a wants-based lifestyle to a needs-based lifestyle.

When I ask people what they *want* in retirement ... where they *want* to go, what they *want* to do, when they *want* to do it ... I am fascinated to hear them talk themselves out of wanting anything at all. After a few minutes of dreaming about fun purchases or experiences that have been earned from years of sacrifice and saving and putting others first, they shift their answers to *needs*. We don't *need* a new car, we don't *need* to fly first class, we don't *need* a bigger house, we don't *need* a new golf cart.

That is all fine and good but doesn't answer the question I asked. The happiest people I know in retirement have pensions, thus predictable monthly income; they drive new cars, travel freely, and visit grandkids and family more often. People with pensions are happier and worry less about money.

I would also place people with Modern Annuities™ as the happiest people I know—they have predictable monthly income that generally meets their **NEEDS** *and* **WANTS** in retirement.

When you have more income coming in than you *need* in retirement, you tend to take more vacations, upgrade the home more often, and make purchases without guilt and worry, because next month the check will come in again and again and again ...

CHAPTER 3

The Casserole Club Vs. The Gourmet Club



"I wonder if there is a person on Earth who is consoled by a casserole. "

- Kaija Millay, The Sea of Tranquility, (2012)

The casserole club is not the same thing as the gourmet club that you might belong to, and it is not a sign of prosperity.

What is the Casserole Club?

It is actually not a club at all, and it is in fact a rather crude name to describe what some widows and widowers go through when they lose a loved one that hasn't planned for their demise.

In other words, not enough income was left for the surviving spouse.

All income is not created equal, and widows and widowers face hidden financial risks that "financial experts" and talking heads tend to overlook. The reality is that as the widow or widower is dealing with the emotional loss of a loved one, he or she will also be confronted with some real financial difficulties that are not usually featured on retirement magazine covers.

As you will see in the next chapter, the financial differences are significant, especially as they pertain to taxes. The potential for higher taxes for widows and widowers is regularly ignored.

One jarring change is going from filing jointly to single. If you are married, how long has it been since you had to file your tax return as a single taxpayer?

Often referred to as the widow's tax- mainly because statistically, men die first- it places a tax burden on the surviving spouse. Losing a spouse in retirement can create financial stress on the survivor, often too great to overcome, forcing a wife to change her lifestyle when she is already dealing with the pain of losing her partner and best friend.

I used to hate writing about this issue because thinking about death is not what I want to be doing. Emphasizing a laser focus on lifestyle opportunities is what my company does, and we just want to help you and your spouse live *your life, your way*. I did not like dwelling on the negatives, but through experience I have learned it is important for us to help married couples plan for the loss of a loved one responsibly and proactively, so that couples can live their life without unnecessary worry about assets left to a surviving spouse or beneficiaries.

In the following chapters, we will examine three case studies that illustrate how planning can help you stress less about tomorrow, *today*.

We think you need to be prepared for whatever comes your way, and married couples need to take advantage of tax planning opportunities while they are both alive and healthy.

As you will see in the following case study, retired married couples generally get favorable tax deductions. We are confident that with a little knowledge, married couples can create a strong financial

Unstress & Untax

future together that allows them to do what they always imagined in retirement and a lot more!

CHAPTER 4

Widow's Penalty: Case Study 1



"We generate fears while we sit. We overcome them by action. "

- Dr. Henry Link, *The Return to Religion*, (1936)

Losing a spouse is one of the most distressing events a person will go through. The last thing the surviving spouse will want to think about is taxes and monthly income, which is why the so-called "widow's penalty" can be confusing and upsetting.

It is important to plan a strategy in advance, so you are not making financial decisions when you are emotionally taxed. Let us look at a case study of a married couple to see why planning ahead is so important.

In this case study, we will compare a married couple's annual income and Effective Tax Rate to a widow's/single taxpayer. In this specific case, taxes almost double for the surviving spouse without tax planning.

The married couple could have prevented a tax problem for the surviving spouse if they had purchased **Modern Life Insurance™** or implemented a **Roth conversion strategy**.

As you can see from the following table, the so-called "widow's tax" or "widow's penalty" is punitive in this particular example.

It is one of the most misunderstood details that we see in our company-and the easiest to plan for in advance-but not afterwards.

Married vs. Widow/Single, Annual Income

	Married	Widow/Single
Social Security	\$36,000	\$24,000
Pension	\$36,000	\$18,000
IRA's/RMDs	\$36,000	\$66,000
Annual Gross Income	\$108,000	\$108,000
Effective Tax Rate	8%	15%*
Taxes	\$8,629	\$16,458*

**This rate includes IRMAA penalty. In this example, the single tax is \$15,764 plus*

\$694 IRMAA penalty, which is \$16,458 or 15%.

I am going to walk you through this case study, as I think it is an important one as it pertains to retirement, especially as it pertains to taxes. I think a lot of people are missing the boat on taxes right now; not that taxes are everything-they certainly are not-but they should be a major component with tax rates as low as they are right now.

So here, we have a married couple over the age of 65, who filed jointly using the short form and standard deductions. We are going to break income into two categories, HIS and HERS.

Let's say every month he gets \$2,000 Social Security and she gets \$1,000. He also gets \$3,000 a month from a pension and withdraws \$3,000 a month from an IRA:

I like to put IRA withdrawals in red because every time you take money out of an IRA, you pay taxes on it, and you must pay taxes on *every single dollar*.

When you started investing your seed money, you received a tax deduction. Over the years, your seed money grew into a retirement crop, and every time you go to harvest anything from that crop, you must *pay taxes on the whole crop*.

When you die, your retirement crop will go to your spouse, and they will roll it over in their name. Then they will have to *pay taxes on the whole retirement crop*.

And eventually when it gets passed onto your kids or grandkids, they will *pay taxes on the whole retirement crop*. Under the new SECURE Act, taxes on IRAs are even more penal to your kids, so leaving IRAs is just not the best move anymore.

Every time you take an IRA withdrawal, you add that to your income, and that may force you into the next tax bracket, so you must pay taxes on that money. This may even make more of your Social Security benefits taxable.

The solution to all these tax issues is a **Modern Life Insurance™** policy or a **Roth conversion strategy**.

Unlike tax-deferred assets, these tax-free assets are all yours. You already paid your tax liability, so the income is tax-free, and the accumulation is tax-free.

Tax-deferred assets hold more risk because every time there is a new "stealth tax" that can impact your IRAs, Social Security, pensions, and sometimes Medicare benefits.

Now is the time to acquire tax-free assets with after-tax dollars.

For example, the married couple in this case study has a combined \$9,000 monthly income and \$108,000 annual income.

This is how much they get, but how much do they get to keep?

When they file using the short form and standard deductions, this couple will only pay about \$8,629 on \$108,000. That is the lowest taxes they have probably ever paid!

The fact is that most married couples are enjoying the lowest tax rates on income that they have seen in their entire lives! **The time for a tax strategy is right now!**

When it is time to pay taxes, we all want to pay as little as possible, but the only way to ensure a lower tax rate in the future is to pay a little more today.

One solution is **Modern Life insurance™**:

A married couple can take advantage of Modern Life Insurance™ to avoid possible financial hardship for a surviving spouse or beneficiaries:

- Income Asset Replacement for the Surviving Spouse:

Surviving spouses learn two things quickly. One, income drops by half, but expenses do not. Secondly, the so-called widow's tax, or widow penalty, is punitive.

If your income is around 108k while married, you want to maintain that amount for your surviving spouse, but you must consider taxes almost double without a tax strategy.

Modern Life Insurance™ is a guaranteed asset replacement tool that you should not dismiss.

- Tax-free Lump Sum Payments to Beneficiaries:

Assets can be transferred to kids, grandkids, or causes you care about to lower the tax burden upon death.

- New Tax Benefits:

In the light of the SECURE Act, life insurance has become more popular. The SECURE Act ensures that your IRAs will be taxed at much higher rates when you pass assets onto beneficiaries. If your IRA loses 37% or more in taxes upon death, Modern Life Insurance™ can be used to pay the tax or replace lost taxes.

Another option is a **Roth conversion strategy**:

Roth conversions soared in 2020. It seems the combination of historic low tax rates, the suspensions of RMD requirements, along with the real possibility for higher tax rates in the future have finally motivated people to be *proactive* about their IRA strategies.

In 2010, income limits were removed for Roth IRA conversions, (not contributions), and were made available to everyone that owned IRAs. This finally opened the door for high-income earners to "convert" their traditional IRAs to Roth IRAs. A Roth

IRA grows tax-free, the income is tax-free, and your beneficiaries receive the Roth IRAs income tax-free.

Tax-free income is the ultimate long-term hedge against future costs of living increases and inflation. Once you own Roth IRAs, they are

no longer subject to RMDs, and the income does not count against your Medicare surcharges (IRMAA).

It is important that it is not all or nothing. You can convert a portion of your IRAs to a Roth in any given year.

Frankly, having a pool of tax-free money to access in the future might be the most valuable asset to own or leave to a spouse. However, it is critically important to work with a financial team that can help you with these decisions.

Now, what happens in this example if the couple does not plan ahead?

Suppose the husband passes away first. Let's again examine the table from the beginning of the chapter:

Married vs. Widow, Annual Income

**This rate includes IRMAA penalty. In this example, the single tax is \$15,764 plus*

\$694 IRMAA penalty, which is \$16,458 or 15%.

The widow's **effective tax rate went from 8% (when her husband was alive) to 15%*** (when she filed as a single taxpayer). **For a single taxpayer, the tax is \$15,764 plus a \$694 IRMAA penalty, which means she will need to pay \$16,458, or 15%.*

The widow in this example will now have less monthly income after her husband's death.

Why?

- Reduced from two to one Social Security check
- Pension benefit reduced 50% for the surviving spouse
- Marginal tax rate is higher for single vs. married

- Required 80% larger withdrawals from assets to maintain same pre-tax income

This is the number one risk we see in married couples. The tax and Medicare surcharges can be immense, sometimes costing the survivor up to three times the normal expenses.

To mitigate the risk, married couples can use **Modern Life Insurance™** or a **Roth conversion strategy**. They would pay taxes at today's rates, and then those assets would never be taxed again-tax-free forever! Since Roth withdrawals are *always* tax-free, the "widow's penalty" can be reduced or eliminated, depending on the situation.

In addition to being the most painful time in one's life-losing your spouse and best friend-income from benefits might go down, taxes might go up, and finding answers to financial issues is the last thing on a survivor's mind.

That is why it is so critically important to plan a strategy IN ADVANCE for this scenario.

***FULL DISCLOSURE: Every life insurance policy is different. They must be designed properly on the front end. I work closely with my team and directly with Kathie Laseter, (CPA, CFP®), on these designs. Please work with experienced life insurance agents and tax advisors when designing your strategy. There are insurance costs and riders that may or may not benefit you. They are not simple; they require education and full underwriting.*

CHAPTER 5

The SECURE Act, IRAs, Death & Taxes:



Case Study 2

"...in this world, nothing can be said to be certain, except death and taxes. "

- Benjamin Franklin, in a letter to Jon Baptiste, (1789)

The SECURE Act, which became effective on January 1, 2020, is called the "Death of the Stretch IRA." This is due to a provision of the SECURE Act: the 10-year rule.

Although, there are some exceptions, an inherited IRA will have to be distributed and taxed within ten years of the original owner's death.

Prior to this bill, a non-spouse beneficiary of an inherited IRA could limit distributions, depending on their age and circumstance, to minimize the tax burden and allow it to "stretch" over their lifetime. This once allowed the beneficiary to keep most of the assets tax-deferred and growing in an inherited IRA.

The SECURE Act effectively increased IRA distributions and income, meaning potentially much higher income taxes for your beneficiaries to pay.

This law is called the "Death of the Stretch IRA" because beneficiaries will no longer be able to extend Required Minimum Distributions (RMDs) for the length of their lifetimes to take advantage of tax-deferred savings.

The SECURE Act ends the stretch IRA and replaces it with a 10-year payout for most beneficiaries. Basically, this new law created a windfall of tax revenue for the IRS. Retirees need to understand the possible ramifications of tax laws and be *proactive* to protect their financial legacy.

How could the SECURE Act affect a non-spouse beneficiary? This case study looks at two extremes. In one, the beneficiary is a Spender, and in the other example, the beneficiary is a Saver. Obviously, every family is different, and we are simply illustrating two extremes.

Let us first look at what might happen if your IRA is split by two beneficiaries, where one beneficiary is a Spender and the other is a Saver.

In Table A, \$1,000,000 goes to the Spender:

Table A: SPENDER

Inherited IRA	\$1,000,000
In one year, withdraws and spends...	\$1,000,000
Federal Tax Rate*	37%
IRA After Tax Bracket	\$630,000
Tax Liability	\$370,000 taxes owed

**In this example, we assumed the top of today's Federal Tax Rate of 37%, which could change. This is not including any applicable state income taxes or stealth taxes that may also apply. Everyone owes Federal Income Tax on IRAs, except for qualified charities.*

Table A demonstrates what could occur if \$1,000,000 comes out of the IRA and goes to a child or grandchild who is a Spender.

In one year, the Spender withdrew and spent \$1,000,000, assuming for this example that the IRA is taxed at today's top Federal Tax Rate of 37%. *(Everyone owes federal income tax on IRAs, except qualified charities).*

At today's tax rates, that would most likely cost your beneficiary \$370,000.

What might happen, if \$1,000,000 goes to the Saver?

Table B: SAVER

Inherited IRA	\$1,000,000
In 10 years, saved at 7%...	\$2,000,000
In 10 years, must withdraw...	\$2,000,000
Federal Tax Rate*	39.6%
IRA After Tax Benefit	\$1,200,000
Tax Liability	\$800,000 taxes owed

** In this example, we assumed the scheduled 2026 federal income tax levels. Again, this rate could go up or down in the future, so this is an estimate based on today's scheduled rates. For simplicity, we*

did not include applicable state income taxes or stealth taxes that may also apply, in addition to this rate.

With the new law, an Inherited IRA can remain tax-deferred for 10 years. Table B conveys what could happen under this law, if your \$1,000,000 IRA goes to a Saver.

If the Saver left it untouched for 10 years and it grew at 7% interest every year, The Rule of 72 applies, so after the tenth year, the value of the IRA would be approximately \$2,000,000.

