

# Episode 60: The Retirement Planning Guidebook- Helping you find the path to a great retirement

**00:00**

Bob French

The purpose of Retire With Style is to help you discover the retirement income plan that is right for you. The first step is to discover your retirement income personality. Start by going to [Risaprofile.com/Style](https://Risaprofile.com/Style) and sign up to take the industry's first financial personality tool for retirement planning. Everything you wanted to know about retirement income, but were afraid to ask or didn't know to ask.

**00:47**

Alex Murguia

I'm Alex, and I'm here with my trusted companion, Wade Pfau. How are you doing today Wade? I'm doing good Alex, how are you? I'm Alex, and I'm here with my trusted companion, Wade Pfau. How are you doing today, Wade?

**00:57**

Wade Pfau

I'm doing good, Alex. How are you?

**01:00**

Alex Murguia

I'm doing good as well. Man stays interest. Yeah, it's been a long day, but we got the energy. Just so we've been doing some workshops with advisors, and yesterday and today, we had two workshops each, so four altogether 90 minutes workshops on the resign retirement income planning and stuff. And it's been great. It's great for us to really it's one thing to write about topics and things along those lines. It's another thing to really get boots on the ground and just talk about stories and helping folks do it, wouldn't you say? I found it fascinating.

**01:37**

Wade Pfau

Absolutely. It's always great to hear the boots on the ground of what's going on with people. It's mainly users for the Risa and just questions they had, concerns they had, ideas they have, and just interacting with each other as well about how are they using it in their practices and so forth. So it's great opportunity.

**01:56**

Alex Murguia

Yeah. For us, what I found fascinating is this was an idea, right? In any research, it's just you start pulling on a thread and you see how far you can pull it. We mentioned even in the workshop side, it's become a kind of a spool, if you will. It's just amazing how Wade and I had this idea, and it's just grown and grown. It's like Where the Wild Things are. That night in Max room, a forest grew or something like that, and here we are. That's not the topic of today, Wade. Today is Wade's Day. Wade we're really good marketers. We would have done a better job about this, but we've been on this investing arc, and then we realized, like two weeks ago, Wade releases the second edition of his book, and were like, man, we didn't do any free work for it. It kind of was silent in the night as we got caught up in this retirement arc.

**02:56**

Alex Murguia

So we said, Hang on a second. We're going to talk about the retirement planning guidebook here, especially since this is the second edition come out. And I would say, Wade, I think it's fair for me to say it's been more than what you would have imagined when you released the first edition.

**03:11**

Wade Pfau

Oh, yeah, absolutely. Just to that point, I have a whole list, a to do list for whenever a new book Edition comes out and all that. One of the items on there is make the Rounds of Retirement Planning Podcasts. I didn't even think about I think when I first prepared the list, I didn't have my own podcast yet, so I didn't even think to put my own podcast on the list. There you are. But, yeah, absolutely. Well, the first edition came out in September 2021, and I've been very happy with how it did. It kind of makes me really emphasize and focus on the need to have frequent editions coming out to make sure it stays up to date and not just with the new year of Data, but with changes that are ongoing all the time. With Secure Act 2.0 as one example of there's a lot that's happened not just legislation wise, but there's a lot that's happened in the retirement planning world since September 2021.

**04:05**

Wade Pfau

So it's time for a new addition.

**04:06**

Alex Murguia

So Wade, I just want to make this as clear as I can here. Your decision not to talk about the book on this podcast wasn't because you didn't want to be on this podcast. It was because it was an oversight.

**04:19**

Wade Pfau

It was an oversight.

**04:22**

Alex Murguia

Okay, for the record, no, I think this is great. I think listen, Wade has a series, the Retirement Researchers Guide series, if you will, and this was the fourth book, which was the book that was additive to everything previously.

**04:42**

Wade Pfau

I should probably wait at some point. I don't think we've done that yet. Okay.

**04:46**

Alex Murguia

The retirement planning guidebook. The Retirement Planning Guidebook. Edicion book. The Retirement Planning Guidebook. And Wade, where does this fit in before we get into the book? Because this is more than just a book. This is a way of thinking. You had all these other books that kind of led up to this, but where is your thinking around where you want to take this series before we get into the book and just how people should be looking at it?

**05:16**

Wade Pfau

Yeah, in that regard. The Retirement Planning Guidebook was always the book I was trying to write,

and as I was writing it, some of the chapters got so long that they could be spun off as their own independent books. The first one was just simply about reverse mortgages. I was writing a chapter about housing and retirement, and it got to be a book length chapter. The book number one in the series ended up being that the book about reverse mortgages. The next book in the series was about the investing based approaches to sustainable spending from investments in retirement. Again, that was a chapter of The Retirement Planning Guidebook that got so long that it served as its own book. That was. How much could I spend in retirement? The third book was Safety First Retirement Planning, and that was the book that focused more on how different types of annuities work and how to think about risk pooling and annuities and insurance as part of a retirement planning strategy.

