

VESTED INTEREST

NEWSLETTER OF THE WEALTH STRATEGIES GROUP

Creating Income in Retirement

For many, retirement has become something different from what it once was. Now, many retirees are just as active in retirement as they were when they were working full time. They are filling their days with meaningful non-profit work and embarking on second and third careers that they likely could not afford to try in their earlier lives.

Regardless of what you plan to do in your retirement, if you have collected a paycheck for the past many years, you will need to find ways to replace the cash flow by generating income from the money you have saved. The common sources of retirement income — Social Security and defined benefit pension plans — may or may not be enough to support the lifestyle you have mapped out for your golden years. If you have been saving in a 401(k), 403(b), IRA, or another type of retirement plan, some sound financial planning can determine both how to draw income from these assets as well as the best way to ensure that they last as long as possible.

Drawing on Interest and Dividends

One simple way to create an income stream from your investments is to draw only the interest and dividends and have them deposited electronically into your bank account. This method is simple and makes it very unlikely that you will run out of funds, as you are not tapping into principal. The portfolio that is optimal for this strategy in a low interest rate environment is one that is a combination of income-producing assets such as dividend paying stocks, real estate investment trusts, and bonds. The strategy can be implemented on your own with mutual funds or individual securities, or with the help of a professional advisor to oversee the portfolio and ensure you are adequately diversified and thereby managing risk. The drawback to this strategy is that it limits the control you have over the income you receive, as it is dependent on the current interest rate and dividend payout environment.

Managed Payouts

Another strategy that could provide more income is one that experts call managed payouts. In this method, you apply a safe withdrawal rate to the portfolio and draw that amount on an annual basis. Many have touted the “4% rule” as a good number to start with. For the past several decades, the annualized returns of a balanced investment portfolio have in most cases outpaced this number. There is no guarantee, however, that the future returns will reflect those of the past. There are many factors to look at to arrive at the number that works best for your circumstances, including: your risk tolerance, your asset allocation, and inflation and market outlook.



It is best to use financial planning tools or the help of a financial planner to arrive at the appropriate withdrawal rate and to monitor it over time to ensure it is still optimal for the current environment.

Immediate Annuity

Purchasing an immediate annuity is another option for investors seeking current income, and the options have become much more sophisticated over the years. The basic premise is that you purchase an annuity from an insurance company, which pays you a monthly benefit for your lifetime, creating a do-it-yourself pension. You may also protect your spouse or partner with a joint and survivor annuity, which will pay a monthly income as long as either one of you is living. There is even an option to purchase an inflation-adjusted immediate annuity that gives you a cost of living increase every year to account for inflation. The downside to this method of income replacement is a lack of flexibility, as once you have signed the contract, you most likely cannot change your mind or get your money back.

Start the Conversation

These are just some of the options to create an income stream from your savings in retirement. In order to ensure a successful retirement, it is critical to utilize all of the resources you have to make these important decisions. If we can help in any way, give us a call and we can work together to make your retirement the best that it can be.

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Navigating the Financial Impact of Divorce

Anyone who has been through a divorce knows the emotional and financial challenges it may bring.

Even the most amicable divorce brings major life changes. Having the guidance of a qualified team of professionals will put the odds in your favor to emerge from your divorce in a financially stable place where both parties believe the divorce settlement is fair.

There are three key professionals you may want on your divorce team. A therapist, a divorce attorney and/or mediator, and a financial planner who specializes in divorce planning, preferably one having the Certified Divorce Financial Analyst (CDFA) designation.

A CDFA professional is skilled at analyzing and providing expertise on the financial issues of divorce. Their role is to assist the client and his/her attorney to understand how the financial decisions he/she makes today will impact the client's financial future based on certain assumptions.

What are the realities of divorce?

- **Plan to live on less income:** You very often go from a two person income in one

household, to two households each with one income. Income is often cut in half while expenses increase.

- **Not all assets are equal:** The taxation of an asset, the liquidity of an asset, and the future growth potential of an asset all need to be considered in the division of assets. One spouse generally wants to keep the family home. Think twice about that. The family home has upkeep and maintenance, property taxes and takes away from cash flow for daily living.
- **Don't let your emotions rule:** It is important to be thoughtful about your financial future and that of your children, if applicable. Knowledge and understanding of information is key to negotiating a fair and equitable settlement.
- **Wait, we had more assets than this!** It is common for one spouse to try to hide assets. Gather at least three years of tax returns to look for differences and discrepancies to what is being disclosed today. For higher net worth couples, consider hiring a forensic accountant to ensure all assets are discovered.

- **QDRO? What's that?** A QDRO or qualified domestic relations order is a judicial order used to divide a 401(k). Always be sure to confirm with the 401(k) plan provider to make sure they allow for the QDRO. It is very important that the 401(k) be divided properly or taxes and penalties may apply.

- **Make sure your interests are insured:** If spousal support and child support are being paid as part of the settlement, make sure that life insurance and disability insurance are being considered as a requirement. This will ensure that payments will continue to be made in the event of pre-mature death or disability of the payer.

These are just a few of the realities. The goal is to make informed decisions while going through the divorce process to set yourself up for the best financial outcome possible. As a CDFA, I am happy to sit down with you to talk about your options.

Donna Cator, CFP®, CDFA is a Vice President, and Investment & Financial Planning Officer. She may be reached at (585) 419-0670 x50623 or by email at DCator@CNBank.com.



Introducing Sam Guerrieri to the CNB Executive Team

We are pleased to announce the addition of **Sam Guerrieri** to the Executive Team. Guerrieri joins CNB as Executive Vice President, managing the Wealth Strategies Group, Genesee Valley Trust, Canandaigua National Trust Company of Florida, Online Brokerage Services, Inc. & CNB's Insurance Agency and associated offerings. With more than 25 years in the financial industry, he has held several executive positions, most recently as President and CEO of M&T Securities, Inc. Sam earned his Bachelor of Science in Psychology from the University of Rochester. He and his family reside in Rochester.



"I am excited to join a team and organization with such a strong commitment to financial stewardship," said Guerrieri. "I look forward to bringing my financial experience to the communities that CNB serves," he added.

Sam may be reached at (585) 419-0670 x50608 or by email at SGuerrieri@CNBank.com



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