Under the SECURE Act, at the end of the tenth year, 100% of the IRA must be withdrawn. Taxes could go up or down, as a lot could happen in ten years. However, we have a hard time believing taxes will be lower than that in the future, so for the purpose of this hypothetical, we used the scheduled 39.6% federal tax rate.

After tax, the value of the IRA would go from \$2,000,000 to \$1,200,000.

That is an \$800,000 tax liability!

Table C: SPENDER vs. SAVER

	Spender	Saver
Inherited IRA	\$1,000,000	\$1,000,000
IRA After Tax Benefit	\$630,000 net after tax	\$1,200,000 net after tax
Tax Liability	\$370,000 taxes owed	\$800,000 taxes owed

As you can see in Table C, the Saver only gets an extra \$200,000 and must wait ten years to get it! Can you believe the Saver only nets a 200k gain from the 1 million inherited, **after 10 years of growth!?!**

The larger the IRA, the harder it is in most cases to protect assets at death.

Certainly, the beneficiaries could split the two examples and take out \$200,000 per year, liquidating at 10% each year, instead of taking it all at once.

In this scenario, the IRA distribution would be added to other income they earn. We are also supposing there have been no tax increases, that they make at least \$100,000 each in annual income, and they pay approximately a 33% effective tax rate:

If this were to occur, 33% of \$200,000 is \$66,000 annually for ten years!

Total taxes paid on just the distributions would be \$660,000, assuming the IRA never earned a dollar!

A once modest budget, two-income household earning \$100,000 and taking \$200,000 distributions now has a **\$99,000 annual tax liability**. This can be a shock to your heirs, and one that could have been prevented with a Roth Conversion solution.

Keep in mind, many younger beneficiaries with this kind of income could also be disqualified from College Aid, as well as forced to pay higher federal tax rates and state income tax, *on top of* the federal limits.

The higher income could also force a HIGHER capital gains tax rate to be paid than normal, which could mean as much as 23.8% federal taxes for non-IRA assets.

Now let us imagine the same scenario, but with a Roth IRA Conversion Solution:

Table D: THE ROTH IRA CONVERSION SOLUTION

	Spender	Saver
Inherited Roth IRA	\$1,000,000	\$1,000,000
Tax Liability	0	0
Balance at Cash Out	\$1,000,000 in one year	\$2,000,000 in ten years

In Table D, the Spender and Saver inherit \$1,000,000. The Spender cashes in the Roth in the year of death. There is zero tax liability, so \$1,000,000 goes directly to the beneficiary.

The Saver in this example, does not touch the Roth for ten years. Assuming a 7% growth rate, the Saver accumulates \$1,000,000 additional assets before having to cash out the Roth before the end of the tenth year. There is zero tax liability in this case, so

\$2,000,000 goes directly to your beneficiary.

Roth IRAs can serve as a smart strategy for your beneficiaries, potentially providing them tax-free payouts for up to ten years and avoiding some of the ramifications of a Traditional IRA under the SECURE Act.

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If your financial team is not talking to you about Roth IRA conversions, or these types of challenges and strategies right now, maybe it is time for a second opinion.

CHAPTER 6

Modern Life Insurance TM:



Case Study 3

"Plan for what is difficult while it is easy, do what is great while it is small. "

- Sun Tzu, The Art of War, (5th century BC)

As the future becomes more uncertain with tax hikes, health care expenses, and the rising costs of living, the right kind of Modern Life Insurance TM can be used in multiple ways, creating flexibility for tax-free living benefits, tax-free death benefits, and irreplaceable options to protect your family when facing chronic illness or Long-Term Care.

Simply stated, this can take the pressure off your other assets, so they can be used the way you intended, while also leaving a tax-free death benefit to your beneficiaries.

In this case study, a 60-year-old male in a preferred health rating makes three annual payments of \$100,000. This means

\$300,000 total paid to buy a tax-free \$1,000,000 Life Insurance Policy. In case his life situation changed, the man wanted to have the flexibility in the future to get a full return of premium, if he needed the money back.

In this example, the client is also concerned about needing Long-Term Care (LTC) someday, so he purchased a Modern Life

Insurance TM policy that offered accelerated death benefits that could be accessed if needed for LTC costs.

Depending on the company and policy of the life insurance, these benefits can be calculated in various ways, but in this example, he could access 80% of the death benefit early for LTC. Although this amount can vary depending on a lot of factors, that would mean he would have access to \$800,000 for LTC, if needed.

Table A: Healthy Male, 60 Years Old

Annual Payment	\$100,000
Total Premium for 3 Years	\$300,000
Tax-Free Death Benefit	\$1,000,000
LTC	\$800,000

Table A outlines this man's policy with a total premium of \$300,000 and a tax-free benefit of \$1,000,000 guaranteed to age 96. (*Benefits can go up to age 120, and the insured can tailor to their needs at the time of purchase*).

In this case, \$300,000 is the maximum out-of-pocket expense and guarantees \$1,000,000 of tax-free benefits.

Keep in mind from Case Study 2, **\$300,000 is half the taxes owed on a traditional IRA under the 10-Year Rule.**

Now imagine the man leaves his \$1,000,000 IRA balance to his beneficiary who is a Spender, who withdraws and spends the balance in one year.

As you can see from the table below, planning without a life insurance strategy could cost your loved one significantly more in taxes.

Table B: Spender, No Policy vs. Life Insurance

	No Life Insurance	With Life Insurance
Inherited IRA	\$1,000,000	\$1,000,000
Life Insurance Premiums	No policy, 0 premiums	\$300,000
Taxes at 37%	\$370,000	\$245,000
After Tax Balance	\$630,000	\$455,000
Tax-Free Life Insurance Death Benefit	No policy, 0 benefit	\$1,000,000
Balance at Cash Out	\$630,000	\$1,455,000

Now imagine the man's IRA balance was left to a Saver, who due to the 10-Year Rule must collect the money after ten years of saving.

Table C: Saver, No Policy vs. Life Insurance

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	No Life Insurance	With Life Insurance
Inherited IRA	\$1,000,000	\$1,000,000
Life Insurance Premiums	No policy, 0 premiums	\$300,000
Balance Minus Premiums	\$1,000,000	\$700,000
IRA Balance After 10 Years	\$2,000,000	\$1,400,000
Taxes at 37%	-\$740,000	-\$518,000
After Tax Balance	\$1,260,000	\$882,000
Tax-Free Life Insurance Death Benefit	No policy, 0 benefit	\$1,000,000
Balance at Cash Out	\$1,260,000	\$1,882,000

As you can see in Table C, once again, not having a strategy for mitigating taxes can affect the inheritance you leave the Savers and Spenders in your life.

If your financial team isn't discussing life insurance strategies for the challenges your beneficiaries might face with a large inherited IRA, maybe it is time for a second opinion.

Disclaimer

This book was written to be general in nature and should not be considered for individual Investment Advice, Tax Advice, or insurance recommendations. The primary author is a Licensed

Annuity and Life Insurance professional ONLY that employs Investment Advisors, tax advisors, and financial planners. Some of the content in this book was contributed by other key members of the Parady Family of Companies.

We firmly believe that having a collaborative team of licensed financial professionals working towards a common goal is critically important in a Modern Retirement™. We certainly hope that you find this book to be an "easy read" and that you connect with some of our analogies - after all, my goal is to take complex financial issues and make them interesting and understandable for people of all financial IQs.

The ONLY action this book is intended to do for you is facilitate a "learning process"; it is not intended to be a transactional guide. Before you make financial decisions, you should interview multiple teams, consult with a financial team, and make sure that the people you are working with are listening to your goals and objectives.

Lastly, the content of this book was written in 2019 and 2020. Many of the examples used in this book are based on rules and tax laws that were in effect at the time it was written and may not be construed as an ABSOLUTE FACT based on the moving tax rates, product changes, etc.

CHAPTER 7

7 Rules for UnStressing™ and UnTaxing™ Your Retirement



"I am once more seated under my own vine and fig tree... and hope to spend the remainder of my days in peaceful retirement. "

- George Washington, *The Writings of George Washington*,
(1745)

The tumultuous year of 2020 began with the enforcement of the SECURE Act. This is the sweeping tax reform that increased taxes for large IRA owners and their beneficiaries, while creating estate planning chaos across the country. (As we saw in our case studies in the previous chapters, without estate planning, heirs may incur significant tax burdens under these tax laws).

Then the unthinkable came along and would not go away-the COVID-19 pandemic! Just as financial professionals, CPAs, and attorneys were getting their heads wrapped around the new SECURE Act provisions, COVID-19 effectively shut-down the globe.

Our government quickly passed a bill, injecting another five trillion dollars of emergency relief, in the form of the 2020 CARES Act. This added nearly four times the stimulus to Americans and our economy than in the 2008 banking crisis. Then in December 2020,

Congress passed another \$900 billion COVID-19 bill, causing the U.S. deficit to soar to new levels in January 2021.

In 2021, a new administration also took office under a divided nation dealing with the emotional and economic impact of the virus. A \$1.9 trillion additional relief and stimulus package was added to our growing debt.

Under all these pressures, it is hard to imagine our taxes going down anytime soon. Tax rates are already among the lowest in American history, and taxes are scheduled to go back up at the end of 2025. This sunset provision was going to happen before we added trillion dollars in relief. This does not even include the injection into bond markets.

In all this uncertainty, who is at risk?

Owners of large IRAs, 401(k) plans, and tax-deferred assets. The highest federal tax rates are currently 37%, and these types of assets get taxed as ordinary income.

Imagine, 37% of your IRAs or tax-deferred assets going to the IRS. In 2026, the rate is scheduled to go up to 39%! This was established before we added to our federal debt, bringing it from about twenty-three trillion to almost twenty-seven trillion, in just five months in 2020 (*pgpforglnational-debt- clock*).

If you are at risk, what can you do about it?

You can be *proactive*. This is the ultimate YOYO economy- *you're on your own!*; if you wait for the new rules to keep coming out, then you're always reacting. Based on the current options

available, we urge our clients to take control of their future tax liability. Take action now, so you can ensure a tax efficient retirement in the future, *Unstressed™* and *UnTaxed™*.

It is important to work closely with experienced life insurance agents and tax advisors when designing your retirement strategy. However, there is something you can do before meeting with your professional financial team.

Learn these **7 *Simple Rules for UnStressing™ and UnTaxing™ Your Retirement***, so you can walk-in prepared to discuss your options.

Rule 1

Understand Income vs. Assets

When UnStressing™ your retirement, you should consider how much monthly income you will need to live *your life, your way*. And I mean really live what you need and want, not just what you need. You have worked a long time, and your retirement income is your reward, but should be predictable, so it does not fluctuate month-to-month, year-to-year.

Retirement was once a reward for years of service to a company, and they rewarded you with a guaranteed income: a pension.

The pension was the reward, and retirement success was measured in part by your pension, plus Social Security.

Retirees should model this system, using a portion of their assets to purchase predictable monthly income for the lifestyle they want to lead. It is not about the number. Retirement is all about cash flow-income and lifestyle, making your assets work for you.

Forget about the Joneses; It is about *your* lifestyle. That means, some people need \$10,000 per month for their lifestyle, while some people need more or less. Everyone has different goals and objectives.

For example, I have many clients that are on earth for their grandkids, others dedicated to bucket list traveling experiences, and even more that are committed to making memories with friends.

Depending on the age of your family when you retire, an emphasis might be placed on spending time with kids and grandkids that are still young and haven't outgrown gramps and grandma. (In other words, spending time with the little ones, while you are still cool!) Or travel that bucket list the world over, or splurge on those meaningful experiences with your crew, while you have energy and good health.

If you are like most wealthy retirees, you are unsure of how much income potential your assets could provide, and when you call your broker or advisor about getting money he or she may say, "You have plenty."

So then why do so many millionaire retirees feel poor?

One reason is they have been adding extra income to various savings and retirement vehicles for their entire lives, and now it feels like they are borrowing from their future every time they want money. Another reason is they do not have a predictable monthly income plan.

Does this sound like you? Pulling money from savings without a strategy is the exact opposite behavior from what got you here. You have plenty of assets to go on trips, even fly first class; (Okay ... I know ... now I'm pushing it).

You *have* plenty of assets, but probably *not enough* income-or to be more specific, predictable income.

The "perception" is a fear-based distortion of reality: YOU HAVE PLENTY OF ASSETS! What you don't have enough of is income, and it's the easiest thing to address in your retirement lifestyle.

You have a lot more than you think, and you are not alone on this quandary either.

Did you know, according to financial journalists Anne Terguson and Leslie Scism of the *Wall Street Journal*, ("*Getting Smart about Annuities*, 3/18/2009), it only requires \$600,000 in annuities to create the same income as a 1-million-dollar portfolio of stocks and bonds? I would argue that it is closer to \$500,000, but who cares; if \$600,000 can provide the same income as \$1,000,000 in a stock or bond mix, why not have both?! Some annuities to cover the lifestyle, and some stocks/bonds for everything else.

I know what you are thinking: annuities, those aren't for us ... we don't really like them ... we are too old for annuities. Well, let me ask you a question.

Is your primary goal to defer your lifestyle in retirement, so that you can provide more money to your family when you are both dead?

In other words, is it important for your family to get every dollar that you have saved to date when you pass away, or would you prefer to use it to make memories? Do you and your spouse lay awake at night trying to think of new ways to go without doing fun things, so that you can leave it a// to your kids when you are dead

and gone? Probably not. Then why isn't there a plan, or a blueprint for your lifestyle goals?

Immediate-Enhanced Lifestyle or Deferred- Enhanced Lifestyle?

Lifestyle is a different focus than working with financial people that only focus on getting returns.

Seriously, ask yourself this: Did we save and sacrifice all those years, just so we can get our needs met, or did we want a little more? Did you save your whole life, so you can keep saving in retirement? Do you have a relationship in place with a financial team that considers your wants, as well as your needs? Are they a team that focuses on wealth distribution or accumulation?

You need a team that creates a strategy focused on lifestyle, distribution, *and* preservation that can complement an accumulation strategy. Income and Assets. Why not have both strategies in place?

Rule 2

Get Help with Social Security

Since more people are retiring without pensions, Social Security might be the only guaranteed income you have in your retirement strategy. If you get nothing else out of this book, please seek advice on Social Security!

UnStressing™ and UnTaxing™ your retirement also means you really need a solid financial advisor when it comes to Social Security. There are over 2,700 rules surrounding Social Security, and I can assure you that more people botch Social Security than any other financial decision they make.