**06:12**

Wade Pfau

That was, again, a chapter that became a full book. The Retirement Planning Guidebook finally came to fruition in September 2021, approximately ten years after I started trying to write it. Each of those past books is summarized in a chapter. The Retirement Planning Guidebook is really my effort to try to address all the relevant topics for retirement income. The new edition is 26 pages longer. It's now a 500 page book. It hit that it's exactly 500 pages. It's longer and it's new and improved and at this point so the reverse mortgages book sells surprisingly well considering.

**06:54**

Alex Murguia

It'S such a niche thing.

**06:56**

Wade Pfau

It is a niche.

**06:56**

Alex Murguia

It has a place.

**06:58**

Wade Pfau

Yeah, it is a niche, but there's only 50 to 60,000 new reverse mortgages in the country each year. If you just go by the book sales, a significant number of people getting a reverse mortgage must be getting a

copy. I will have annual updates for that one. At this stage, it really becomes too much to try to continually update four different books. What I'm doing at this point is taking more of the content from how much can I spend in Retirement and Safety First Retirement Planning, and folding that into the Retirement Planning Guidebook. On an ongoing basis, I anticipate regular updates for the Retirement Planning Guidebook as well as the reverse mortgages book. The other two books I don't anticipate updating too frequently, if at all, in the future.

**07:44**

Alex Murguia

I'm going to do a little pitch for you. If you want the Spending and Retirement book and the Safety First book, get it. Get it now. They won't be updated, but they'll be on Amazon, but it'd be good to get it. You can say I bought it when. The other piece that I'd like to address is this book was 500 pages. Now it's obvious why our podcast can't be 20 minutes, one and done, in and out. We just don't have that capacity.

**08:20**

Wade Pfau

No, right. With some of our experiences thus far, now that we've been doing the podcast for about a year, topics from the book that maybe were a couple of pages long, that we thought we might be able to cover in an episode or two, we end up taking three or four episodes to get through it. Seems like we add a lot more verbiage to the conversation with the podcast.

**08:44**

Alex Murguia

It is what it is in the retirement planning guidebook. How would you describe that for folks that don't even know? This was a second edition. That is just this is the first edition. I'll preface it by saying, personally, I think this will be the default textbook for advisors. I think this will be on every advisor's shelf, whether they read it from page one to page 500, I don't think so. They may skim it the first time and then they have it as a resource book because I think every chapter in and of itself is a lesson. To me, I think it's that kind of book. It will be, I think, the de facto bookshelf on every advisor shelf and I think it will be a de facto book on every consumer shelf when they get into that retirement planning stage, simply because it level sets everything in a major way and it gets into the details of everything.

**09:36**

Alex Murguia

I can easily, in much the same way that Maquiao Random walk down Wall Street has become this

passive investors come, I think to some extent, to a large extent, the Retirement Planning Guidebook is well on its way, if it's not already there, to doing that in this field, which is nascent. So that's how I see it. It's a must have. I'm not saying that because we want to pitch the books. I mean, that's the reality of it. It just is what it is with regards to how this book is viewed, at least from my perspective and from other advisors that we've been talking to and consumers. That's the general impact that I view that this book has. How do you look at it? What's it about? If you're telling somebody about the book for the first time, how would you explain it?

**10:21**

Wade Pfau

Well, thanks for that, Alex. Yeah, that's my hope as well, is that there's not a lot of competition in that space of being. Sometimes when you look at the reviews on Amazon, most of them are good, but some are negative and some are more because they didn't like something about Amazon. One of the most recent reviews was it was One Star, but they said the One Star is for Amazon. The book is actually five stars, but that's not how things get processed. Anyway, sometimes when someone does give it a lower rating, they say it's like a textbook. I don't think it reads exactly like a textbook, but partly that is the intention that it really is meant to be comprehensive and to provide. It's not just fluff material. It's here's what you need to know, and we're not going to pull any punches on that.

**11:12**

Wade Pfau

Also, unlike some of the books written by financial advisors that are really just commercials for the firm to say no, this is complicated, here's the basic idea, but you better hire me to do it for you. The Retirement Planning Guidebook really is an effort to say no. If you want, you can do this on your own and here's what you need to know in that regard. It's not for beginners. It's for people who have some basic financial literacy already sophisticated types of consumers and or financial professionals as well, who can benefit most from the book? Yeah, in that regard, I hope it can serve as like a textbook for retirement income planning.

**11:54**

Alex Murguia

That's an interesting thought. You mentioned this and look, I've known Wade now for many over ten years and have worked with him and it comes up every so often. And Wade is who he is. He writes the way he writes. To me, I think he wears that and rightly so as a badge of honor. Not necessarily. Oh, by the way, there is no fluff. You want the information, this is the information. What else do you want me to do? By the same token, he's not that type of financial professional that's written the same book

eight different times. We're not going to do that. We're not going to cow tile to something like that. Look, this is the best that he could do. I absolutely know that. You can learn more about. I do think this is the tome for anyone that needs to get a basic understanding and then some on retirement income planning.

