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Should You Consider a Partial Retirement (Webinar Recording)

Ashley Thomas: I would like to welcome our moderator, Debra Gates.

Debra Gates: Thank you for that, Ashley. And again, we just wanna welcome you to, should you consider. A partial retirement. But first I wanna just go through a couple of important disclosures. I will not be reading through all of them. However, I do want to amplify the fact that this presentation is being given for per educational purposes only.

So if you have questions like Ashley said earlier about your personal situation and what may be right for you, please know that CAPTRUST is available to help you. So I wanna pose the question. So what if retirement didn't mean stopping? It just meant slowing down. And as people live longer and work changes, partial retirement is becoming a very flexible, appealing option for many.

And so today we're going to explore what it is, how it compares to full retirement, and why it might be right for you. I have an expert panel, a set of panelists with us today. They're gonna share some insights on financial planning, lifestyle impact, and strategies to create a steady income stream. We'll also cover some key concepts like asset allocation and the sequence of returns so that your retirement plan stays stronger.

It is our intention that by the end of this session, you'll walk away with the clearer picture of whether partial retirement is right for you. So without any further ado, I wanna introduce and welcome my guest panelists today. So I want to welcome Rosanne and James. It's a pleasure to be here in our Pasadena, California office that's home of the Rose Bowl.

I want you to know that their full bios are in the handoff section. However, I wanna just kinda add Rosanne and James collectively bring over 50 years of Indu industry experience to this conversation today. A little tidbit of information about Rosanne is that when she's not in the office, she enjoys ballroom dancing with her husband.

And then a tidbit about James. He enjoys traveling with his family and also playing a little bit of golf every now and again. So thank you both for welcoming me and hosting me in this Pasadena office. So thank you for coming.

Rosanne Costello: Thanks, Debra. It's great to be here.

James Valmonte: Hi Debra. Thanks for having me.

Debra Gates: Absolutely. So let's just jump right into this conversation. Rosanne, I think I wanna start by posing a question to you and then James, if you feel free to jump in as well. What exactly constitutes partial retirement? And how does it differ from traditional retirement? I want you to tell me the definitions, a very clear definition of them.

Eat both of them. And then I want you to tell us what you're seeing with your clients because you're working with individuals every day about this subject.

Rosanne Costello: Okay, I'll go ahead and start. Traditional, basically it's what we all know. Our grandparents did it, it stopped working, right? You just, there's a hard cutoff.

You give your employer the date and that's it. You're done working. No more paycheck from wages and you have more free time. You travel, hobbies, golf, things like that. And the partial really involves, a formal definition is it involves continued employment past the usual retirement age, but at a reduced scale and reduced income.

So you retire, but then you keep doing something to generate an a, a paycheck or some sort of income. And the usual age I don't know about that definition. Usual 'cause it's a little bit different for different employers, right? Sometimes it's like age 55 or 60 where an employer has said, we'll, consider you retired at that age.

Sometimes it's a formula based on your years of service and your age, maybe that has to equal 75. Something like that, but that's a definition for the retirement age. And you know that's about it. I think we're seeing a lot more on the partial retirement side. I think it can be a scary thing when you stop working and you have a lot of time left in your day is very abrupt.

And I think people are liking the idea of phasing into this partial with partial retirement and a sense of income as well. James, you have anything to add to that?

James Valmonte: Yeah, thanks, Rosanne. Yeah it's a flexible arrangement and one way to view it, it's a way to give the trial run for the rest of your life.

And there's so many ways to go about. Partial retirement. I've got a client who does freelancing for a important client for his company, and it almost serves as a story for that relationship. And that's all they look to that client is to help make sure that client is happy and that the company can continue to work with that very important client.

I've had clients that go off and do consulting and, provide that knowledge and expertise not only to their organization, but other organizations and other clients that do it on a seasonal basis. And it's not even related to doing work for what they did for 30 or 40 years. Think about partial retirement as flexibility, not only partial reduced income and responsibilities. But, giving yourselves the flexibility to think about how you want to enjoy that partial retirement.