Social Security is an inflation adjusted lifetime income that will go on and on as long as you breathe. And when you stop breathing,

your spouse will continue to receive the larger of the two Social Security benefits in your household, and then they will get inflation adjusted income every single month until they stop breathing.

Managing your predictable income is critical, especially when it comes to Social Security.

Would you rather have \$80,000 per year before taxes or after taxes? Simple question with a simple answer, because the only thing that matters is *what you get to keep after taxes*.

When UnTaxing™ your retirement, you should keep as much income as possible, which means taking income from a balance of tax-deferred, tax-free, and after-tax assets. (*To understand the tax implications of these three types of assets, go to Chapter 14, "The Trees"*).

Managing taxes means understanding that not all income is created equal. An example of this is Social Security.

Did you know that even in the higher tax bracket, only 85% of your income from Social Security is taxable? For people in lower tax brackets, it can be 50%, or less!

More and more people are retiring without pensions, so making the right decision for Social Security can have a lifelong impact on your taxable income, which means it directly impacts how much income you get to keep.

Your financial team should want you to keep what is yours and help it last a lifetime.

Rule 3

Tax Prep Vs. Tax Plan

Get a good tax planner that understands more than just tax prep. Tax prep is like attending a history class where you pay the same tuition and get the same education every year.

An advisor who only understands tax prep says things like, "You should have done this, or you could have done that," but it is always in the past tense, because it's always based on things that already happened.

Tax planning is like graduating with a degree in how to pay less in the future. Why keep paying tuition, or taxes, for the exact same lessons every single year?

You want to work towards reducing your future tax liability, which might mean paying a little more now, or most likely paying earlier than normal. Either way, taxes are not going away, just going up or down.

Believe it or not, you have a lot more control over this than you might think, but you need to have a team of *planners* and *preparers* working together to tie the future in with the history lessons.

Do you want a historical summary of everything you did wrong last year when you meet with your tax advisors, or do you want a futuristic approach that allows you to be *proactive* in mitigating future tax liability?

Remember Case Study 1, involving the married couple who could have avoided the "widow's penalty" with a tax strategy?

You need a strategy to attack this tax bite and others, understand that not all income is equal, and that no two families are in the same financial situation.

What's your financial team's approach to UnStressing™ and Untaxing™ your personalized retirement strategy?

Rule 4

Have an Income Replacement Strategy

This rule could also be called "Create a Modern Life Insurance TM strategy" because Modern Life Insurance TM is one of the best options for replacing income.

Thinking back again to Case Study 1, which illustrated tax risks for a widow, but how about replacing the widow's income?

Social Security benefits are growing larger for households because both spouses probably worked, so the combined monthly income has larger Social Security benefits. This means that when one spouse passes away, the smaller of the two disappears. Tax liability goes up and puts a greater strain on the assets to replace a portion of that income.

Here is where I would present the value of Modern Life Insurance TM, because without it, there is a greater chance that the surviving spouse will have to change their lifestyle, or risk out surviving their assets.

Modern Life Insurance TM is tax-free income, which means the assets from the policy add to the estate, but because Modern Life Insurance TM is tax-free, less of the assets are needed to generate income to replace the lost income.

It is imperative that married couples have an income replacement strategy, and Modern Life Insurance TM is the best strategy out there today.

Rule 5

Protect Your Assets

Not everyone adopts my position on asset replacement, but I cannot think of a more efficient way to guarantee asset replacement than Modern Life Insurance TM.

Remember Rule #4: Have a Replacement Income Strategy? Well, if you don't have a strategy with Modern Life Insurance TM, you will likely need to consume more of your assets. Based on current laws in 2021, the IRS will probably exhaust more of your assets because the surviving spouse will be filing as a single taxpayer, which in most situations, will require higher tax liability.

What else can erode your assets?

Long-Term Care, (LTC), which is expensive. For example, it can cost \$102,000 dollars a year or more in Florida, (*longtermcare.gov*).

Funding this out of income can be tricky for most people and devastating to others. Traditional LTC may be a smart choice to protect against this risk, but there are also Hybrid LTC and Modern AnnuityTM products that can be used to offer LTC protection.

You should meet with a qualified LTC agent to discuss your personal situation and options.

However, if you are planning to self-insure the LTC risk, you should consider an asset replacement strategy with a Modern Life Insurance TM policy.

Modern Life Insurance TM is not just about paying bills, paying off debt, or leaving gifts to family. Yes, it does all those things better

than most; however, Modern Life Insurance™ is a strategy that many high net-worth retirees should be embracing.

Assume you and your spouse each had \$500,000 in Modern Life Insurance™. Your spouse needs LTC for the national average stay of three years. In today's dollars, the average cost is

\$90,000 per year (*longtermcare.gov*), so your estate value is depleted \$270,000.

Based on today's values, upon your spouse's death, you or your family receive a tax-free death benefit of \$500,000. The policy in this example would replace the cost of self-insuring LTC and provided additional benefits that can be used towards income replacement.

Why do I encourage this strategy under the right circumstances? It is a guaranteed \$500,000 payment to the estate. Unlike other LTC insurance policies, this policy is guaranteed to pay a death benefit, as seen in this example, where depleted assets from self-funding LTC were completely replaced.

But what if you never need the care?

This question is the single, biggest objection I have heard when discussing LTC. What if you die in your sleep? Or on the golf course, after your first hole in one? The \$500,000 is still paid to your beneficiaries. No matter the circumstances of your death, the proceeds of the Modern Life Insurance™ policy will pay

\$500,000 to your named heirs.

If you are going to self-insure, that means you have the means to fund a portion of the cost of LTC out-of-pocket. It is a risk you are willing to take and presumably can afford for some length of time.

If that is truly your situation, consider an asset replacement strategy using Modern Life Insurance TM.

If you never need LTC, it enhances your estate's value. If you need some care, it reduces your estate's value, but upon death of you or your spouse, the Modern Life Insurance TM policy is guaranteed to replace your assets in part or in whole.

** *There are many new life insurance policies in the marketplace that offer living benefits as well as the death benefits. For an extra fee, you may also add a rider that will allow you to access the death benefit*

early to pay for your LTC expenses. This option should be explored, as any plan for LTC is better than no plan at all. LTC is one of the largest expenses to impact your life savings and your surviving spouses future.

Rule 6

"Insure" Your Lifestyle, Invest the Rest

If you had enough income that was predictable, and you could do with only a portion of your retirement assets, would you invest the rest?

The reality of investing is simple: you buy and hold stocks, and they grow over time, as shown in markets over the past seventy- five years. Sure, there will be windows of slow growth, prolonged down years, sharp movements in either direction, but historically speaking, if you want to make bigger gains you need to be willing to sit tight during uncertain times.

Think about it this way: when you worked you had paychecks. You knew where the money was going to come from month-to-month and because of that knowledge you could invest your 401(k)s or other assets for growth.

Liquidity was your paychecks. How many times in your life did you tap into your 401(k) for groceries, bills, or insurance payments? For most of you reading this, I would bet *never*.

Far too often, I see people that have a financial advisor or investment professional, (they *pay* to manage their assets), who has watered down opportunities for growth, limited income potential, and essentially put all assets in defense mode. As a result, they may have missed one of the greatest bull runs in recent stock market history.

Why?

Emotional investing: "*Don't lose my money*"= "*Won't use your money*."

Yes, you read that right; if you tell your advisor "not to lose your money" they will put your money in a 'model' that ensures you will never 'use' your money.

The very instructions you have given them indicate that you do not need or want more money, and you'll get by just fine with what you have coming in for income.

In other words, if you are playing defense, it is hard to score wins.

You are not alone either, as most of the "managed money" I see walk in my door is not optimized because advisors refuse to use 'products,' which increase risk, decrease returns, and increase cost. This is why I recommend having the Fixed Index Annuities (FIA) conversation with your financial team.

Imagine how you'd invest your assets, if you had more predictable income than you needed for monthly expenses and minor emergencies. Specifically, you used a portion of your assets to create income that imitated your monthly paychecks when you were working.

You have more coming in than you need, beefing up your bank accounts, and too much money in the bank-that's a novel idea, isn't it?

Now, let us envision you have a million dollars in your IRA, and you want 36k per year from these assets to meet your wants and needs. This includes travel and a new car every twenty years.

You could get that income using a couple IRA annuities, with only 600k from your IRAs.

The income is guaranteed for life, and the principal is guaranteed to your beneficiaries.

How would you invest the other 400k? Would you be willing to invest for growth, or would you still want it in a conservative mix of funds? Either way is fine ... remember accomplishing your goals is my job!

Most FIAs have little or no fees, and if income guarantee is selected, there is no risk to principal if the market drops. It can be for your life, or if you are married-for two lives. So, we have essentially taken longevity risk off the table, with only 60% of your assets (\$600k).

How would you invest the rest?

This is only one example of how FIAs can help you 're-design' your retirement strategy.

Not all annuities are the same, and lifetime income guarantees certainly do have some costs associated with them. (All annuities will have charges for early surrenders that exceed the free amount that the contract allows).

But with a strong financial planning team that knows how to use the right products, you can *"Insure" your Lifestyle, and Invest the Rest!*

Rule 7

Know Who's Watching the Store

President Ronald Reagan famously spoke these words from a hospital bed in 1980, after an assassination attempt on his life. He wanted to know who was keeping a watchful eye on everything related to our country and our lives.

It is good financial advice as well. Do you know who is keeping an eye on everything for you?

Most people have at least one advisor or financial professional they work with, while some people are do-it-yourselfers.

Unfortunately, few people have a team of professionals, each with specialized knowledge that covers all areas of retirement income, investment advice, insurance, annuities, Social Security, LTC, etc. You need a team watching the store.

How much easier would it be if your team all worked together collaborating under one roof?

When I think of the greatest hospital in the world, The Mayo Clinic comes to mind for me. I have experienced their brilliance first-hand, where medical specialists collaborate at the same time to

diagnose and treat their patients. No handoffs for weeks on end, or "we'll call you, don't call us." They do not refer you to another place that has a three- month waiting period to get in. They collaborate *now* and address your issues head on, and that is why they are world renowned.

We take the "Mayo Clinic" approach at Parady Financial. We have a number of highly qualified professionals- "specialists"- on our team, which at the time of this writing consists of Investment Advisor Representatives, three Certified Public Accountants (CPAs), two Certified Financial Planners (CFPs®), one Certified Annuity Specialist (CASs®), and five Licensed Insurance agents.

In our client-centered approach, we typically take our clients on an educational journey to accomplish four important goals:

1. To understand what is important regarding their needs and wants, as they relate to their friends, family, interests, and goals.
2. To understand the insurance products and strategies we offer, including both the pros, cons, and tax implications of each.
3. To understand ways to protect their assets as the key to improving emotional well-being to UnStress™ retirement.
4. To understand how to avoid mismanaging withdrawals in uncertain markets and uncertain times to UnTax™ retirement.

At Parady Financial, we recognize the fact that everyone has unique objectives and concerns for their retirement strategy. We take the

time to listen to their needs, work to find the right products to design a comprehensive strategy that meets those needs, so our clients are educated and able to make the best decisions about their financial future.

If your financial team is just handing you an insurance illustration or an industry- regulated prospectus, instead of getting to know you as an individual, maybe it is time for a second opinion.

Is your team educating you in plain English, so you truly understand all of the financial challenges and opportunities facing retirees, as they pertain to right now?

Have you read something new in this book and wondered why it was new to you?

Do you know who is watching the store?

Disclaimer

This book was written to be general in nature and should not be considered for individual Investment Advice, Tax Advice, or insurance recommendations. The primary author is a Licensed Annuity and Life Insurance professional ONLY that employs Investment Advisors, tax advisors, and financial planners. Some of the content in this book was contributed by other key members of the Parady Family of Companies.

We firmly believe that having a collaborative team of licensed financial professionals working towards a common goal is critically important in a Modern Retirement™. We certainly hope that you find this book to be an "easy read" and that you connect with some of our analogies after all, my goal is to take complex financial issues

and make them interesting and understandable for people of all financial IQs.

The ONLY action this book is intended to do for you is facilitate a "learning process"; it is not intended to be a transactional guide. Before you make financial decisions, you should interview multiple teams, consult with a financial team, and make sure that the people you are working with are listening to your goals and objectives.

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CHAPTER 8

Making the Case for Modern Life Insurance™



"Lay plans for the accomplishment of the difficult before it becomes difficult. "

- Lao Tzu, ancient philosopher

Life insurance is not a flashy topic, and if I could call it something else, I surely would.

Yet, a properly structured Modern Life Insurance™ policy could end up being one of the most valuable financial products you own.

As the future becomes more uncertain with tax hikes, health care expenses, and rising costs of living, the right kind of Modern Life Insurance™ policy can level out the risks.

Modern Life Insurance™ can be used in multiple ways, creating flexibility for tax-free living benefits, tax-free death benefits, and irreplaceable options to protect your family when facing chronic illness or Long-Term Care.

Simply stated, this can take the pressure off your other assets, so they can be used the way you intended.

Life Insurance is complex, yet in many instances more useful, especially for large IRA owners or married couples with pension reductions.

For example, if you are concerned about Long-Term Care, want flexible premiums, or hope to leave a guaranteed legacy, Modern Life Insurance™ is a valuable addition to your retirement strategy.

Modern Life Insurance™ UnTaxes™ your Retirement

- *Living Tax Benefits:*

Cash accumulation inside the policy can be accessed tax-free if funded properly.

Insurance with favorable tax treatment requires skilled design on the front end to meet IRS requirements. If framed properly, the cash can build up inside the policy, tax-deferred, and accessed tax-free.

Again, this requires knowledgeable life insurance agents and tax planners. I personally have over 40% of my cash inside Modern Life Insurance™ contracts and access them regularly.

- *The Great Tax Equalizer:*

On January 1, 2020, the SECURE Act went into effect.

This sweeping tax reform increased taxes for large IRA owners and their beneficiaries, creating estate planning chaos across the country. The SECURE Act effectively

increased the distribution of IRAs and income from IRAs.

This means higher income taxes for your beneficiaries to pay. This law is the "Death of the Stretch IRA"; no more RMDs for life from beneficiaries or Revocable Trusts that were set-up to inherit IRAs. Basically, these new laws created a tax revenue windfall for the IRS.

Tax-free Modern Life Insurance™ levels the playing field.