**12:53**

Bob French

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**13:18**

Wade Pfau

Thanks. I suppose what we can do then is just highlight maybe just an overview of what we cover in the book and then talking more about what's new in the second edition for listeners who may have the first edition. If you do have the first edition, it's not absolutely necessary to run out and buy the second edition. Certainly if you're a completeist, you'll want to do so because there is a lot of new material, but the first edition still works. You don't necessarily Wade, man, we got to push them.

**13:50**

Alex Murguia

No, but look, this gives you a sense of how weight right. He didn't need to say that, but it's how he is. Right. So take it away, man. What's the book about? How does it begin?

**14:03**

Wade Pfau

Well, it all begins with the Risa, because I really do think that when you're first thinking about retirement so chapter one is what's your retirement style? And we explain the risa. I suppose at this point, everyone listening to the podcast probably has taken The Risa. If you haven't, page 15 of the Retirement Planning guidebook provides a link so you can take The Risa, no charge, get your report and have that as the starting point for then how, as you were saying, you don't necessarily need to read the book from COVID to cover. You might jump around to the relevant sections as they become relevant in your life. But if you have your risa style. You might get a sense of do I want to emphasize more on the investments material, or do I want to emphasize more the annuity material in the book, or do I want to still look at both and so forth.

**14:51**

Wade Pfau

We cover the idea of retirement income styles in chapter one. Chapter two is then just explaining all the different risks related to retirement, between longevity, market volatility, different types of spending shocks and so forth. Chapter three.

**15:10**

Alex Murguia

Because what the book does is they're not randomly just set up like that, right? You're kind of taking them through a journey of how they should be thinking about the retirement income puzzle for themselves. So, yes, chapter one is retirement income style because you need to kind of decide what strategy may resonate with you first, kind of setting it up. There's a reason you particularly put the second one on retirement risk there. I think as we're going through it, sure, we can always just detail, okay, this chapter one, this chapter two. This is chapter three. I think the thinking behind it will help the person who buys the book understand why it's organized in this manner as well. Just my thought. What was your thinking having retirement risk as the second chapter?

**15:57**

Wade Pfau

Well, that becomes relevant then for chapter three because when you start to think about building a basic financial plan and chapter three is about building a funded ratio, to be able to do that, you need to address the retirement risks. That's manifested through what planning age do you want to assume to help manage that longevity risk? What discount rate or rate of return do you want to assume to help manage the market risk and the idea of a low number such as bond yields provide? Also, what do you want to have set aside as reserves to manage different types of spending shocks, whether it's long term care, helping adult family members, fraud, different things, what do you want to have set aside to help manage that? To be able to put numbers around that, you really need to have that background discussion about different types of retirement risks.

**16:51**

Wade Pfau

That's the reason why chapter two covers the retirement risks, because it's really an input into chapter three, building out a basic budget and then developing your funded ratio. What are all the assets you have for retirement? What are all the liabilities you need to be able to fund, including those contingencies, those possible expenses that are related to different retirement risks?

**17:16**

Alex Murguia

Sure. No, I get it. For people that are listening in, a funded ratio is just like a balance sheet driven financial plan where you take assets, your present value of your assets divided by the present value of your liabilities. Because you have a numerator denominator, if your assets are \$110,000 and all the present value of your future liabilities are \$100,000, then your funded ratio is 110%. You have more in assets than you have coming out. And so that's a good thing. We've had podcasts devoted to that. You can check it out. That's where we get into the funded ratio piece of it. Once someone does their funded ratio, what does that allow them to do? That you've outlined effectively, I think it's a mixture there of a couple of chapters, but especially chapter four, which is your investment and annuity strategies. How does the funded ratio kind of inform the next chapter?

**18:13**

Wade Pfau

Well, the idea is that we want to look at not only are you funded at an overall level, but by subcategories do you have enough reliable income to meet your core spending? Do you have enough diversified portfolio to meet your discretionary types of goals and legacy? Do you have enough reserves to meet your contingencies? Looking at those separately and then where? Now chapter one comes back into play because the retirement income style awareness, if you have an income gap for reliable income, you don't have enough reliable income. Things like Social Security, pensions, if you already have annuity, for example, if there's not enough reliable income in place to cover your longevity essential spending in retirement, how do you want to fill that gap? And that's what the Risa addresses. If your total return actually you're not as worried about having a gap there because it's more do I have enough reliable income plus diversified portfolio to meet my longevity plus lifestyle plus legacy?

**19:18**

Wade Pfau

If you're one of the other retirement styles, you'll want to take some action if there's an income gap, whether it's more of a bucketed time segmentation approach or whether it's potentially having a lifetime income protection through different types of annuities. That's where chapters four and five get into that conversation. Around chapter four is sustainable spending from investments, how much can I sustainably spend from my investment portfolio? Starting with the assumptions that go into the idea of the 4% rule, but then going through those assumption by assumption and talking about how things might change if you modify the assumption. Because the 4% rule is a list of assumptions that may not always be well are not realistic in real life.

**20:05**

Alex Murguia

Yeah, and just so we did a whole arc on distribution strategies from a sustainable portfolio, so feel free to check those out. I think we did four or five. How has your thinking changed about that in this chapter? I remember you were thinking, hey, we're going to kind of simplify these things. We don't need to list out the 20 rules and have a bake off. It's really just these certain characteristics that you need to worry about.

