



Distribution Planning Is a Process That Requires Sustainable Results

By Scott Lebin, RFC

When should I begin planning for the distribution of assets that I created during my working years? This is one of the most misunderstood areas of retirement planning and a mistake could cost dearly during a doctor's retirement.

Among the many asset classifications that can create retirement income are the following:

- Personal taxable equity assets
- Real estate and property holdings
- Tax-deferred assets
- Tax-exempt assets
- Pension assets
- Illiquid assets that could be converted to liquid assets

To determine the most efficient distribution, a doctor must do an evaluation of not only the assets themselves, but also the family goals. The "ideal" withdrawal method will be determined by the specific lifestyle needs during retirement. Planning would clarify a method that would identify which pool of assets should be spent first.

The various assets and goals, from wealth accumulation to significance issues, are elements that many retirees want to address. These two issues are probably two of many that have the greatest motivation and create a need to evaluate the method of asset distribution. Wealth accumulation consists of two primary issues:

- How can I protect myself so that I don't run out of money in retirement?
- How can I protect myself from unforeseen emergencies?

Put another way, the issue could be stated, "How can I be sure that I won't have to move back in with my children or ask my children for money to take care of me in my later years of life?" In many cases children do not mind assisting their parents, but this is not how most parents want to plan their own retirement.

Many doctors who have dedicated their lives to patients and medical causes are interested in planning for additional ways to achieve a purposeful retirement. They particularly want to feel that the time they spend in retirement

will add significance to their lives and the lives of others. Some of the planning involves the ability to use the extra time to assist in causes that are important to them. Extra assets that won't be needed to meet lifestyle needs can be used to help others. Many doctors see the benefit of their accumulated assets and personal time being used for causes or institutions that need their help.

In order to make a choice during the distribution phase, a doctor needs to be actively planning and reviewing the plan during retirement. Sustainable results for any family require the continual review of the plan. The new dichotomy of this retirement planning is a direct result of living longer. In the past, retirees didn't have to sustain a plan for more than five or 10 years. Our extended life expectancy has created this change. I still hear doctors say, "I have all the assets accumulated so I don't have to worry about planning." What are the aspects about living for a longer retirement period that most doctors forget?

First, many doctors believe that they can live on the same amount of income they are living on during the year they retire. What they fail to calculate is the hidden enemy of inflation of a 30- or 40-year period. Even in the accumulation phase, many professionals have not accounted for inflation, and if they have, they have used a rate that is lower than the historical inflation rate, thus increasing the probability that they might not make their projections.

Next, many doctors also believe that, "I won't be spending as much in retirement as I did during my working years." The clients I have worked with have not spent less in retirement. They have more time for travel and to take children and grandchildren on vacations, and to pursue new hobbies. They are also impacted by higher prices that they didn't consider when they first retired. For instance, how many of us would have speculated 10 years ago that we would have been paying as much for gasoline as we are today? How many retirees who planned to have their houses paid for at

retirement find that their property taxes are more than their house payments and more than they expected?

Another significant pitfall is spending too much in the early years of retirement and thus finding too late that there is a shortfall during the later years of retirement. Thus, any plan must demonstrate this aspect of withdrawal from retirement funds so that you can understand the long-range effects your early actions will have on later retirement years.

Finally, there is the tendency to overestimate returns on investments. This factor can have a tremendous impact. Often doctors expect at least a 10% rate of return. With diversification at retirement, the chances of attaining such rates of return might have a lower probability than expected. It is better to err on the side of conservative return rates than discover too late that you don't have enough to pay your bills later in life.

The good news is that planning can provide you with scenarios that can help give you various answers and projections for all of the issues mentioned above. This aspect of planning isn't something that should begin when you are at retirement. It should begin early in your accumulation phase so that you can monitor spending and create the assets and capital that can be distributed over a 30- or 40-year period. A plan should have a **sustainable result** and a doctor should review the planning results with a planner on an annual basis.

Scott Lebin, RFC, is an Investment Advisor Representative with and offers securities and investment advisory services through Transamerica Financial Advisors, Inc. member NASD, SIPC and a Registered Investment Advisor. His office is located at 20 South Second Street, Geneva, IL 60134. Managed Economics for Doctors, Inc. is not affiliated with Transamerica Financial Advisors, Inc. Non-securities products and services are not offered through Transamerica Financial Advisors, Inc.

Scott Lebin is the President and CEO of Managed Economics for Doctors, Inc. Please direct any questions you may have for Mr. Lebin to (800) 730-8772. ■

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