Modern Life Insurance TM Guarantees Premiums that NEVER Increase

- *Long-Term Care Riders:*

LTC policies are riddled with unknowns, increasing premiums and frequent benefit changes. Qualifying for your benefits can be difficult and needs to be done continuously-every 90 days.

Modern Life Insurance TM policies give the insured, while they are still living, the ability to use the death benefit or face amount for chronic illness, as LTC.

Modern Life Insurance TM policies enable you to access a portion of the death benefit (up to 96%) for qualified LTC or chronic/terminal illness.

Your premiums never go up, and death benefits are guaranteed.

Modern Life Insurance TM Provides a Tax-Free Lump Sum at Death

- *Income Replacement Asset for Surviving Spouse:*

Surviving spouses learn two things quickly. One, income drops by half, but expenses do not. Secondly, the so-called widow's tax, or widow's penalty, is punitive.

If your income is around 108k while married, and you want to maintain that amount for your surviving spouse, taxes double without tax planning.

These two things are the most misunderstood details that we see in our company-and the easiest to plan for in advance-but not afterwards.

- *Generational Asset Transfer to Family or Charities:*

Assets can be transferred to children, grandchildren, or causes you care about to lower the tax burden upon death.

- *New Tax Benefits:*

The SECURE Act ensures that your IRAs will be taxed at much higher rates when you pass assets onto beneficiaries. If your IRA loses 37% or more in taxes upon death, Modern Life Insurance™ policies can be used to pay the tax or replace lost taxes.

Leverage Small Premiums for Larger Benefits

Where else can you use one dollar and buy up to five dollars in benefits for your family? Modern Life Insurance™ is the best leverage money can buy!

New Guaranteed Return of 100% of your Premiums

Imagine buying life insurance coverage to protect your spouse or family, as a tax strategy, or as an LTC alternative.

In the event you no longer need the coverage, there may be a 100% premium return. This means, if life changes in the future, you get all your premiums back.

For example, if you buy life insurance to protect your spouse, but life takes an unexpected turn, and she passes away first, you have options: keep the policy for your kids or grandkids; keep the policy for your own LTC; or exercise a 100% return of premium benefit.

This new option makes Modern Life Insurance™ the most highly sought- after asset class to own.

Many factors could cause you to lose a portion of your estate: health care, taxes, gifting, and the unexpected life events we have

not thought of yet. Modern Life Insurance™ is a guaranteed asset replacement tool that you should not dismiss.

***FULL DISCLOSURE: Every Life Insurance policy is different. They must be designed properly on the front end. I work closely with my team and directly with Kathie Laseter, (CPA, CFP®), on these designs. Please work with experienced life insurance agents and tax advisors when designing your policy. There are insurance costs and riders that may or may not benefit you. They are not simple; they require education and full underwriting.*

CHAPTER 9

Making the Case for Modern Annuities™



"We do not make changes for the sake of making them, but we never fail to make a change when once it is demonstrated that the new way is better than the old way. "

-Henry Ford, Today and Tomorrow, (ed. 1926)

If you have researched annuities, you know they are available in myriad sizes with an overwhelming number of features and benefits. However, one particular class that I call **Modern Annuities™** are worth reconsidering and hard to pass up. Let me explain how they work.

Not just for Income Anymore

- A new generation of Modern Annuities™ are being used at a record pace as a safe alternative to other conservative asset classes. If you want a fair chance to earn reasonable growth, with little risk, take another look at these.
- People with lazy money are finding these new products extremely attractive because the growth potential far exceeds anything else in its class. You can literally custom design yours to fit your needs.

Index Evolution

For nearly 30 years, these products have allowed you to tie your index credit or interest earned to an external index, usually the S&P 500. If the index had a good year, you could participate in that year's growth, without risking your principal. Unfortunately, many agents made them sound a little too simple, and the industry paid the price. Historically, if the "equity index" (S&P 500) had a bad year, you earned zero interest.

You didn't lose anything, including the prior year's gains, but you also didn't earn anything either. For example, from 2000- 2003 the S&P 500 had back-to-back down years, which meant annuity owners at the time had three bad years with zero gains.

Consider back then, bank CDs paid an average of 5-6% for 5- year terms. Savers had safer options, easier to understand than annuities, that met the *"don't lose my money"* objective. However, do not let this history discourage you from giving Modern Annuities™ a second look.

Today your Modern Annuity™ can be linked to something commonly referred to as a Dynamic Index, or Low Volatility Index, to measure your growth potential.

When the Volatility Index (VIX) is low, the Smart Index will be more heavily positioned in equities. For example, when the VIX was high in February of 2020, as the COVID-19 was breaking out overseas, the index moved into bonds and/or gold, whichever was the best option in the index.

What does this mean in layman terms?

The S&P 500 can have a bad year, and you can still have a good year inside Modern Annuities™.

In fact, sometimes the more market volatility, the better they perform. This strong performance is because your index is constantly rebalancing from stocks, bonds, or gold on a weekly basis, designed to consistently generate positive index credits.

Another old annuity complaint: You were capped on the upside. True. Even if the S&P 500 index had a great year, you were often capped on the growth.

This frustrated some annuity owners because while they were happy when the market dropped 30% and they didn't lose anything, they didn't appreciate earning 4- 5% the next year when the index bounced back 30%. Can't say I blame them.

Today, we use uncapped indexes. This means you enjoy the protection during the down years, but no cap on the upside in the good years.

These indexes do not move like the S&P 500, and they aren't going to beat the traditional equity markets over time. However, they are a safe alternative.

If the index does go up 30%, like in the previous example, there is no cap. In this case, you might be credited with 70%-80% of the index's performance. The 70%-80% is called a *participation rate*.

Most old annuities had a simple rule when it came to accessing your funds. In general, you could access up to 10% of your annuity after one year of deferral. If you didn't take the 10% in any year, it was not cumulative; This means, if you didn't take it in a given year, you were still only restricted to 10% the following year.

Most of this is still true. However, if liquidity is the main concern to you and your family, an annuity alone may not be for you.

Unstress & Untax

That stated, contracts can now have liquidity riders that allow for more access than just 10% annually, and it can often be cumulative. If you choose to take your free withdrawal this year, you can take double next year, free of penalties.

There is even a Return of Premium Rider that you can purchase that will allow you to bail out of your annuity.

***All riders have additional fees, so it is important to work with an expert team that takes the time to educate you on all the pros and cons of riders and annuity contracts.*

CHAPTER 10

The Roth Conversion



Solution: Tax-Free Income

"Change your life today. Don't gamble on the future, act now, without delay."

- Simone de Beauvoir

Pay income tax once, then never pay income tax on the growth or the income in your lifetime. When you pass it onto your kids, they continue to let it grow tax-free for 10 more years after you pass it on, and then they can take it all out tax-free too!

That's the Roth IRA.

Many people, including me, don't believe this is something that will last forever. I believe that they will restrict who can and cannot qualify for Roths.

We have a mountain of financial and social issues in this country that must be paid someday, and it's hard to imagine that the Roth strategy will always be an option to secure tax-free growth and income for life. In fact, for most of its existence, the Roth was restricted to lower income families and not an option for higher net worth families.

Unlike traditional IRAs or 401(k)s, a Roth IRA is taxed on the way in, but then you never pay taxes on it again. Naturally, people ask

me all the time, "How do we know the government won't change the rules

after I convert my IRA to a Roth?" Well, the simple answer is we can't, but based on history, they're more likely to simply eliminate the option, or restrict the option for some.

Named after Senator William Roth, Roth IRAs are relatively new, signed into law with The Taxpayer Relief Act of 1997. When Roth IRAs were first introduced, only lower income earners could participate and contribute to this type of retirement account. If your income limits qualified you for a Roth, you were given a one-time, special conversion incentive. The incentive allowed you to convert your traditional IRA and spread the taxes out over a 4-year period.

This conversion allowed you to convert tax-deferred money into tax-free money.

Keep in mind, in the late 90s, tax rates for most people were higher than they are today. Taxes could be spread out over four years, and it was also interest free. This meant the IRS did not charge late fees or interest on spreading it out. It was basically a tax-free loan from the government. The incentive to convert tax-deferred to tax-free sounds good, doesn't it?!

Except not everyone could do it; Most high-income earners and savers were not allowed to participate in this tax break.

Since higher-income savers could not take advantage of Roth IRAs when they were working, they did not pay attention to Roth conversion strategies, once they were made available to *everyone*. Today the Roth is available to everyone with a traditional IRA or 401(k) plan.

In 2010, for the first time ever, the IRS "lifted the income limits," but

only for Roth conversions.

This is still in place today, which means, if you have income more than

\$133,000 as a single taxpayer or \$196,000 as a married couple, you can convert your existing IRAs to Roth.

However, you still cannot "contribute" to a Roth directly, only convert existing IRAs to pay the tax, and then begin enjoying the benefits of the tax-free income for life.

Despite the tax advantages, many people still do not convert.

One reason more IRA owners do not take advantage of the Roth is because they aren't aware that they can convert. Many people do not know the difference between a contribution and a conversion.

Today *everyone can convert*, but *not everyone can contribute*. Income limits restrict Roth contributions.

A Roth conversion is when you take your IRA, or a portion of your IRA (not all or nothing), pay the taxes on that amount, (usually with after-tax assets), and convert it to a Roth IRA.

The most popular reason for not converting: What if the government changes the rules later? That seems to be the number one objection to converting-to which I simply reply-so what if they do?

You have to pay the taxes anyway!

It is much more likely that tax laws will revert to restricting who is eligible for Roth conversions, or eliminate them altogether for future savers.

Very rarely, if ever, has the government taken back tax strategies retroactively. All the IRA rule changes we have become used to have been "from now on" or "moving forward" type restrictions. This dates all the way back to the ERISA Rules, which began in the 70s and 80s.

CONVERT WHILE YOU CAN!

To do so, you must voluntarily pay taxes sooner than you must, which I know, is never fun. That is the real issue, right?

But if you pay the taxes now, at today's lower rates, you will have tax-free growth potential and tax-free withdrawals for the rest of your retirement.

In 2010, the IRS followed the blueprint laid out in 1998 and allowed taxes to be spread over two tax years, essentially giving converters three tax seasons to pay the tax liability on the conversions.

Yet, most people did not take advantage of it, mainly because higher-income earners were already in high income brackets. If you remember anything about saving and taxes, you were told over and over: it's *always* better to defer paying taxes until later, (or so we were all told).

The thing is, if you wait, you will have to take IRA withdrawals eventually, and you will have to pay taxes at that time. It will be added to your other income, and you will pay more taxes on all sources of

income as a result.

This means you risk being in a higher tax bracket, unless you die before you spend it all.

In that case, your kids will likely pay twice as much in taxes as you did when you were alive. The IRA is going to be taxed, whether you are living or not, and usually at higher rates in the future.

So why not convert some today to enjoy more in the future? Buy out your debt on the IRAs at today's rates.

Why don't more people convert to a Roth IRA and buy out their tax liability at today's low rates?

Our tax system can be so complicated and confusing that many find it easier to pay as they go. Most of the people I meet think they are paying more taxes than they are actually paying.

For example, assuming you are filing a simple tax return, did you know that the top of the 24% tax bracket is \$163,300 for a single taxpayer and

\$326,600 for married, filing jointly, which means if you just happened to go right to the top of the 24% federal tax bracket as a married couple, your effective tax rate is only 21%?

That's it! 21%, then you are all done-forever!

The idea of proactive tax planning could be compared to getting a root canal; not fun to think about, but when you need one, you need one.

Once it is over, you heal, and the pain is over. The alternative is chronic,

long-lasting pain.

With taxes and IRAs, you are going to have to schedule that root canal eventually, right? At 70.5, you will be required to take RMDs and pay taxes every year, which is like starting a root canal in your 70s, without end, for the rest of your life!

Taking money out of IRAs when you do not need it is painful and expensive. Then it will go to your kids, and they will have to take the money out and pay taxes ... it's the never-ending root canal!

Roth IRAs eliminate this entire process: NO RMDs, NO tax on income, NO tax to beneficiaries, NO Medicare surcharges (IRMAA), NO more Stress!

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CHAPTER 11

Retirement Golf



"Golf is a thinking man's game. You can have all the shots in the bag, but if you don't know what to do with them, you've got troubles. "

- Chi-Chi Rodriguez, *Everybody's Golf Book*, (1975)

As I have pointed out in previous chapters, Modern Annuities ATM can be an effective financial tool when it comes to designing a retirement strategy. However, choosing the right Modern Annuity™ to help achieve your retirement goals can be overwhelming because of all the different types and options from which to choose. Since I work with the Golf Cart Generation, I like to compare the process of choosing the right Modern Annuity™ to golf.

Some people will say, *"Choosing annuities? Aren't all annuities the same?"*

Theoretically, an annuity is an annuity, just as a golf club is a golf club. But the most successful golfers use clubs that have been customized to their game and their way of playing. Don't believe me? Try using someone else's golf clubs in your next round, then let me know how well you score. Chances are, you will recognize if the club feels right to you immediately.

The key is customization. Your retirement strategy using annuities (or any other financial instrument) needs to be tailored to fit your needs and your life.

Too often I see people in my office who were "sold" a single annuity or several annuities, and after talking about their goals, lifestyle, family, and money, I realize they were not fitted with the right strategy. They were sold something generic off the shelf.

Unless your annuity fits your financial needs, it will be like trying to play golf with someone else's club.

However, as any golfer will tell you, the right clubs alone will not make you the next Tiger Woods or Rory McIlroy. You also need to know how to use them. There is a big difference between hitting a golf ball into a net at the local sporting goods store, or off a plastic mat on the practice range, and learning how to properly use your clubs on the fairways.

Our customized strategies use Modern Annuities™ from top rated insurance companies, which have long track records of financial strength. We do not create or design our own annuities; we help you select features, riders, and appropriate contracts to fit your stated goals.

The Basics

Understanding golf basics is the foundation for building a successful game. There are many considerations: your grip, your stance, proper alignment, and keeping your head down. These are all important in learning how to consistently swing a club successfully.

Understanding annuity basics is just as important. Today's Modern Annuities™ offer a wide selection of features and benefits to

choose from. So how do you determine which products and features will work well for you?

Like a good golf instructor, we like to start with the basics. We call it *Modern Annuities™ 101*. This is the foundation for building your understanding of Modern Annuities™, including optional riders, and how they can be used effectively in a retirement income strategy.