**20:38**

Wade Pfau

Yeah, this is actually an area where there's been significant updates with the variable spending conversation because originally that was, I think the longest chapter of the how much can I Spend in Retirement? Was about variable spending strategies. There's so many different people who've offered strategies and they have some pretty complicated aspects to them. I tried to stay as much as possible with using all of their designed rules about how those strategies are implemented. In the first edition of the Retirement Planning Guidebook, I just had a brief overview of the variable spending strategies. Now as part of that process of thinking, I'd rather have more content in the Retirement Planning Guidebook and not necessarily update the pastbooks. That's where the discussion around variable spending strategies got a lot longer in the Retirement Planning Guidebook. I'm approaching it differently now, because it's really when you take all the existing strategies that are out there.

**21:38**

Wade Pfau

What I mean by that is like Jonathan Guyton's decision rules. Michael Kitces's ratcheting rule the floor and ceiling. Rule that Bill Bengen offered. RMD rules and so forth, and so on and so forth. Really, there's some basic levers in them that can really simplify the conversation to just identify what are the basic levers we're talking about. How can we package those together in a few different ways? Here's a few representative type strategies that are easier to think about and implement, but that are really for the most part, getting at the core ideas behind what the more complicated past strategies that are out there we're trying to do. I look at six different variable spending strategies and actually go through strategy by strategy, showing how they perform in simulations. Another difference in this new edition is all the case studies are now linked to have the same underlying return assumptions and so forth.

**22:38**

Wade Pfau

That was something where in the first edition, different parts of the book might have been using different assumptions. There's now an underlying set of assumptions used throughout the book and then with those assumptions, looking at just how these different variable spending rules perform and providing guidance around how people might choose from among them. That is an area that's been updated quite a bit, no.

**23:02**

Alex Murguia

That's reason alone to consider the second edition. You flowed into the annuity strategies right for the next chapter.

**23:11**

Wade Pfau

That's an area we haven't really you're thinking on that on the podcast yet, but at some point we'll have an arc on annuities. It's also an area where I added more explanation and descriptions, well, partly from Safety First Retirement Planning, but also I dig a lot more into the RYLA, the registered index linked annuity, which has just risen in popularity in the last few years. Even when Safety First Retirement Planning came out, rylas were not really all that much on the something people were thinking about all that much. I have a lot more content explaining how structured annuities work, whether it's a fixed indexed annuity, whether it's a registered index linked annuity. I talk about just the returns they can provide, the living benefits that you can use with them and as well as adding more content, explaining how simple income annuities work as well and really just walking through how to think about annuities and when they're relevant to the conversation.

**24:09**

Wade Pfau

For somebody whose style is more income protection or risk wrap, just providing that educational content to better understand how different types of annuities actually work and the role they can play within an overall retirement plan.

**24:25**

Alex Murguia

Hey, Wade. I'm calling of an audible. Before this session, were like, okay, we'll go over the chapters of the book, and then we'll go over the new stuff. I kind of started with your new stuff on the chapter. But it just flows conversation. It's more conversational this way. One of the new things you're starting to look at, and it's in the world of probably a blend of the investments and the annuities, and you give it

some thought here in terms of unpacking it the use of buffer assets to make dynamic decisions with variable spending strategies. What are your thoughts around that, or am I off there? I was thinking the buffered ETFs, but by buffered assets, you could mean something different.

**25:09**

Wade Pfau

Yeah, buffer assets are different from the buffer annuities. They actually really do different concepts, even though they share.

**25:17**

Alex Murguia

No, what I was thinking of? Remember how we just came off those workshops where were talking about the buffered ETFs? My mind went right to that when I saw the word buffer. That's not how we're do you give that any contemplation in the book?

**25:30**

Wade Pfau

Yeah. A buffered annuity, that's another name for the RYLA, the registered index linked annuity. That's where, unlike any of my past books, there's a lot more content explaining how buffered annuities or registered index linked annuities work. That's all new in the second edition as well.

**25:50**

Alex Murguia

We can cut this. I'll make sure, because I asked the question, so I'll be sure to cut this because I screwed up. I was thinking buffered ETFs. Remember how were talking about buffered ETFs?

**25:58**

Wade Pfau

Yeah. And that's buffered. The other one buffered ETF.

**26:03**

Alex Murguia

I read this as buffered assets, and I was thinking, oh, my goodness, it's buffered ETF. No, I can ask this again. You want me to ask you a question on buffer DTFs or not?

**26:11**

Wade Pfau

I'll just make sure one take. Don't worry, it works. What you were talking about with the buffered buffer assets. Not buffered assets. Buffer assets. Buffer assets a simple decision rule about when to draw from them that first showed up in one of the reverse mortgage, updated and book editions, but is now incorporated into the Retirement Planning guidebook as well. There's so many different rules about when do I use a buffered asset. A buffer asset. Now you've seen it. When do I use a buffer asset or when do I take the inflation adjustment for my spending or with a time segmentation strategy, when do I build out or extend my bond ladder? And there's complicated rules for deciding that. I found that there's a really simple rule that works just as well as any more complicated rule and that's just record what's the investment balance on the retirement date.