Debra Gates: Yeah. And so you're gonna hear us use these terms interchangeably. We will say partial retirement, phased retirement, the new retirement. And so the terms are synonymous. And as a matter of fact.

James can you tell us, 'cause research has been done, can you tell us what the research shows us? Because Fidelity did a study last year exploring the attitudes and behaviors of more than 2000 investors as they prepared for retirement. So what are we seeing in the research? Tell us about that.

James Valmonte: Yeah, sure. Before we, I jump into this data with this great fidelity study that was done, Debra I think it's instructive for us to kinda look back in history and just understand how the definition of retirement has evolved. You go back to pre 18th century and the natural order of things with retirement was that you worked until you were unable to perform your job or you died.

And then with the advent. Of social welfare benefits and pension plans. It evolved into this general expectation that you would retire at 65 and you fast forward to today with mobile hybrid work remote work. We have this new definition and, now this new definition of retirement is being embraced, particularly with the younger generations.

As this slide points to baby boomers tend to still the majority of them still tend to like the general traditional form of retirement cliff type of retirement. You work and you just you come to complete full stop of work, whereas gen X and millennials are, they're more receptive to the idea here, as you can see in these numbers.

On the slide. And then Debra, if you'd move on to the next slide, please. Here we can specifically see how generations feel about working partially working in retirement and Gen X, 60% of them like the idea and millennials 58%. And there's a whole plethora of studies out there that all point to.

This same conclusion is that the definition of retirement is changing. One study I saw not in this slide is that for the first time in 50 years, we had 20% of people over the age of 65 still working.

I'll give it back to you, Debra.

Debra Gates: Okay. And we have another study as well. Rosanne, can you talk about. So I'm sure we're probably, people are probably wondering, what industries would be suitable for, or they're more receptive to the idea of partial retirement. Rosanne, can you tell us about this study that was done by the GAO?

Rosanne Costello: Sure. Yeah. And I'm not surprised that education comes in at the top with 12% with a phased retirement. We see that a lot with our teachers, our teacher clients, where they worked as a teacher. It's their passion their whole life. They miss that when it's time to retire and a lot of 'em go back as substitute teachers.

I think that's really popular. We also have just for the field of education a client that was a dentist and he retired in his early fifties. Always wanted to be a professor, so went back, got the credential and became a professor at the university. And he is still working at age 85 as a professor, so Very cool.

On the education side let's see, with, consulting that, that makes sense to me too. Utilities I think consulting that those folks are used to moving from company to company. We see that a lot. And we're in la right? The aerospace industry is a big deal down here. So a lot of the engineers they'll go from.

Consulting with one company to another, or they'll have worked with one company their whole life and they get hired back as a consultant. And, that makes sense because it's good for the employer too as James was talking about

earlier, keeping that seasoned employee on, but it's less expensive for the employer to bring them back as a consultant, so that's very common as well.

Let's see. The high tech industry, we see that a lot as well where they, it's a type of a job where you're on the cutting edge of things and to abruptly stop is difficult. So having a more of a phased retirement on high tech as well, or they do completely stop because they reach burnout.

So that's common too.

Debra Gates: Yeah.

Rosanne Costello: Deb.

Debra Gates: Yeah. I think when we're looking here at con as we continue this conversation on partial retirement, Rosanne, would you talk about the financial and psychological advantages associated with adopting a partial retirement model?

And then how might these benefits influence. Overall wellbeing and the long-term financial stability and economic stability.

Rosanne Costello: I think the first one with financial benefits is just that ease of transition. A lot of people get to have a lot of anxiety about abruptly stopping and not having that stream of income anymore.

You're on a fixed income when you fully retire. And so this is a nice way to ease into that transition of you still get a paycheck, you can get a feel for things and gradually. Rearrange your finances and pay attention to where, you have to be very strategic about where you're gonna be pulling money from.