In golf, there are lots of rules - in fact, there is a whole book of them. Knowing how to apply those rules before you go out on the course can give you a strong advantage.

Again, Modern Annuities™ are no different; Modern Annuities™ have rules too. Understanding them before you buy them will help you to determine if an annuity meets your needs and which benefits will work best for you.

Once you have the appropriate clubs for you and understand the rules of the game, you are ready to head out on the course and play, right?

Not quite.

The Caddy

If you have ever played golf, you know all too well that selecting clubs and avoiding hazards are useful, and in some cases, necessary, to having an enjoyable and successful round. A strong caddy will offer the best guidance they can to complement you and your game to give you the best chance to win.

Again, retirement is not much different. Just as a golf caddy may suggest a wedge, 5- iron, or driver, a "retirement caddy" can help you select the most appropriate Modern Annuities™ to

accomplish your short-range, mid-range, and long-range retirement income goals.

My company, Parady Financial, gets most of our business from referrals and client endorsements. We feel that when our clients succeed, we do too. If we can help you avoid the retirement "hazards," then maybe we'll get a chance to "caddy" for your friends and family in the future.

The Swing Coach

The greatest golfers in the world never go at it alone. They still take lessons in- between tournaments, and they rarely play in a major tournament without their swing coach by their side.

A highly trained and experienced swing coach can guide a golfer through any challenges that might pop-up during play. They coach their golfers through the tough times, and their advice and support can be invaluable.

A personal swing coach not only has an in- depth understanding of their client's golfing mechanics and tendencies, he or she will also have a detailed knowledge of the golfer's psyche. The coach is there at the most crucial moments in a player's career because those are the times when small adjustments can mean the difference between winning and losing.

In retirement, we believe that having a "coach" who knows you and your tendencies, your family, your assets, and your core values can provide the best advice and guidance when you need it the most.

You should have trained and experienced financial professionals for the tough times. Nobody needs help when they always hit the fairways and greens and make all the putts. We need professionals

when conditions change, and we are faced with challenging situations.

Ongoing Training -The Learning Lounge

Most recreational golfers do not have access to all the professional assistance I have described above, which is at least part of the reason why average golfers admire how well the pros play.

But when it comes to your retirement, you do have access to a team of financial professionals with specific areas of focused

training. Those professionals can be crucial to helping you navigate your way through the entire process, from choosing Modern Annuities TM to helping you learn how to use them. The team is there to help you deal with life's ups and downs and adjusts as your needs and goals change.

At Parady Financial, we have created a space we call the Parady Learning Lounge. It is dedicated to providing information about our services, products, and retirement education. Our Learning Lounge is in our "Clubhouse", where our clients and friends can learn about different facets of the "game" of retirement in a relaxing social and group environment.

We offer full complimentary access to all Learning Lounge topics and sessions that we conduct. We bring in guest speakers to discuss topics outside our areas of specific knowledge and encourage our clients to attend as many presentations as they like, even before they make a commitment.

We also host quarterly reviews for clients only, which we call "Parady State of the Nations." This review features talks on the overall state of the financial industry, our existing products, new

financial strategies, as well as upcoming Parady events. We also share any changes or expansions occurring at Parady Financial Group.

We believe communication is the key to any successful relationship, and our Learning Lounge ensures communication with our clients is open, transparent, and timely.

In 2020, when COVID-19 shuttered the doors of our Learning Lounge, we moved online to Virtual Learning Sessions. As long as the pandemic lasts, our clients will have access to the same experts and seminars, so they can make knowledgeable choices about their retirement strategy. Of course, we still bring the fun with events like, Virtual Double Dates, so our clients can benefit from the relaxing social dynamics once found in our Learning Lounge. Once we are on the other side of this pandemic, we will be able to offer both virtual and in-person learning and social opportunities.

In consideration of our clients' and staff's safety during COVID-19, our "Parady State of the Nations" even moved to an online platform. Despite the pandemic, we still believe our clients should only make educated choices when it comes to their retirement strategy, and if we can help them do that virtually, we will.

Ultimately, this is your retirement lifestyle at stake, so we think it is important to get you fitted with the appropriate tools. We can help you learn the basics on how to use life insurance and annuities, and we provide that all-important "retirement caddy" to help you along the way.

Keep in mind, over time your game and life goals may change. The golf clubs you carried 30 years ago probably are not the same clubs you use today. (By the way, if your 3-wood is still made from actual wood, we should talk immediately!)

Our process of sharing information allows our clients to learn about the latest products and strategies as they become available, so they can always be on top of their game.

Of course, no one becomes a championship golfer after just a few lessons. Our model is designed to allow you to go at your own pace and get information through a process of osmosis. We believe gradual absorption of complicated retirement issues and insurance-related strategies is a much better approach - and more effective - than a single sales pitch.

Now, consider this: Imagine that every time you play a round of golf, your game improves. You hit more fairways, more greens, and you have fewer putts per round. And this continues for months or even years. Each time you are out on the course is better than the last. But every time you walk off the 18th green, there is a golf club sales representative waiting, trying to sell you a set of the latest and greatest clubs, and trying to replace the ones you already have.

Since you are playing well, you probably have no interest in changing anything. Then one day, you fall into a slump.

Everything stops going your way. Your drives fly out of bounds, and you cannot make a putt to save your life. Frustrated, confused, and emotional about your game, you finish your round, and there is that sales rep again.

What kind of decision do you think you will make when you are feeling emotional and frustrated? It is almost never a good idea

to make decisions under stress, or when you are emotionally charged. Decisions about your retirement should not be made quickly or when under duress. One of the mistakes a retiree can make is a snap or emotional decision when life is not going their way. No matter how noble the intentions, a decision made from a place of frustration, anger, or fear almost never turns out to be smart in the long run.

That is why, during these uncertain times, when many of us are feeling stress and anxiety, it is more important than ever to have the right team by your side. It is also valuable to note that changing clubs isn't always the right answer. Maybe it isn't always the club. Sometimes all you need is a lesson with your swing coach to steer you in the right direction.

CHAPTER 12

The Trees, Part I: Understanding Retirement Asset Categories



"Notice that the stiffest tree is most easily cracked, while the bamboo or willow survives by bending with the wind. "

- Bruce Lee, **The Tao of Gung Fu: A Study in the Way of Chinese Martial Art**, (2015)

Are you living the retirement that you imagined 20, 30 or 40 years Ago? You know ... when you were making conscious decisions to spend less and save more.

Probably denying yourself luxuries, like European cruises or a flashy convertible.

Maybe you were busy raising a family, or your grown children depended on you for one of those 6-year college programs. Or perhaps you were helping your son or daughter pay for a dream wedding... maybe even more than once!

Despite all your daily financial commitments along the way, you were probably still making time to save for retirement, contributing, and maximizing your 401(k) plan and retirement accounts.

Whatever path you took to get to retirement, did you picture what your lifestyle would look like when you had enough saved to stop working? Are you living that lifestyle today?

Think about when you first decided to start planting seed money for the future. This is the money you would put off using in the short term, so that you could live off the annual growth that would certainly produce once you reached retirement age.

Do you remember what kind of seeds you purchased with your start-up money?

For most people that began saving money after 1974, it was one of three kinds of seeds, which would produce three types of crops (or assets) from which to live off in the so-called "golden years."

Those three seeds are the starting point to understanding how to build a tax-efficient retirement strategy. Let us try to think of your personal savings, assets, and retirement funds as a family business, or as I like to call it, the family farm.

This farm analogy derives from a signature Parady Learning Lounge® presentation called "The Trees."

The purpose of this presentation is to simplify for our clients the tax implications of three different categories of retirement assets or trees.

These trees start as seeds and are grown and harvested on the family farm.

They are:

- Red Trees: Tax-Deferred Crops or Qualified Assets
- Yellow Trees: After-Tax Crops or Non- Qualified Assets
- Green Trees: Tax-Free Crops or Tax- Favorable Assets

In Part 2, we will explore what these crops are more in- depth.

One of the things Parady Financial excels at is explaining complex financial concepts in a way that is easy to understand and retain. We take pride in the fact that few have ever complained that our explanations are *too simple*.

We all know people with specialized knowledge and higher education that struggle to translate their knowledge to others. In fact, I personally know brilliant financial industry professionals that are unable to communicate clearly with clients.

Consequently, their clients feel that they are "talking over their heads." That is an unacceptable relationship to have with any financial professional.

If your financial team doesn't take the time to make sure you understand your retirement strategy, perhaps it is time to interview teams and get a second opinion?

CHAPTER 13

The Trees, Part II: Growing a Tax Efficient Retirement Strategy



"A farmer friend of mine told me recently about a busload of middle school children who came to his farm for a tour. The first two boys off the bus asked, 'Where is the salsa tree?' They thought they could go pick salsa, like apples and peaches. Oh my ... How little can a person know about food and still make educated decisions about it?"

Joel Salatin, Folks, This Ain't Normal: A Farmer's Advice for Happier Hens, Healthier People, and a Better World, (2011)

In Part 1, we imagined a family farm, where you the farmer, embarking on retirement saving, have access to three basic types of seeds you can buy with your seed money.

Three kinds of seeds that produce three kinds of trees:

- **Red Trees:** Tax-Deferred Crops or Qualified Assets
- **Yellow Trees:** After-Tax Crops or Non- Qualified Assets
- **Green Trees:** Tax-Free Crops or Tax- Favorable Assets

While growing your family farm, the first batch of seeds you select, Red Seeds, are the cheapest and most popular.

We call them Red Seeds because you need to *stop* and consider a few things before you draw from them. I call them the cheapest seeds, because when you buy the seeds, you deduct the seed cost from your income, or you get a *tax-break on the seeds*.

Then when you plant the Red Seeds, the crops start to take root and grow, but you do not pay any taxes on the Red Trees' growth. In fact, you don't pay any taxes until you "harvest" the trees in retirement.

When you started your farm, you might have been advised that deferring taxes until retirement was a good move because when you get older, you will be in a much lower tax bracket anyways, (*or at least that was the story*).

Most retirement savings we see are in the Red Trees or **qualified assets**

category.

Red Trees include IRAs, annuities, 401(k), 403(b), 457, thrift savings, or deferred compensation/pension plans.

Essentially all your Red Trees are in the **red**, until you make a withdrawal.

Since tax rates change, we don't know what the rates will be in the future, so we can't be certain how much income you will get to keep when you withdraw from Red Trees. That can make planning with Red Trees hard.

If you are planting a farm, you wouldn't want to grow just one crop. You'd want to diversify. So, along the way you might choose other options.

I call the second option Yellow Seeds. You don't pay any taxes on Red Seeds, but on Yellow Seeds you do. As your assets grow into Yellow Trees, you pay taxes on the growth.

One example of a Yellow Tree would be a bank CD. Every year, you pay taxes on the interest you earned for that year. A good way to look at Yellow Trees or **non-qualified assets**, is to think of them as pay as you go *or pay as you grow!*

The last seed category grows my favorite kind of trees, and the kind I personally invest in the most. These trees are farmed using a commonsense strategy, where you pay taxes once on the seeds, and that's it.

For me, Green Seeds are a perfect fit, because it just makes sense to pay taxes one time. You pay taxes on the seeds and when the trees grow, we call them Green Trees because their growth is a 100% income tax-free.

To be more precise, you pay taxes on your seed money, and you get all the *growth*- the income, interest, and even death benefits-tax-free.

You already paid your IRS liability because you paid taxes on the seeds. Now you get the growth on the Green Trees, without having to pay taxes on them again.

Now is the time to reposition some of your Red Trees into Green Trees, a tax-free or tax-favorable position.

Wouldn't it be nice to have a crop of trees five to ten years from now, where you know exactly what's growing when you go to harvest it, and it's all yours to keep?

In Part 3, we will discuss Red Trees vs. other assets more in-depth.

CHAPTER 14

The Trees, Part III: Diversifying Income into Asset Categories



"A tree with strong roots laughs at storms. "

-A Malay Proverb

To review, there are three kinds of Trees (or assets) to choose from in retirement:

- **Red Trees:** Tax-Deferred Crops or Qualified Assets
- **Yellow Trees:** After-Tax Crops or Non- Qualified Assets
- **Green Trees:** Tax-Free Crops or Tax- Favorable Assets

In Part 2, we imagined that each tree started as a seed grown under a different tax status, i.e., each crop has a different set of distribution or harvesting rules while you are living.

You have been nurturing, watering, and caring for these seeds from the day you decided to start saving for your retirement. Now it's time to understand the value of having the right mix of trees.

Let's take a closer look at Red Trees, since they tend to be the most popular. Red Trees include IRAs, annuities, 401(k), 403(b), 457, thrift savings, or deferred compensation/pension plans.

Remember in Part 2, we explained with Red Seeds you received a tax deduction on your seed money with the understanding that

eventually you will have to pay income taxes on the entire crop of Red Trees. That sounds simple enough, doesn't it?

Well, Red Trees are anything but simple crops; they carry lots of rules and are taxed at ordinary income tax rates, which currently carry the highest potential tax rates in our tax code.

Federal rates alone could be as high as 39.6%. Having a strategy to harvest these crops efficiently in your retirement can be valuable, but also tricky.

You need to think of Red Trees as deferred income, as every dollar that you take out will be considered income that you will have to pay taxes *on-ALL* of it.

Withdrawals from the Red Trees get added to *all other sources of regular income* for that tax year, and as a result, could also move you into higher tax brackets. If you are already retired, it could also create a higher tax on Social Security benefits. If you are age 65 or older, excessive withdrawals from Red Trees could also force you to pay higher premiums for Medicare coverage.

Remember, Red Seeds were never taxed when you bought them, so all those years of growth were tax-deferred. Tax-deferred just means you will have to pay later, as all retirement withdrawals from Red Trees are 100% income taxable when taken.

There is no simple way to calculate what the actual tax consequence will be until the exact moment you take withdrawals.

This is why I say Red Trees are in the *red*: you know you will owe a tax, but you have no idea what will be owed until you actually use them, which is likely to be when you will need the money the most!

This just demonstrates the importance of understanding your retirement crops to maximize income and assets among all three categories.

An effective tax strategy anticipates possible higher taxes or life changes in the future through a balanced, diversified crop of Red, Yellow, and Green Trees tailored to your unique situation and retirement goals.

This is not about getting all your crops into Green Trees. Green Trees are not free and have a cost to them, but they are beneficial in balancing your retirement crops and diversifying income into asset categories.