**27:02**

Wade Pfau

You don't even have to worry about adjusting it for inflation, just it's nominal number in the future. If your investments are worth more than that, spend from the investments. If your investments are worth less than that initial balance, well, that's where you incorporate that strategy. Whether it's to spend from the buffer asset, to not extend your bond ladder with a time segmentation strategy, to not take the inflation adjustment with one of the variable spending strategies. That's the new content related to buffer assets. It's about having a simple decision rule about when to use the buffer asset.

**27:39**

Alex Murguia

To be clear yeah, and this is all one take. To be clear, this is not about Buffer ETF.

**27:47**

Wade Pfau

I got thrown out and the Buffered ETF is a non annuity version of a registered index linked annuity, which is also sometimes called a buffered annuity.

**27:57**

Alex Murguia

Yeah, and there was a big conversation earlier in a workshop on that, twice actually. Social Security. Moving on to the next chapter, what do you tackle in that?

**28:09**

Wade Pfau

Yeah, it's a pretty in depth look at Social Security, including just explaining how benefits are calculated, explaining just the different types of benefits and how to think about what those are and how to calculate those. The whole issue of when you consider that people could claim each month between 62 and 70 and if you have a couple and when you start incorporating all the other kinds of dependent benefits and everything else Larry Kolakov had estimated is like some shockingly high number, like trillions of possible claiming strategies. Just explaining the fundamentals about how benefits are calculated, how to think about different types of benefits, your own worker benefit, spousal benefits, dependent benefits, and then how do you then frame the decision of when do I want to claim the benefits? Are you thinking more as longevity protection or are you thinking in terms of the break even age?

**29:10**

Wade Pfau

Explaining those differences, making a case for the benefits of delaying Social Security, especially for the high earner in a couple, as providing a better retirement outcome through the delay credits that you receive, and then talking about some of the potential objections to delaying Social Security and in particular, the thing that really worries people is Social Security reform. Just this week, the new 2023 Trustees Report came out for Social Security pushed the date that the trust fund is expected to be depleted to one year sooner. People tend to worry that Social Security is going to go away. Explaining how that's not really the case, Social Security will still be. Around Congress had some decisions to make about what to do. There could benefit cuts, but probably at the end of the day there'll be some compromise package that mainly is not going to cut benefits for current retirees.

**30:09**

Wade Pfau

Even if it did, how that doesn't really indicate that you should claim early because if benefits are cut across the board, claiming early is not going to help you, that the benefits of delay become weaker, but still they're not overcome. Just explaining that whole idea about how Social Security reform might happen.

**30:34**

Alex Murguia

It's interesting way the whole Social Security and I'm still perseverating on your comment about Kalikov saying there's a trillion one strategy.

**30:43**

Wade Pfau

I don't remember the exact number, but it was shockingly high.

**30:46**

Alex Murguia

No, I know a lot. That's why I was just kiddingly. Sure they are in the sense that everyone's a little different and.

**30:57**

Wade Pfau

You.

**30:57**

Alex Murguia

Could really slice up these everything's on a spectrum so you could slice things up into units. If you do that, obviously it gets into the trillion, the enumerate number of times. The reality is you're kind of simplifying you're coming at it from the far side of complexity in terms of breaking it down into, listen, there's a couple of decisions here that you need to make. If you get these decisions right, you're on your way. Is that a fair assessment?

**31:21**

Wade Pfau

Yeah. It's basically the high earner has a much stronger case for delaying towards 70, the low earner and the couple might decide to claim sooner depending on circumstances. I also forgot to mention the survivor benefits, which adds another overlay. That's ultimately how you can simplify a lot of the conversation around claiming.

**31:44**

Alex Murguia

What's interesting to me is we're doing a couple of things here. What I've heard so far in terms of the book, and it's very similar to how you should attack your retirement income issue. What's your style?

What are the risks you want to take off the table? What's the economic reality of you being able to implement your preferred style? Let's look at the investments because that serves a purpose for the investments. There's always a role for the investments of some sort. You're going to have to look at those. Let's look at potentially annuity strategies, especially if you're coming at it from the standpoint of income protection. You want to fund from essential expenses, reliable income, et cetera. You want to fund essential expenses with reliable income. So you go from there. Social Security is effectively another pension, so you want to look at that. The next piece that I see here that fits well into this logic of how you should actually be thinking of your retirement income issue in this order is the whole reserves and the whole liquidity and the whole piece of that.

**32:47**

Alex Murguia

You start, to me, you start looking at that with health care and issues surrounding that. I think it's kind of a nice little successive approximations of looking at this whole challenge.