But it's a nice ease of transition to have that money still coming in and get a feel for it. Let's see. I think. There's a lot of choices when it comes to, social security. Medicare starts at age 65. That's something to consider is one of the benefits. Maybe you do wanna wait a little bit longer.

You have this, HSA accounts are very popular now where people are saving for their own medical to pay their own medical bills in the future. And if you're phased. Out of retirement and still working, you can still contribute to these HSA accounts. I think you know, the social security, you have a choice on when you wanna take it.

Most people wait till their full retirement age, but some people wanna wait until age 70. There's no reason to wait until after age 70. But anyway, with this stream of income, you have choices, and that's really what it's all about. Personal and social benefits. Obviously, sometimes going to an office and being around people, staying engaged with the workforce, what's going on, depending on what your work is that can be a big plus.

I think it's a good opportunity really just to test the waters.

I know there are challenges and hopefully James is gonna be prepared to talk about the challenges that come with it too, because there are many challenges. This is just the benefits side.

James Valmonte: No, I want to.

Rosanne Costello: Okay.

James Valmonte: And with all the great benefits of considering partial retirement that Rosanne pointed out, you do need to be mindful of the, a few potential challenges to making that decision.

The financial side, if you're one of the few folks out there that's fortunate enough to not only have a 401k plan, but a pension plan. Partial retirement and still collecting income could have an impact on the benefit you collect from the pension plan. Many pension plans out there today.

The formula is based on your highest earning years. So potentially reducing your income could be to a detriment to what you could potentially receive in a form of a pension benefit. If you're considering partial retirement the best decision might be to retire from that company, collect your full pension benefit, and then consider employment at another company.

Social security. Rosanne pointed out the benefits of potentially delaying your claim to maximize your benefits. But if you're considering claiming early before your full retirement age you have to be mindful of the fact that for every dollar you earn over the year's income limit for social security you receive I'm sorry.

You receive a correct myself for every dollar of re there's a reduction for every \$2 of income earned above the social security limit. This year it's \$23,400 and that number is adjusted. Be mindful of that. And then you also have to look at, if you were working and you had a great plan and you received a match in contribution.

Moving to a part-time status may preclude you from receiving that matching competition you received while you were working. And the other very important fact from a cost standpoint is will you still be eligible for the healthcare benefits your company does offer? So there's a, those are key financial challenges.

You, you wanna make sure you investigate on the lifestyle side. With all the, I'd say there's more lifestyle benefits relative to the transition from retirement a traditional retirement versus a partial retirement. But there are some challenges because if you're still have maintaining responsibilities and work to your employer, but on a reduced scale, and at the same time trying to bring into your calendar.

New new endeavors. Trying to discover a new purpose for yourself and how you're gonna spend time in retirement. You're managing new managing new boundaries with your the structure of your life. And potentially there's some decision fatigue and the early on as you're trying to decide what are you doing with that extra time.

So those are some of the lifestyle challenges that you might face during a partial retirement. Back to you.

Debra Gates: Yeah. And so when we look at financial challenges, I know that we have on the slide about pension impact, but where we're looking at the impact, we're looking at all employer sponsored plans.

So that's your 401k, that's your 403b that you're looking at, because I know we have all of those in our client base, our clients all across. So don't feel slighted or left out because we're talking about all the of the employer sponsored plans. But I do want to given the financial and psychological factors that we've discussed before we go into creating a plan and looking at creating a plan for partial retirement, I just wanna take a pause at this point and look to see if there are any questions that we might have.

Ashley, any questions coming in?

Ashley Thomas: Yes, we have received a ton of questions. We appreciate you all being so engaged in the conversation. I am seeing that a few of you are submitting personal questions, so again, please don't hesitate to reach out to our advice desk for those specific questions related to your situation.

But James, based on what you were talking about, can you let us know how employers are typically responding to requests for reduced hours or flexible schedules and what challenges someone would. Commonly faced when adjusting to that reduced work schedule?