If your financial team is not helping you understand the tax implications of your retirement strategy, perhaps it is time to interview teams for a second opinion?

CHAPTER 15

The Farmer and the Accountant



"Planning is bringing the future into the present so that you can do something about it now. "

**-Alan Lakein, How to Get Control of Your Time and Your Life,
(1974)**

Can you remember a time when your accountant advised you to start buying IRAs for retirement?

It was probably right around tax season, and the conversation may have gone something like this little scenario I use to further teach *The Trees* we learned about in the last chapter.

Mr. Accountant: "I was looking at your tax situation. Did you know that you and Judy could buy some Red Seeds that could save you as much as \$1000 on this year's tax bill?"

These seeds are called an IRA. The IRA allows you to buy up to \$5,000 worth of Red Seeds every year, and you get to deduct the seed cost from your Adjusted Gross Income.

Looks like you're in a 20% tax bracket, and if you elected to take my advice and purchase \$5,000 of IRA Red Seeds, you and Judy could save up to \$1,000 this year alone! $20\% \text{ of } \$5,000 = \1000 in savings!

Farmer Joe: Wow! \$1000? Really? That's great savings! My wife and I would love to save \$1,000 this year! But how does it work?

Mr. Accountant: It's an arrangement that was created to encourage folks like you to start saving for retirement, mainly to supplement Social Security or pension income in the future.

The Red Seeds will give you some positive short-term benefits, like \$1,000 instant tax savings, but there's a lot more to them than that.

The Red Seeds are more than just a tax deduction on this year's income. When the seeds take root and begin growing into trees, you won't have to pay any taxes on the growth. It's tax-deferred until you get to retirement, which is generally good, because when you get to retirement age, you and Judy probably won't need as much money.

Red Trees are allowed to grow tax-deferred up to age 70.5, which means that you won't pay taxes on any part of the \$5000, the interest it earns, or the growth on top of the interest. We call this triple compounding benefits. And you know, it is often better to delay paying income taxes because you will likely be in a lower tax bracket in your retirement. Plus, think about how many years these trees can grow tax-deferred: 20, 30, or 40 more years!

(Sound familiar?)

Farmer Joe: Well, this sounds almost too good to be true, What's the catch?

Mr. Accountant: The catch is that you will have to pay taxes when you get to retirement, but like I said, you will probably be in a much lower tax bracket by then.

The Red Seeds have rules; in fact, there's lots of 'em. But they mostly pertain to accessing your Red Trees prior to retirement age, so just don't touch your Red Seeds until you reach the age of 59.5, and

you'll be fine. If you touch them too soon, there could be taxable implications and a 10% IRS penalty right off the top.

At 45 years old, the Farmer and Judy run into a few problems on the farm and were hoping to access \$45,000 from their Red Trees to buy a new irrigation system.

Without even considering their income tax bracket, their tax penalty would be 10% of \$45,000, or \$4500.

Remember, Red Trees are all about long-term growth. Red Trees were not designed to be accessed until you get to retirement. After considering the rules surrounding Red Trees, Farmer Joe decides ...

Farmer Joe: Well, I guess we can afford to wait until retirement, especially if we get the tax deductions. Can we do this every year? There must be some limits?

Mr. Accountant: Yes, you can buy these Red Seeds every year, and yes there are limits which are based on your age. I suggest you buy as many Red Seeds as possible, and each year we will look at what the rules allow you to buy, and you will continue to

defer as much income as possible. It is almost always better to defer paying taxes until later.

So, Farmer Joe meets with his accountant every year, and to save on his annual tax bill, he buys as many IRA Red Seeds as the tax laws allow.

Several years later in 1981, Jane gets an offer from her employer that also seems too good to be true ...

Jane: My company is offering a new savings plan. Every two weeks, I can deduct seed money out of my paycheck before I even see it,

and my company is offering to match a portion of the seeds with their own money. Is this as good as it sounds?

Mr. Accountant: Yes! This is called a 401(k) plan, and it works just like your IRAs, except that you are allowed to put even more money into the plan each year. This means we can get an even bigger tax deduction.

In addition, the company matching your money is getting a tax deduction on the amount they match. So, all the contributions to your 401(k) plan will not be taxed, and all the growth inside your 401(k) plan will not be taxed ... yet.

(Theres that little word again: "yet").

Well, not until you get to retirement, which is generally good, because you will likely be in a lower tax bracket. Not to mention, if you contribute the maximum, the company will match, and that is like getting free money! Remember, it is all tax-deferred until age 70.5!

Jane: You said we generally can't touch these Red Tree crops until age 59.5, without a penalty. What happens at age 70.5?

Mr. Accountant: Well, right now, the IRS has a schedule that requires you to take a minimum withdrawal from your Red Trees, beginning the year that you turn 70.5, and every year afterwards for the rest of your life.

Required Minimum Distributions (RMDs) are your harvesting schedule, set in place by the IRS, that is based on your age and balance of your Red Trees.

Every year that you get older, you must take an RMD that is based on your life expectancy. The idea is that since you have never paid

any taxes on your Red Trees, the IRS makes withdrawals mandatory, so that they can begin to generate tax revenue off your crops.

But don't worry, because like I said, you will likely be in a much lower tax bracket when that time comes.

Jane: Is there any way to get around taking RMDs?

Mr. Accountant: No. Red Trees must be harvested beginning at age 70.5, and if you don't take out your mandatory RMD, the penalty is 50% of what you are required to take.

So let's assume that when you reach 70.5, your RMD is calculated to be \$25,000- and you don't take it out-the penalty would be \$12,500, and also taxable.

Jane: What about leaving Red Trees to the kids?

Mr. Accountant: When you pass them onto your kids, they must pay income tax on the crops as well. There is no way avoiding paying income taxes on Red Trees; that is the deal you made when you bought the Red Seeds.

But what are you worrying about? That is a long way off from now. Think about how much compounding growth you will have in your 401(k) plan by deferring the taxes for the next 20 or 30 years.

Does this little play sound familiar to you?

Of course, it is a simplified explanation of IRAs and other tax-deferred savings plans, but Mr. Accountant's premise is that paying taxes later is the best strategy for investing for your future.

What the accountant fails to consider is the possibility of taxes going up when you are required to take RMDs.

What if you need this crop to support your retirement lifestyle?
What if, when you really need it, income tax rates just happen to be higher?

Remember, when IRAs were created there was no such thing as taxes on Social Security. Up until a few years ago, everyone over age 65 paid the same premium for Medicare coverage.

Today, up to 85% of Social Security benefits can be taxable, and the more income you have, the more you pay for Medicare.

This just demonstrates the importance of understanding your retirement crops to maximize income and assets among all three trees or categories.

An effective tax strategy anticipates possible higher taxes or life changes in the future through a balanced, diversified crop of Red, Yellow, and Green Trees tailored to your unique situation and retirement goals.

CHAPTER 16

Emotional Economics



"The heart has its reasons which reason knows nothing of"

- Blaise Pascal, *Pensees*, (1670, sect. 4, no. 277)

Under the current tax laws, when you are married and filing jointly, we can assume from our earlier case study that it may be more cost effective to take larger IRA or Red Tree withdrawals sooner than required.

Our case study on the widow's penalty shows how dysfunctional our tax system can be at times, because a single individual really suffers from larger taxation per the same income dollars a married couple receives.

So, why don't more married couples take more withdrawals from Red Trees, when they are still in their early 60s, healthier, and could probably use the income to improve their lifestyles?

Here are some of the most common heart-driven reasons that we have heard in our careers, which includes well over 20,000 interviews:

1. I'm Addicted to Saving

Old habits die hard. If your whole life you have been buying seeds and deferring as long as possible, why would you do anything different in retirement?

Our tax brackets are lower now than they were 30 years ago, but it just doesn't feel that way to most people. Taking money out of retirement accounts is the opposite of what you have been doing your whole life.

You have been saving money and planting seeds in hopes of growing crops large enough to be able to feel confident about your decision to retire. Most of you have literally only had experience with the seeds. For most of your adult lives, you were not even allowed to access your crops prior to age 59.5, without paying penalties.

It is no wonder some people find it challenging to transition from seed accumulation to crop distribution.

I would also add that it is rare to find someone that is as focused on distribution as they were on accumulation. It is hard to be accumulating wealth and protecting wealth at the same time.

In the book introduction, I compared the difference between accumulation and distribution to climbing a mountain.

Accumulating wealth is like the first half of the journey, when you are climbing to the summit; it takes time, training, and a qualified guide.

However, once you reach the mountaintop, remember it is only half the mission, because you still must get back down. That takes an entirely different mindset and physicality. Trying to navigate your way back down a mountain can be harder than it is to climb up.

Are you working with financial professionals that are still in the accumulation mindset?

If so, you are not alone. However, is that what you need to make it back down the other side?

Do you have an exit strategy: a plan to navigate financial risks facing you now that you have already reached the peak, or nearing the peak, of retirement mountain?

2 Hate Paying Taxes

Well, who doesn't? But there is no getting around it, and you will eventually have to pay them. CPA® Ed Slott, once named America's IRA expert in *The Wall Street Journal*, calls this the "tax-deferred trap".

This means the larger the Red Trees grow, you are inadvertently allowing your future tax liability to potentially increase; the larger the Red Trees' harvest (or RMDs) in the future, the higher your potential tax.

If you take more income now, you will pay taxes sooner, but possibly at a lower rate. If you wait, your crops get bigger and your taxes could get higher. Since you are not required to take

RMDs until 70.5, you would have to voluntarily pay taxes sooner than required if you took them now. Tricky, huh?

Remember, there is no way around paying the taxes, so if you take income sooner, you are paying taxes on your own terms. If you delay, you are just delaying the inevitable. It may benefit you to take your money now, and you might even be able to find a way to enjoy some of it!

Why did you save it, anyways? What are you waiting for?

3. I'm Saving it for Her or Him

Most couples understand that there will be a significant drop in income for the surviving spouse, especially as in scenarios like we saw in Case Study 1.

Many spouses tell me they are hesitant to take Red Tree withdrawals, because in addition to not wanting to pay taxes early, they want to ensure that there will be enough crops to support their wife or husband, if they should pass away first.

However, if they take income distribution now, they could be making more memories together, while they are both alive and healthy. They could be going on bucket list traveling adventures, family vacations with their kids and grandkids, or taking more trips getting away from the kids!

By taking Red Trees and putting them into Green Trees, Green Trees can be used to generate an income replacement asset, as well as possibly lowering the tax burden on the surviving spouse.

4. I'm Worried About Inflation

What if we need it down the road? This is a big one.

If you are concerned about "down the road," or what I like to call the "Second Half" retirement phase, what do you imagine will be the biggest costs that will cause you to lose assets? Health care? Taxes? Market losses? Gasoline? Milk?

Healthcare and taxes, that is the name of the game, and in my opinion the biggest threats from a future cost of living standpoint. Can you think of any greater risks?

If you create a plan to protect yourself against the risk of extended healthcare or opt to pay taxes now to mitigate future tax hikes, then you can begin UnStressing™ or UnTaxing™ your retirement. Now,

during the healthiest years of retirement, or what I call the "First Half" retirement phase.

Modern Life insurance™ & Roth conversion strategies both help alleviate these two retirement risks, so you do not need to stress as much about inflation.

5. I'm Worried About Outliving It

The number one fear among Americans is dying broke. Not dying but living with no money!

The fact is that many retirees will live longer than they expected, and they will likely have more healthy years in retirement than any generation before them. According to the US Census Bureau, with medical breakthroughs and the baby boomers' desire for an active retirement, this generation is re-writing the actuarial life expectancy tables. If your fear is outliving your savings, I suggest Modern Annuities™.

I have already devoted a chapter for making the case for Modern™ Annuities, but it is worth mentioning again.

When used properly and funded properly, annuities are the only instruments that can guarantee income for life, (or multiple lives, if you are married). Annuities are a real hot button topic because some people love them, and others hate them.

I love them, and my clients love them. Every day I have clients choose to transfer risk to an insurance company, or multiple companies, with a portion of their retirement savings to provide safety and confidence that they will not outlive their money.

The new generation of Modern Annuities™ available are not like your parent's annuities.

These annuities offer a larger variety of living benefit options with custom design strategies to meet your needs, with no market risk! Sounds good, doesn't it?

Choosing the right annuity model for you and your family situation takes time, so working with the right team of agents/ advisors is paramount.

6. We Don't Need It!

If we take income from Red Trees early, but don't need it, what can we do with it?

This is a great problem in the financial world, especially if you are retired. If you end up taking distributions from Red Trees to maximize your tax bracket and mitigate future tax risks, and you end up with too much money in the bank as a result, that is not a problem!

Imagine if you had IRA annuities that were set up to guarantee lifetime distributions, and at the end of every year, your biggest problem was too much money in the bank.

Can you imagine going through life complaining that you have too much income? Your bank account is carrying too much cash; what a wonderful position to be in!

I know that the banks aren't paying interest, but this scenario suggests that you have a lifestyle that you can afford, without using all of your income from Red Trees. Your spending power is greater than you require, so you literally cannot spend all of the income that your crops produce.

That's maximizing your money by *Unstressing*™ and *UnTaxing*™ your retirement! You are winning the game of life.

What if you created a predictable monthly income flow using several Modern Annuities™, working together, that don't rely on the stock market? These Modern Annuities™ have no market downside risk and can be funded with IRAs. Your financial team can roll over IRAs, 401(k) plans, or IRA Annuities, (Red Trees) so there is no initial tax. It is a direct transfer from custodian to custodian, and this is a tax-free event.

At Parady Financial, we create a distribution strategy that is based on your goals today, and we make it flexible, so that we can change the distribution strategy as your desires change. Let's do it while you're married, if possible, for tax-efficiency.

How much of a difference would it make in your life, if you knew you were getting extra income over and above your needs, and you were only using a portion of your retirement savings to do so?

Oh, and it will continue forever ... no matter how long you live. When we use Modern Annuities™ and Red Trees *together*, we can begin taking more income now, at reasonable tax rates, and be assured that it will continue forever.

These are not problems; they are CHOICES!

CHAPTER 17

Problems Vs. Choices



"We must all either wear out or rust out, every one of us. My choice is to wear out. "

- Theodore Roosevelt, Strenuous Epigrams of Theodore Roosevelt, (ed. 1904)

In the last chapter, we discussed the six most common reasons that prevent people from taking more income from Red Trees.