**32:59**

Wade Pfau

Yeah, everything interrelates, but you have to put some order to work your way through it all. Yes. Next on the list is the Medicare. Once you become eligible or otherwise, if you retire before reaching Medicare eligibility, how to think about health insurance in retirement and also health expenses and estimating potential health expenses and estimating contingencies related to health care. Really a lot of the chapter is just about how Medicare works and the ABCDs of Medicare and understanding what Part A does, what Part B does, how much they cost, part C if you decide, well, there's a lot of effort spent. I spend on explaining the differences between Medicare Advantage and original Medicare and then whether if you go with original Medicare, whether you want a Medicare supplement, which one, what benefits do each provide, and so on and so forth. Just how to budget for health care expenses in retirement.

**34:01**

Wade Pfau

That's with that chapter.

**34:02**

Alex Murguia

We had a nice podcast on that one. Remember we threw one out there on Medicare?

**34:07**

Wade Pfau

Yeah, we did. Right during the annual received every year between October 15 and December 7. Oh, that's part of the chapter too. Once you are already using Medicare, the annual updates that you're allowed to make each year. Ongoing decisions related to Medicare, including choosing a Part D prescription drug plan as well.

**34:29**

Alex Murguia

And so then from Medicare, we move.

**34:31**

Wade Pfau

On to drumroll to long term care, talking about some of the statistics related to how likely someone is to need help with long term care events, how much that can potentially cost. What the different funding options are between self funding using Medicaid once you've depleted other resources traditional long term care insurance, and then different types of hybrid long term care insurance that incorporates either with a life insurance policy or potentially annuity, as well as trying to budget for how much reserves do I want to have set aside for long term care?

**35:15**

Alex Murguia

Sure. And then that transitions into yeah, the.

**35:17**

Wade Pfau

Next chapter is then about housing in retirement. Just first of all, looking at the statistics around do people tend to move once they get to retirement? It may be surprising that the answer is people's moving rates are the lowest, like into their fifty s and sixty s compared to any other age group. A lot of people do like to just stay where they are. If you are thinking to move, then working through the characteristics of what should you be looking for in a good place to live in retirement. Also helping to set up an advance to support aging in place, like just what home renovations might you do to make it easier to live in your home into the future. Also the book I have on reverse mortgages. There's a ten page summary of that book as part of this housing chapter as well.

**36:11**

Bob French

Are you getting close to or are you in retirement? Download Retirement Researchers Eight Tips to Becoming a Retirement Income investor by Heading over to [retirementresearcher.com/eighttips](http://retirementresearcher.com/eighttips) again, get Retirement Researchers Eight Tips becoming a Retirement Income Investor by Going to [retirementresearcher.com/eighttips](http://retirementresearcher.com/eighttips) that's the number eight tips. Your investments are there to help you pay for retirement and now is when they need to earn their keep. To make sure you're on the right track. Download retirement Researchers eight Tips to Becoming a Retirement Income investor by Heading over to [retirementresearcher.com/eighttips](http://retirementresearcher.com/eighttips) again, get Retirement Researchers eight tips becoming a Retirement Income Investor by Going to [retirementresearcher.com/eighttips](http://retirementresearcher.com/eighttips) that's the number eight tips.

**36:50**

Alex Murguia

No, very thorough. I mean, look, we're checking up all the boxes. If you're listening to this podcast, there's a parallel thing, right? These are the things you need to make sure that you have boxes checked off on. This is how the book is organized. Once we get into past that piece, then well, there's a couple more but we get into tax planning. Tax planning is not something you look at last. Obviously it's 10th on. The chapter is further down. Tax planning really is sprinkled, at least in the investments in the annuities. It's sprinkled throughout.

**37:27**

Wade Pfau

Yeah, it's the longest some unpacking it's the longest chapter in the book. And right, it's where everything's interconnected. You have to understand Social Security claiming before the tax planning chapter because how you claim Social Security impacts what kind of taxes you may have to pay on your benefits and so forth. The tax planning chapter can't really come before Social Security, but they are all interdependent. I just walked through how taxes or how the tax system works in the United States. The progressive nature of the tax system taxing ordinary income versus preferential income, and then getting into the tax planning conversation around can you start to think strategically about being able to pay less taxes? Or it's not really about what minimizes your taxes, but what gives you the most after tax spending power. They can be related, but they're not the exact same thing. Paying less taxes, getting the most after tax spending power out of your assets through strategies like if you're retired in your you're delaying Social Security.

**38:40**

Wade Pfau

This can give you a window to do Roth conversions so that by the time Social Security begins, and then later by the time that your required minimum distributions begin, now, starting at 73, you might be able to set yourself up to not have to pay as much taxes on your Social Security benefits and so forth in a manner that gives you a better by front loading some of your taxes, you can get a better overall financial planning outcome. This is the longest chapter in the book, but it really works through all those issues and then provides a detailed case study. That case study is also completely redone compared to the first edition of how to Implement an Efficient Retirement Distribution Strategy.

**39:27**

Alex Murguia

I think it's great. From there we start moving on to beyond that, beyond yourself legacy planning, other items. You want to speak about that chapter ?