James Valmonte: Oh, great question. Tough question, Ashley.

The, as the GAO study slide earlier pointed to at this point, Ashley the amount of formal pro phased retirement programs in this country we can see it's still at a low percentage number. So the reality is. Most folks that are considering partial retirement if your company doesn't offer one, it's you're gonna have an individual conversation with your employer.

You're gonna have to make a case of the value of partial retirement to that employer. And then there is some value to making that pitch to your employer. One they don't have to spend money on search and onboarding of a new employee. And if you've been there a long time they get the benefit of that.

Knowledge transfer, those years of experience and that you bring to the table. Make that case if you're considering a partial retirement. And what was the other part of that question, Ashley? I'm sorry.

Ashley Thomas: What challenges people commonly face when they're adjusting to those reduced work schedules?

Ah,

James Valmonte: okay. Immediately what comes to mind for me. And working with retirees is underestimating your actual expenses in retirement. So many people go through and don't take the time to really take inventory of where the money goes, and it's not until they're actually in retirement and spending and.

Saying that they have less income to cover those expenses. It it's a bit of a surprise. Another one is not planning adequately for healthcare costs. As well as not properly taking into consideration that you're still going to be paying taxes. You're earning less, but you're still paying taxes, and then you're starting to take money out of your retirement plan.

And you're having to pay taxes on those distributions as well.

Ashley Thomas: Yeah. Thank you for that, James. And just as a reminder, everyone, there is a budgeting worksheet on there if you wanna start getting a head start on those expenses. Debra, I'll go ahead and turn it back over to you.

Debra Gates: Yeah, just, and I just wanted to add, when you're thinking about those kinds of programs that your employer may or may not have, doesn't that mean Rosanne, you can jump in here as well.

That when you're talking about partial retirement, it doesn't have to be the company that you worked for 30 or 40 years. Perhaps you're going to venture out and do something new. Maybe you're gonna be an entrepreneur or maybe you're going to do some other things that made to, to supplement what you've saved in your other things that you're doing and it's not going back to what you were doing for those 30 or 40 years.

Rosanne Costello: That's exactly right, Debra. The, it is rare. Actually that you are hired on after you retire from a company and you're brought back on to the same company. More often than not, folks will find a different type of a job. They'll work for a different company or they'll start their own company.

We had a client that was a nurse for her entire career and she'd always wanted to do something like a coffee shop. Her folks were into that. And so when she retired, she bought a food truck and converted it into a little coffee shop, truck and a bakery, and she takes it from event to event.

So she became very entrepreneurial for the second chapter of her life here, second act. But yeah, it is rare that they stay with the same company. Yeah.

Debra Gates: Yeah. So given the financial and psychological factors we've discussed what key indicators should individuals look for to determine if they're truly ready to transition in to partial retirement?

And James, I think I'm gonna start with you on this one. And then I think Rosanne is going to jump in and then even take us a little bit further.

James Valmonte: Sounds good. How about I tackle the two circles in the middle Rosanne, and you can take the two on the end. So let start with age consideration.

The age most synonymous with the retirement. It's 65. That's Claire. However there are other ages, important milestones, some specific to where you work that

you need to research and understand if those ages apply to you. It may be 50 if you're considering partially retiring before, before retirement age.

And that might be the first opportunity you have to actually use your retirement plan. As a source of income. Not all plans have that provision. And then there's 59 and a half. That is the age that if you wanna start taking distributions from your retirement plan account without the early penalty of 10%, that's another important age to consider.

And then there's the social security full retirement age to receive a hundred percent of your benefit. Calculated benefit. If you're born after 1960, it's not 65. If you try to do, you're born after 1960 and try to claim before 67 your actual full retirement age you're looking at a reduced benefit.

So if you want your full benefit, you'd have to wait to 67 and then 70. You want an 8% raise for three years and you're able to wait. 70 would allow you as a to delay your benefit and maximize that, increase that permanent social security benefit even more on the social life aspect.