We can address them all together and see if they are still good reasons for you not to take distributions, but we didn't write this chapter on a whim.

We have been seeing these situations play out with retirees since 1996 in over 20,000 interviews with retirees and folks nearing retirement, so we have a handle on what makes our clients tick. Often, we deliver more predictable income to our clients than they ever imagined using!

The news outlets and media sources spend all day talking about how bad it is for savers today: the hangover from the mortgage/ real estate crisis, employment/unemployment reports, investor confidence.

They are not talking about our clients. Our clients generally have enough assets to relax and live out their retirement dreams. Or they are close to retirement age and are savers by nature.

We know there aren't two people in the same exact financial situation, so we don't want to imply that everyone is in the same financial boat, but for the most part, our clients come to us looking for a plan to utilize their retirement crops.

Our strategies generally include using Modern Annuities™ and Modern Life Insurance™ to protect a portion of retirement assets from unnecessary risks, using a tax efficient' distribution strategy that is tailored to fit.

Red Trees & Annuities Go Together in Retirement

Most people are pleasantly surprised to learn that they do not need to take as much market risk, if they don't want to. Today there are Modern Annuities™ that can provide them with guaranteed income, without market risk, and still offer a fighting chance against inflation: specifically, Fixed Index Annuities (FIAs).

Insurance Marketers also refer to these products as Hybrid Annuities, but the correct name for these innovative products are FIAs, and for a fee you can add a Guaranteed Living Benefit Rider.

This allows you to take distributions from your Modern Annuity™, but unlike the old fashion traditional annuities, they are more flexible. I call these older products "antique annuities," because although they paid a monthly or annual income stream for life, often the payments stopped when you died, and the insurance company kept the premiums.

Not anymore.

Today Modern Annuities™ can be tailored to fit your income needs, and they have the flexibility to take guaranteed minimum

lifetime withdrawals, (usually five to six percent over two lives), without depending on interest rates and stock market performance.

And the most valuable benefit? They pay you forever-no matter how long you and your spouse live! If you screw up and die too soon, the balance of your Modern Annuities™ will be paid to beneficiaries. The insurance carrier keeps no funds.

Modern Annuities™ can be a valuable part of your retirement income strategy, but not for all your assets. There is a lot more to these products, so you should never buy them without being educated on all the ins and outs.

They are not free, and they are not usually a 'liquid' portion of your retirement strategy.

We use Modern Annuities™ to provide predictable income for life, and we believe Red Trees are the best assets to consider first.

Why?

For starters, Red Trees are the assets that most people do not want to touch anyway.

Consumers also do not consider Red Trees liquid. This is because if you take a large sum out of your Red Trees, it gets added to your income and thus, taxable at the highest rates. We just covered that.

However, since the IRS is going to force you to take a minimum amount out of your IRAs for the rest of your life, beginning at age 70.5, why not consider the only products that will guarantee lifetime income?

You may be asking yourself if putting IRAs in annuities is going to cost you any taxes.

No. If funded properly, you may use direct rollover, or direct transfers from IRA assets or 401(k)s, or any other Red Trees, to create IRA annuities. That means that an IRA annuity can be purchased with Red Trees, and it is a tax-free transaction.

However, all the income you take monthly or annually is added to your other income and is taxable at that time. Just like it would be in any other IRA (Red Tree) distribution.

****Do not use all your assets to buy annuities. Although annuities can be a valuable portion of your assets to guarantee income, putting all your assets**

into any one class is usually not wise. You should also make sure you have plenty of cash reserves in Yellow Trees, like money market or savings accounts.

Now, let us talk about what to do with the "problem" of having too much guaranteed lifetime income.

Again, I will simplify these choices into three categories, but please understand that I know everyone has unique goals and values:

Choice 1) Spend it on Yourself!

That's right-spend it on yourself while you can. Isn't that why you saved it in the first place?

I know, that is easier said than done, and it takes time to get used to spending your crops, especially since you have been saving and growing them for what seems like forever.

We know this is the opposite mindset from all those years you were accumulating assets, but you did have some vision or idea of how you would use them in retirement, right?

Choice 2) Share It!

If you are confident that you will have enough to last over two lifetimes, making memories with family and friends is the only thing that really matters.

Getting money from a loved one that has passed is a novel thought, but it is the time spent together and the memories that live on forever.

Most of the retirees I meet with today are in their early 60s, with at least one spouse who will most likely live into their 90s. This means when they do leave money to their kids, their kids won't be kids anymore.

Why not use the money to make memories together, now?

Choice 3) Maximize Your Tax Bracket and Buy Some Green Trees!

What should you do with the extra income that you don't need right now?

What if we used some of it to buy another retirement crop? Green Trees. Yes, the tax-free category of assets. In our office, we are talking about Modern Life Insurance TM.

Remember, seed money gets planted and nurtured, so it can grow or accumulate over many years. Who the heck wants to start that process all over again?

Especially, if you are near retirement, or already in retirement. Do you really want to take income from the crops you have been growing for 20-30 years to plant more seeds, *again?*

This is where our company excels. We are built for these kinds of

choices because we don't offer seeds. *We focus on the complexities of managing retirement crops.*

There is a major difference in that seeds are about *accumulation* and crops are about *preservation*, where your trees need to be managed and protected.

Disclaimer

This book was written to be general in nature and should not be considered for individual Investment Advice, Tax Advice, or insurance recommendations. The primary author is a Licensed Annuity and Life Insurance professional ONLY that employs Investment Advisors, tax advisors, and financial planners. Some of the content in this book was contributed by other key members of the Parady Family of Companies.

We firmly believe that having a collaborative team of licensed financial professionals working towards a common goal is critically important in a Modern Retirement™. We certainly hope that you find this book to be an "easy read" and that you connect with some of our analogies - after all, my goal is to take complex financial issues and make them interesting and understandable for people of all financial IQs.

The ONLY action this book is intended to do for you is facilitate a "learning process"; it is not intended to be a transactional guide. Before you make financial decisions, you should interview multiple teams, consult with a financial team, and make sure that the people you are working with are listening to your goals and objectives.

Lastly, the content of this book was written in 2019 and 2020. Many of the examples used in this book are based on rules and tax laws that were in effect at the time it was written and may not be

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construed as an ABSOLUTE FACT based on the moving tax rates, product changes, etc.

CHAPTER 18

Make your Next 10 your Best 10!



"Know the true value of time; snatch, seize, and enjoy every moment of it. "

- Philip Stanhope, 4th Earl of Chesterfield, *Letters Written by the Earl of Chesterfield to His Son* (ed. 1827)

Did you sacrifice and save money for 30 plus years, just to worry about it in retirement?

Too many people are stressed about their financial future, when their next 10 years should be their best 10 years!

You should be planning trips, making memories, sharing time and experiences with your family and friends, because few people hit 90 years old and say, "I sure feel a lot better than I did when I was 70."

Although you may live for 30 or more years into retirement, it is hard to imagine you will enjoy the last 10 years of your retirement as well as you enjoy the next 10.

"We finally decided to make our next 10 the best 10!"

When clients tell me this, the first question I ask is, "What happened?" Then sadly they share stories of a health issue or a loved one's illness that made them realize life is short. Now they finally want to make the most of what is left in their retirement,

which in other words means, it is usually too late.

Most clients come to my office so afraid they are going to run out of money, that they are unwilling to have a conversation about how to make the next 10 years the absolute best 10.

Imagine if you had a game plan where you could build a financial strategy that allows you the opportunity to optimize the next 10 years of your retirement lifestyle, while you are the youngest, healthiest, and most energetic.

This is when you can make the most memories with your family and loved ones, like taking the grandkids on a dream trip to Disney World, touring Italy with your wife, going to the Super Bowl with your best friend, or swimming with your sibling in Iceland's Blue Lagoon, while watching the Northern Lights.

Isn't that what life is about? Having quality time with the ones you love.

Helping people adopt the mindset of "*making your next 10 your best 10*" is the philosophy that has helped build our entire company!

I know, I know ... you are going to live to be 100. To that I say great, I hope so! But, from now until 100, let us make sure every 10 years that's right in front of you are your *BEST* 10!

Let's say the average retirement is 30 years, and we break those 30 years into three phases:

The First Half is the next 10 years:

The time to make memories, do the bucket list stuff, spend time with your children, grandchildren, family, and friends, and make the most of life! This is where you are building your retirement without regrets!

There is a story I shared in my book *Your Life, Your Way* that stands repeating here. I remember one Thanksgiving when I visited my Aunt Irene, who was 56 at the time. She was so proud to have us over because she had purchased a new living room set.

I had heard about it for months, and it didn't disappoint: A luxury white sofa with a matching love seat. I knew she must have been saving for a long time, and knowing her, she probably made payments on it carefully over time, because there is no way she paid for it all at once.

Looking back, it was probably one of the only "brand new" things she had ever bought on her own. That night, my aunt was positively beaming as she showed it off. It was beautiful!

However, the furniture was covered in a protective plastic coating. I assumed it was delivered that way, and she just hadn't found time to remove it. So, we enjoyed our dinner and laughter and time together without giving it another thought.

Until ...

The following year, we returned to Aunt Irene's, and the furniture was *still* wrapped in plastic! Perplexed, I asked Aunt Irene why she had plastic on her living room set.

I will never forget her answer. "It's there to make it last longer."

She said it so matter-of-factly, almost like I was silly for bringing it up.

Aunt Irene had spent so many years saving and sacrificing to finally buy something nice for herself that she didn't want to ruin it or wear it out. We even sat on the floor to avoid sitting on her prize

possession sealed in plastic, which kind of defeated the purpose of new furniture in the first place.

A few years later, when she was only 59 years old, Aunt Irene passed away of a brain tumor. One day, she had a headache, the next week she was gone.

I have probably told this story to clients and friends a hundred times over the years. Why? Because it had an impact on me and how I help people think about retirement.

Aunt Irene had been working full time since the age of 11, and it is easy to understand how she learned to relate to money and appreciate the value of a dollar. But my aunt never got to fully enjoy what those dollars bought.

When she died, that plastic was still on the furniture. She never lounged on her couch, felt the rich fabric, or sunk into the plush cushions.

I fully understand wanting to protect things that took years and years of hard work to obtain. But there is a big difference between protecting your assets and being afraid to enjoy them.

The Second Half:

One day something will happen to you in retirement. It could be a health issue, or if you are married something, unfortunately, might happen to one or both of you.

I have never in my life heard of a happily married couple where one spouse gets sick, and the healthy spouse decides now is the time to tour the Sydney Opera House, take a Mekong River Cruise, or go to Holland to see the tulips. I have just never heard of such a thing

because when something happens to one spouse, it feels as if it is happening to the other spouse too.

So, when you enter the second half, it will either be a health-related issue, or it will be as simple as been there, done that.

You are just starting to slow down a bit when you enter the second half of retirement, and you want to make sure that you have financial stability. That goes without saying. But just as important is to ensure no regrets!

The memories you make in the first half of your retirement, which is the next 10 years, will see you through the second half.

Overtime:

Yes, this is the phase nobody wants to talk about.

This is where you love your kids, but you really do not want to move in with them. This phase is about financial independence, but this phase is also the single biggest risk to your financial independence.

Planning for overtime means long-term care, home health care, and being able to stay in your home as long as possible.

Overtime is about being independent and financially secure.

However, far too many people I meet are saving all their money for overtime, and they are missing out on the next 10. I should tell you that I totally understand why and how people would accidentally save all their money for overtime.

The fact is when you don't know how long you're going to live, you want things to last, so you tend to protect your assets, protect your assets, protect your assets ... until you realize you have a lot more

than you need to live on, but don't have the energy you had 30 years ago to enjoy it.

It is time to take the plastic off your retirement!

That means you need to have a strategy for the first half, second half, and overtime to ensure you will not have any regrets when you start to slow down or lose a loved one.

We can never know the future, which is why we save and save and save, *just in case*, but is also the reason why we should be especially mindful to make your next 10 your BEST 10!

CHAPTER 19

The Parady Family



"My friends have made the story of my life. In a thousand ways they have turned my limitations into beautiful privileges. "

- Helen Keller, The Story of my Life, (1903)

When I look back on my childhood, I realize that the financial struggles my family experienced during my preteen and teen years were crucial to who I would become and how I conduct my business. Growing up with so much uncertainty and anxiety around health and money issues attracted me to a career where I could help guide people through these issues.

I understand my clients' concerns, because I have lived them, and it is rewarding every time I help someone achieve financial confidence that my family was never able to enjoy.

I wish I could go back to my younger self and explain that those trials were just training for my life's mission of helping people live the retirement they want and deserve.

Living and working in The Villages, (a community that has grown from 18,000 residents when I moved here to over 150,000 today), provides the perfect home base for me. It is a place where I can serve a wide range of wonderful, fascinating people, many of whom I now consider part of the Parady Family.

The family concept is a core philosophy at Parady Financial. In fact, it is so important, the first thing you see when you walk into our office is "We Are Family" in large script in our lobby.

Over the past few years, we have evolved into one huge extended family. When our clients have success, we share in it. We know their kids and grandkids, we celebrate their

anniversaries, and we visit them in the hospital after surgeries or illness.

In turn, my clients ask after my kids, they celebrate my family's milestones, and I know many of my clients would check-in on me or any one of my staff, if they knew we were facing a crisis.

We are family.

At Parady Financial, we show our gratitude for our "family" and their friends at client appreciation events. Even though these events have gone virtual due to the pandemic, they continue to bring people together.

Many of our clients have attended our events and formed lifelong friendships with others they may never have met otherwise.

Branches form on our family tree when our clients introduce us to their friends, who also become clients, who make friends with other clients at our events ... and so our tree continues to grow in these wonderful, unanticipated directions.

It is an incredibly satisfying way to do business and go through life.

Our local community is the glue that holds our family together. As I reflect on the COVID-19 pandemic, I am filled with pride and gratitude to be a part of the best retirement community in the world.

Unstress & Untax

The pandemic brought new challenges and fears, as The Villages dealt with unprecedented events that changed how we worked, played, and live. So much changed in such a short period of time -our gathering spaces, our restaurants, our shops, our doctors' offices. Despite all the changes, I witnessed the compassion, empathy, and kindness that embodies our "Florida's Friendliest Hometown" reputation.

Our community has given so much to us that we have always considered it a duty and an honor to give back.