**39:42**

Wade Pfau

Yeah, the legacy and incapacity planning. Really? That chapter has two different parts. The first is getting your finances organized and being able to explain to others, other family members, other important people in your life, potentially other, like the executor of the estate or with your advanced directives who may have some authority with your financial, like the powers of attorney and so forth. Getting all your finances organized to make their lives as easy as possible. Looking at some of the issues related to if there is a potential to pay estate taxes, which currently you have to be pretty wealthy before that becomes an issue. We never know how the legislation could change in the future. If you are in a position where you may need to pay estate taxes, a basic understanding of how that whole conversation around tax planning for estate taxes works. That is an area that becomes much harder to do as a do it yourself individual, but trying to provide that basic education and understanding so that you can be informed when you speak to an estate planning attorney or some other professional to incorporate some of those more complicated tax related estate strategies.

**41:05**

Alex Murguia

And then, Wade, it seems you take a left turn in Albuquerque right here with the next chapter. No, it's important. It's different from what you usually write about. That's what I meant. It's relevant for the book, and it fits for the book, but it's content that people probably don't associate themselves with

Wade writing about. But again, it's well worth it. Within the constructs of the book. The non financial aspects of retirement planning, what were you trying to accomplish there?

**41:41**

Wade Pfau

Right, so the non financial aspects of retirement, just having purpose and passion and meaning in retirement to some extent may be more important than the financial aspects because at the end of the day, people can make things work from the financial perspective. I mean, they may not have the lifestyle they're hoping for, but if they haven't addressed having good relationships with friends and family and everything outside of the financial picture, that makes retirement much more complicated. There's plenty of books on retirement that focus on these non financial aspects, and I thought it's really important to address that as well. It's one chapter out of the rest of the chapters are about the financial aspects. Looking at the key issues about making sure that you've not overlooked having a good lifestyle beyond just the financial.

**42:38**

Alex Murguia

Consideration, I would say, Wade, that even though it's one chapter among many, each chapter isn't equally weighted. Right. I think this chapter is as important as anyone in the whole system because we see this a lot with clients. I mean, it's one of these existential things. The phrase that you kind of come away with after reading your book is the importance of retiring into something as opposed to retiring from something. And so I think it's key. It's a very good read and it's well worth it. You could make the case it should have been the first chapter kind of thing. It's a very plausible sort of argument. We have our rinse, repeat chapter. Yeah, what's that one about?

**43:28**

Wade Pfau

Chapter 13 on putting it all together, tries to help provide checklists and to do lists and taking everything from earlier in the book and just now organizing it by theme of age. Like, what should you do at different points when you retire, when you're going to claim Social Security when you reach 65 and are now eligible for Medicare. You know, Wade, Also looking at another way to summarize the book, just having a list of potential mistakes people might make as a way of summarizing earlier content in the book as well. It's really getting things all wrapped up and summarizing the book by converting it into a clear, precise list of, okay, check these things off, make sure you've done all this, and if you can check all the boxes from Chapter 13, you're on your way to having covered all these important aspects for your retirement plan.

**44:39**

Alex Murguia

after I've heard this I'm going to change my mind on something here. Which is well within my right. I think for an advisor, I do think it's more of a handbook, more of a reference guide, that they can go back to and not read it from start to finish. Because you know they are always dealing with client issues and not every client is at the same stage. But just going through this exercise, okay what are these exercises about? It just hits home that this is pretty much the order that someone should sort of implement a retirement income plan. I do think it's more of a handbook to a reference guide that they can go back to and maybe not read it from start to finish because they're always dealing with client issues and not every client is in the same stage, et cetera. Just going through this exercise of, okay, what are the chapters about?

**45:04**

Alex Murguia

It just hits home that this is pretty much the order that someone should implement a retirement income plan. When you're thinking, what do I do now? How do I transition into retirement? How do I put it all together? That's what I'm struck with this conversation, is just follow these steps. The only one you could quibble with is the one about non financial aspects, because you got to get yourself right, that kind of thing. And that's very important. Other than that, these are the boxes you need to check, and I would say you should probably check them in this order for the most part. And that's very important. I mean, this is not just the episode where we talk about Wade's book. It's almost like the episode where it's also, look, you want to get your retirement income plan, right? And you want a path.

**45:54**

Alex Murguia

This is that path to follow. I think the book is almost like a great guide. It's called the Retirement Guidebook for a reason, right? It really is like an ordinal guide as well in terms of step wise. This is the path you should take, not just a general reference guide. I mean, I can't help but think that. It's great for someone to just listen in and see, look, these are the boxes to check in this order as well. What's one thing in the book that you worked in, that you worked on? I'm sorry, that's new that you thought, oh, this is a cool concept, let me flesh this out in the book.

**46:36**

Wade Pfau

Well, we have covered some of those things, but there's a few others too. We mentioned already, like the variable spending strategies was all redone. The case study about tax planning was completely redone. The content about registered index linked annuities is all new, not appearing in any book in the past. There's also more discussion around. A lot of the health care chapter is about Medicare, which becomes relevant at age 65. Early retirees who are using the Affordable Care Act, the subsidies, this is part of tax planning income affects subsidy, eligibility for the Affordable Care Act. Looking through the mechanics of how that all works, that's another area with new content that hasn't appeared in any past edition either.

