

AHWATUKEE FOOTHILLS NEWS

Make Smart Moves Now For A Happy Retirement



January 3, 2024 by Dr. Harold Wong

The secret to a financially happy retirement comes down to smart choices. Key variables are: annual savings; rate of return, and amount of Social Security and pension income.

Example: Tom & Judy are both age 55, with \$250,000 annual income. They plan on retiring at age 62 and have saved \$500,000 of financial assets in their IRAs. All their investments are in Wall Street and average a 5% annual return after all fees. They save \$30,000 per year and pay \$40,000 of annual income tax. Their friends are envious of their high income and believe they will have no financial problems in retirement.

Scenario 1: At age 62, let's look at their finances when they retire. Assuming no major stock market crashes, their \$500,000 in 401ks has grown to \$700,000. Their \$30,000 of annual savings times 7 years is \$210,000 and with earnings is now \$250,000. Their combined Social Security annual benefits are \$45,000 and they have no old-fashioned pension or rental property. If they adhere to the 4% Rule (meaning you can spend only 4% of your total financial assets the year you retire) that would be 4% ($\$700,000 + \$250,000$) = \$38,000. When you add their \$45,000 of Social Security benefits, the total is \$83,000. This does not come close to the \$190,000 they spend each year. They have a financial crisis in retirement and have to cut spending by 56%.

Scenario 2: An Alternate Retirement Future: They use solar business equipment leasing to save \$35,000 of annual taxes and they don't retire until age 70. If they average a 10% annual return, this becomes \$1,223,240 at age 70. If they choose a safe real estate income strategy or equipment leasing, an 8% annual return would generate a \$97,859 annual income. Because they took Social Security at age 70 instead of the previous age 62, it's now \$90,000 annually. If they, at age 55, deposited \$400,000 of their IRA funds into a private pension, at age 70 it would generate \$69,502 annual income. Now, total annual retirement income is $\$97,859 + \$90,000 + \$69,502 = \$257,361$. They can afford all their bucket list dreams and never have to worry about money in retirement. They have 3 times the retirement income of Scenario 1.

Inflation: Another risk to one's happy retirement is inflation because what \$100,000 will buy today will have purchasing power of \$67,556 in 10 years and only \$45,638 in 20 years if we have 4% annual inflation. The ways to offset future inflation are: save more before you retire; reduce taxes drastically; or increase substantially the income you get from your investments. For older Baby Boomers, full retirement age for Social Security is 66 and for every year you wait to take your benefits, you get 8% more. For a 65-year-old, if you wait 4 full years to take your private pension income, it will be a 10% rate of

annual cash flow, far more than the average 2% from dividend-paying stock.

Conclusion: the choices you make have a dramatic effect on whether you will have a Happy Retirement!

Attend my Free Live Seminars: Tues. 1/16/2024 or Weds. 1/17/2024, starting at 6 pm at Hyatt Place, 3535 W. Chandler Blvd. Chandler, AZ 85226. The seminars are followed by a Free catered meal. Topic is "Beat Inflation by Increasing Income & Reducing Taxes!"

Free Tour/Workshop at Solar Reefer (Refrigeration) Factory: Saturday, 2/03/2023 9am-12 noon. Topic is "How Solar Reefers can Reduce Taxes to \$0 and earn a steady 10-14%!" Lots of tasty refreshments served! Location is at Advanced Energy Machines: 4245 E. Norcroft Street, Mesa, AZ 85215, ¼ mile SW of McDowell & Greenfield Roads.

To RSVP for the seminars or schedule a free consultation, please contact Dr. Harold Wong at (480) 706-0177 or harold_wong@hotmail.com. His website is www.drharoldwong.com.

Dr. Harold Wong earned his Ph.D. in Economics at the University of California/Berkeley and has appeared on over 400 TV/Radio programs.