The Parady Family's passion for community involvement led to the creation of The Parady Cares Foundation, Inc., which extends support to multiple causes that are closest to the hearts of our members, including Breast Cancer Awareness, Toys for Tots, the Red Cross, Villages Honor Flight, Seeds of Hope Food Campaign, AVID college prep program, VHA Helping Hands, Military Officers of America, Take Stock in Children, Alzheimer's Family Organization, Shriner's Hospital for Children, Locks of Love, Combat Veterans to Careers, Autism Support Groups, Junior Golf, the Leesburg Pregnancy and Family Care Center, and local elementary schools and food pantries.

The Foundation hosts a Coats for Kiddos and Shoes for Students campaign, School Supply Drive, and Summer Snack Program that help meet the needs of our partners in education, including Villages Elementary Lady Lake, Stanton-Weirsdale Elementary, and Wildwood Elementary schools. The Parady Family of staff and clients generously support these joint campaigns, providing basic needs to school children, so they can concentrate on their studies.

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In fact, all our philanthropy is a joint effort with our clients, and much of the work that we do in the community started as causes brought to us by members of our Parady Family.

Helping members navigate the retirement years is Paradys' business; helping others in life is Paradys' choice. And we couldn't do it without the enthusiasm, support, and generosity of our clients and team members!

CHAPTER 20

The Relationship Test



"We must always deal from strength and insist on verification of every agreement. In my meetings with the General Secretary I repeated several times a Russian proverb-'doveryai no proveryai' - 'trust but verify.' "

- Ronald Reagan, Letter to Gerald B. Broussard, (February 15,1988)

The best way to measure a relationship's success is the test of a difficult personal situation. Dire times weed out the "fake" relationships from strong relationships- your acquaintances from your true friends.

The same is true in any relationship. If your doctor isn't there when you're sick, how good is he/she? If your internet company isn't there when your Wi-Fi is down ... okay, maybe that's not a good example, but you get the point.

You need reliable, strong relationships as you age, because frankly, the future issues you may face will be painful and push your stress levels to the limit.

So just like you need your family and friends to be there, or your doctor to be there, you also need your financial professional team to be there.

You can get by with an "adequate financial professional" during the good times, but will they be there for you when times get rough? When you lose a spouse, need a reliable liaison with family that may live in another state, or need long-term care; how can you know they will be there for you and your family, when you need them the most!?

Although you can never know 100%, there are some indicators to consider when reviewing or interviewing financial teams:

- How well does your financial team facilitate communication with you when you don't need them?
- Is your financial person hard to reach?
- Are YOU the one always making the effort to communicate with them?
- Do you ever hang up after a call and feel more confused than before?
- If questions get glazed over, and you are always facilitating the communication, how on earth will this person be the answer for you when you really need them?

You need a TEAM! A team that understands that change can be a difficult to go through, especially when it comes to financial matters.

In your darkest moments, you will want to focus all your efforts and support on your family's needs. Worrying about your financial strategies or chasing after your financial professional are the last things you will want to deal with during tough times.

In fact, a strong relationship will include having a comprehensive "what if" financial strategy that is already in place. That way, you don't have to *create* one during times of crisis; you *implement* one that was planned for in advance.

Nothing is better at grading your financial team relationship than their performance in the recent pandemic! We had an extraordinary test in 2020 with COVID-19, so how did your financial team respond?

Did you get the "just hang in there" phone call, or were they in constant communication? Did they give you regular financial updates on the state of the economy? Did they take care to protect their staff and support teams financially and physically? Did they call you personally and regularly to check on your family's needs?

I cannot speak for everyone, but our client relationships are so strong! We think of our clients as an extension of our family and they us-more importantly *we treat them like family*.

Did your financial team educate you about the SECURE ACT? It changed the game for IRAS and taxes.

Did your financial team educate you about the CARES ACT? It affected all IRA owners from almost all age groups. The CARES Act was the first form of economic relief during COVID-19, waving RMDs. This means for the first time you could roll your RMD into a Roth IRA, or simply delay the RMD completely.

This is just one of many special rules in the CARES Act that you and your family need to understand. Did your financial team keep you abreast of the changes and how they might implicate your retirement strategy?

There are a lot of outstanding financial teams out there, but how many take the time to build strong relationships with their clients?

I am not talking about a casual friendliness, but one cultivated in empathy, respect, and an understanding of your unique financial situation and goals. One that doesn't just talk over your head with a "trust me" attitude, but one that wants you to be an educated and *empowered*, equal partner in designing your retirement strategy.

You need to build a rapport with a financial team that aims for excellence *and* genuinely cares about you. Be certain that you have the right team, with the right processes in place, to serve your changing retirement needs in the good *and* bad times. You need to have a financial team that will be there for you when you need them the most!

CHAPTER 21

Your Life, Your Way



"The ardent golfer would play Mount Everest if somebody would put a flagstick on top. "

- Pete Dye, Bury Me in a Pot Bunker: Golf Through the Eyes of the Game's Most Challenging Course Designer (1994)

Let's talk about you and your retirement dreams.

How would you feel about retirement funding, if you knew exactly how much you were able to spend each month? If you knew exactly how long that money would flow? If you knew that even if you live another fifty years that income would keep coming to you for the rest of your life?

How would you feel if you had a financial strategy in place that alleviated your money concerns? How would you feel if your biggest decision was deciding whether your next trip will be a visit to Disney World with the grandkids, or taking that dream vacation to Australia?

How would you feel if you could convert your bucket list into a to-do list?

My guess is you would feel good about your choices in retirement!

That's UnStressing™ and UnTaxing™ Your Retirement!

It's actually not even a guess, as my clients live this way every day. That kind of life has long-term benefits that have nothing to do with money.

Would knowing this change the way you plan? Would it change your relationships with your spouse, your kids, your grandkids? What about the relationship you have with money? Are you stressed about money?

If so, contact us today to:

- Learn why our clients *don't* stress about the markets.
- Learn how we specialize in reducing risk
- Learn ways to protect your assets, as the key to improving your emotional well-being
- Learn how to avoid mismanaging withdrawals in uncertain markets and uncertain times

Parady Financial Group, Inc. is a financial services firm that has helped thousands of retirees and people nearing retirement age design personalized retirement planning strategies to help them achieve peace of mind.

Remember, your retirement journey is like climbing a mountain. Success in your mission is not just measured by whether you made it to the top, but in the completion of your safe journey back down.

You spent 30+ years working to climb retirement mountain. You sweat, sacrificed, and saved. You put off purchases, so you could better prepare for this time in your life. Why not make this the time of your life?! On this second leg of your journey, let us be your guide, so you can enjoy the benefits of your hard climb.

Unstress & Untax

We have a wide range of educated advisors and agents with specific areas of knowledge and experience waiting to serve you.

CHAPTER 22

Something for the Kids: UnTaxing™ their Retirement



"I recently learned that in an average lifetime a person walks about sixty-five thousand miles. That's two and a half times around the world. I wonder where your steps will take you. I wonder how you'll use the rest of the miles you're given. "

Fred Rogers, You Are Special: Words of Wisdom for All Ages from a Beloved Neighbor, (1995)

UnTaxing™ advice is not just for the Golf Cart generation; it applies to your kids too! It is important to build a relationship now with a financial planner that will review their retirement strategy on a regular basis. This chapter, I will be talking directly to them.

According to a 2016 Voya Financial Survey on retirement planning behaviors, only 20% of Americans reviewed or made any annual changes to their retirement strategy:

- 40% of the respondents admitted to annually re-evaluating their phone, cable, or internet plan.
- 43% of Gen X respondents said they would rather stand in line at the OMV, waiting to renew their driver's license, than research or review their retirement plan.

- 80% of Millennials said they were more likely to update their social media profiles in a year than assess their retirement savings.

The Voya Survey called this the "set it and forget it" mentality for American retirement planning.

But if you have old 401(k) plans that were left with previous employers, you may be missing some 'once-in-a-lifetime' tax planning opportunities.

In your working years, these opportunities are often missed because you are so focused on juggling responsibilities, like changing jobs, learning new skills, raising a family, running a household, and paying bills. The last thing on your mind is what you should do with your old 401(k) plan.

However, being aware of your options *right now* has never been more important.

When you get to retirement, do you want to pay taxes on your income for *EVERY SINGLE* withdrawal? Or would you like to get **tax-free distributions for LIFE?**

I know, that is an easy one, right?

But most people that have committed to the 401(k) plan as their primary retirement savings tool have also bought into the old saying that "it's always better to pay taxes later," or "when you get to retirement, you'll be in a much lower tax bracket."

The reality is most people expect big tax savings in retirement, but it doesn't play out that way for most-especially the good savers.

Why?

Well, what kind of money you have is just as important as *how much* you have.

Most 401(k)s or IRAs are pre-tax assets, so when you withdraw from them, it is taxed as ordinary income. The highest rates we have in our tax code are *ordinary* tax rates.

Withdrawals from tax-deferred assets create the most uncertainty in retirement as well.

These withdrawals can create higher taxes on Medicare, (aka surcharges/IRMAA), Social Security, and investment income or capital gains. Sound like fun to you?

Now consider that your retirement accounts today could be the catalyst for future tax problems. With the additional stimulus packages passed this year added to our rising national debt, it is *highly improbable* that taxes will be the same or lower than today's rates.

Lawmakers will most likely have to consider raising taxes-our country's primary source of revenue-to deal with our ballooning deficit.

Tax rates are already scheduled to go up in 2026, so what do you imagine they will look like when you retire?

The time to plan a tax strategy is now, when American workers are paying tax rates that are the lowest they've been in years!

The incredible thing about taxes on 401(k) plans and IRAs is that they are all optional.

That's right! If you choose to convert all or a portion of your old 401(k) or IRA assets to Roth IRAs, you can literally buy-out your

future tax rates. Pay the taxes at today's low rates, and then NEVER PAY INCOME TAX AGAIN!

I would bet anything that if you asked your retired parents if they could go back in time ten to fifteen years, would they do a Roth conversion strategy to pay off their future RMDs or IRMAA/Medicare Surcharges, the overwhelming consensus would be, *yes!*

Taxes are the biggest retirement unknown, but they don't have to be. If you work closely with a team of financial professionals and CPAs®, you can buy-out your future 401(k) tax bill. With some planning, you can guarantee some assets with tax-free growth, tax-free income, tax-free forever!

CHAPTER 23

Epilogue



"Education never ends, Watson. It is a series of lessons, with the greatest for the last."

- Arthur Conan Doyle, *His Last Bow: A Reminiscence of Sherlock Holmes*, (ed.)

1917)

Dear friends,

I hope you have enjoyed going on this journey with me, as I've shared my own personal journey and guide map for tackling Your Retirement Mountain.

I've discussed a great deal in this book about how *Unstressing™ and UnTaxing™ Your Retirement*, but you should always work with a team of financial professionals that includes insurance agents, CPAs, financial planners, attorneys, and other specialists who are able to help you design your best long-term retirement strategy.

This book is general in nature and reflects my opinions formed since joining the retirement financial industry in 1996.

Please understand that every proactive financial decision you make can have advantages and disadvantages. Just as important as planning a retirement strategy with professionals, I encourage you to educate yourself on your options, and once

you create a plan with the help of professionals.

Modern Annuities™ and Modern Life Insurance™ can both provide valuable benefits, with a guaranteed income being one of the most valuable.

Here at Parady Financial, we can help you explore varied products and options for your financial needs and goals, while also helping educate you on how these tools might fit into your retirement strategy. All you have to do is reach out to get the process started!

To learn more, please **email** us at **UnStressing@Paradyfinancial.com** to set-up a meeting. You may also **call** the Parady Financial office at (352) 751-3016. We offer phone and video conferencing, as well as in-person outdoor conferencing for meetings. You can also visit our website at www.paradyfinancial.com.

In the meantime, I wish you and your family the best and success in all areas of your life!

Peace and Love, Greg Parady

By contacting us, you may receive information on the purchase of life insurance and annuity products for purchase.

Disclaimer



This book was written to be general in nature and should not be considered for individual Investment Advice, Tax Advice, or insurance recommendations. The primary author is a Licensed Annuity and Life Insurance professional ONLY that employs Investment Advisors, tax advisors, and financial planners. Some of the content in this book was contributed by other key members of the Parady Family of Companies.

We firmly believe that having a collaborative team of licensed financial professionals working towards a common goal is critically important in a Modern Retirement™. We certainly hope that you find this book to be an "easy read" and that you connect with some of our analogies after all, my goal is to take complex financial issues and make them interesting and understandable for people of all financial IQs.

The ONLY action this book is intended to do for you is facilitate a "learning process"; it is not intended to be a transactional guide. Before you make financial decisions, you should interview multiple teams, consult with a financial team, and make sure that the people you are working with are listening to your goals and objectives.

Lastly, the content of this book was written in 2019 and 2020. Many of the examples used in this book are based on rules and tax laws that were in effect at the time it was written and may not be construed as an ABSOLUTE FACT based on the moving tax rates, product changes, etc.

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Author Bio



As founder and chief executive officer of Parady Financial Group, Greg Parady oversees a team of insurance, tax planning, and investment advisors to provide a comprehensive, all-in-one financial services home for clients. Greg's team of Certified Financial Planners (CFPs), Certified Public Accountants (CPAs), Annuity and Life Insurance Agents, and Investment Advisor Representatives ensures that clients have the professionals and services needed to Unstress™ and UnTax™ their Retirement.

Greg began his career in financial services in 1996 in Portland, Maine. In 2000, he moved to Florida and founded Parady Financial Group in The Villages in 2001.

From the beginning, Greg has focused his practice on addressing the complexities associated with wealth preservation and wealth distribution for conservative-minded retirees. Greg shared his experience about building a retirement strategy for the new generation of retirees in his first book, *Your Life, Your Way*.

Greg is renowned for his philanthropy and fund-raising efforts, regularly sponsoring charitable events and causes important to his firm's team members and clients. His philanthropy has been recognized on *Good Morning America*, *The Today Show*, *NBC*, *Time Magazine*, and *Huffington Post*.

When Greg is not working to ensure the success of his clients, he is grateful for time spent with his wife Jenni and their three children, Bennett, Liliana, and Macallen. He also enjoys golfing, cooking,

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traveling, fly fishing, and relaxing with his family at their mountain home in Durango, Colorado.



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ISBN 979-8-21-058477-9



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