**47:26**

Alex Murguia

All right. For me, I'm interested in the efficient frontier of retirement income because that's a line of research that we're starting to wrap our hands around. This goes back to even that buffer ETF comment that I made earlier where my head was at. I'm kind of digging that one just because it's something that I want to unpack personally as well. I think that's kind of cool and something I didn't mention and we should have said it earlier in the show notes we're going to have links for because there's always like new tax laws and this and that. We're going to have links to handouts of new tables of a select number of tables that are in there. Just as good little cheat sheets for you.

**48:11**

Wade Pfau

Not the tables from the book, but what it is it started as my own personal so updating a 500 page book on annual basis. I spent a lot of time getting organized and so basically I keep track of every number in the book. Now what these tables are doing, like for Social Security, all these annual numbers that change showing their values in 20 23, 20, 22, 20, 21, same for long term care planning, same for the Medicare. There's a lot of numbers related to Medicare that change every year. Reverse mortgage lending limits change every year. Of course, with tax planning, all the tax brackets and everything changes every year. For my own benefit, I made all these tables. This is what I got to fill out an update in the book. We now will make those available as a download for anyone listening to the podcast who'd just like to see all these numbers that tend to change every year, their values for the last three.

**49:11**

Alex Murguia

Years, and we'll put those in the show notes. Anything else? Way to take us home here.

**49:19**

Wade Pfau

Well, the other things that change in the book, too, so it is fully updated first to Curac 2.0. That also took a lot of time because there's many small, subtle changes that you have to be very careful. I've done that, gone through the whole book, made all those updates for the Secure Act 2.0 and other kind of legislative changes that happen. The Medicare planning tool is a lot better, especially when you're looking at Medicare supplements since the first edition came out. So I updated that. There's a new RMD table in 2022. The new edition has the new tables related to required minimum distributions, more discussion around the Secure Act 1.0 and the ten year rule for inherited IRAs. Also there's new rules related to if you first enroll in Medicare during the general enrollment period, you don't have to wait until July 1 anymore for coverage to start.

**50:17**

Wade Pfau

It starts on the first day of the following month. Those are also the kind of policy or legislative changes that have been addressed in the book as well. That covers what I was hoping to get out of the conversation today.

**50:38**

Alex Murguia

I know you were humble about it at the beginning, but I think look, it does merit. I mean, if you're going to the first edition book early and often and you're using it a lot, I think it merits picking up the second edition. If it's one of these things that you look at it once a year, yeah, maybe not, but if you want to stay current specifically because of the Secure 2.0 act, it just makes a lot of sense to me.

**51:01**

Wade Pfau

Yeah, right. Ladies and gentlemen, Wade Pfau. I don't want to suggest that every single person who has the first edition needs to run out and get the second edition. It depends how frequently you are using that resource and all that.

**51:27**

Alex Murguia

Ladies and gentlemen, Wade Pfau. Okay. All right, Wade. Man yeah, I mean, look, 50 minutes just describing the book. 1 minute for every page. No, that wouldn't be right. It's 500 pages. What's 500 divided by 1010 seconds for every page? All right, everyone. No, it's not either, because it's 60 seconds,

but I can't do the math in my head that quickly. What is it? I don't even want to bother. All right. Anything else?

**52:02**

Wade Pfau

Well, no. Recently it seemed like this podcast was becoming investor style. We will have another episode with Bob French on the investments, but then we'll pause on that. We'll bring Bob back again in the future to dig into some other investment topics, but we will get back onto that Retire With Style track as well. Wade, that's what, the 50 minutes mark? We're still working out what direction we're going to go, but we'll dig into a retirement topic again very soon on.

**52:29**

Alex Murguia

The yeah, it's one page every 6 seconds. Wade, that's what, the 50 minutes mark? There we go. No, it's true. We wanted to get the investment side done because we were talking about things, and they always underlie the investments. I don't know, we always get the sense that we're not talking enough about within retirement income. A lot of consumers always wondering about investments, investments. We wanted to start laying down the groundwork on that. If we kind of took it from soup to nuts, we'd be like, 30 weeks just talking about investments. So we give it a nice push. We'll end it with actually a pretty cool guest the week after this podcast comes out, and we'll have Bob on and again, a very special guest. We'll continue another arc on a retirement income topic, and we'll go from there and we'll go back to the investments at some point.

**53:25**

Alex Murguia

I mean, we spent time telling you what doesn't work. We're going to get into what does work in a very detailed manner. First we want to have a little break and talk about retirement income.

**53:42**

Alex Murguia

Bye now.

**53:46**

Bob French

Wade and Alex are both principals of McLean Asset Management and Retirement Researcher. Both are

SEC registered investment advisors located in Tysons, Virginia. The opinions expressed in this program are for general informational and educational purposes only and are not intended to provide specific advice or recommendations for any individual or on any specific securities. To determine which investments may be appropriate for you, consult your financial advisor. All investing comes with a risk, including risk of loss. Past performance does not guarantee future results.