This is probably the most overlooked aspect of the decision is, what's gonna happen to your social circles? For many of you. Now, those social circles have become a very important part of your life. And to a certain extent if you're working with your existing company that's fine.

You get to maintain that to some degree. But as Rosanne pointed out to you, many of you will go into partial retirement's, not with your old company. So you're having to form important relationships, new relationships that are key to avoiding the the pitfalls of isolation. And so very important aspect.

The other one is you're maybe renegotiating roles and responsibilities in the household if you're home more. And that might mean that the grandkids that were getting picked up from school or being sheltered over to practice by your partner. If you wanna keep them happy, you might be the one who needs to start doing that as well.

So take those into consideration. I, those are very important aspects on the social front. Cashflow, budgeting, healthcare, Rosanne take it away.

Rosanne Costello: Okay. Yeah, healthcare is a big deal just related to that. Age 65. A lot of people are just aren't aware and they don't think about it when they retire at 59 or 60 or 62.

They've gotta pay out of pocket for their healthcare costs. So that's a big consideration if you saved for it and you plan for it and you do your homework, where am I gonna get my healthcare? Sometimes you have to go to a insurance broker. There's a lot of different resources.

But it is a big consideration when you're thinking about that retirement date. In partial retirement. Again, if you're with the same company, there's a potential, there'd be some sort of retiree healthcare benefit. It's just so customized. You've gotta do the homework on that one before you pull the trigger.

And then cash flow and budgeting. This is where we spend a lot of time to figure out whether you're ready or not to retire. Partially or full retirement. And, like James said, the expenses are the most overlooked and under estimated problem when it comes to cash flow and budgeting.

I think people just have a hard time figuring out where their money's going. There's so many different places it could be going, being, bill pay. Sometimes you. The money is taken out of your account. There's still ATM machines credit cards, there's just a lot of different ways that your money is leaving your, your account and it's hard to keep track of it. I would say that's crucial to have that have a good understanding and a solid budget before you consider retiring. And there's lots of tools out there. I think Ashley is gonna talk about them, but one that we like is called Monarch money.

There's a fee for it, but it's a nice way to organize your finances and know and have that confidence before you pull the trigger of going to a partial retirement or a full retirement. And I think there's another slide, Debra, that I can go into a little more detail after this one. It's really where we hang out as financial planners and financial advisors.

The next, this slide is one of our favorite to show people. How they're going to replace their money when they stop working or go to a partial retirement. You still need that cash flow now that you've figured out what your expenses are. So I'll give you the lay of the land of this chart.

Basically, it's on the left side you have your non portfolio income sources, and on the right side you have your portfolio. There'll be money coming in from both places. But then follow the red arrows down to the bottom. You can see that it's, it's a combination of these things that make your paycheck for you once you've retired.

So you have this stream of income and you can depend on it. James, you wanna talk about social security and then annuities and pension, and then I'll go into the portfolio?

James Valmonte: Sure. So social security benefits you've been paying into the system for years and I know you want to get what's yours.

And it's an important piece of the paycheck for the rest of the li your life you're trying to create. And there's a benefits to, again, delaying potentially. The claiming of your Social Security as Rosanne pointed out to you and partially working is one way to allow you to hold off on making that claim.

Know that there's some cost of living adjustment built into Social Security benefits of potentially that's an amount that will increase. But the expectation there is it'll be there for the rest of your life. And then if you're fortunate the pension plan. Again, only 15% of employers offer a pension plan similar to social security.

Once you turn that on you collect that for the rest of your life and potentially your partner gets a certain high percentage of that benefit as well. And the annuities if you can have the resources you can create a sort of pension, like stream of income. Through annuities. But the key aspect here is that you're considering partial retirement.

That partial work and additional link continuing income that is coming in, allows you potentially to maximize social security as well as maximize what you can do on the portfolio side of things, which Rosanne's gonna talk about now.

Rosanne Costello: Yeah. I'll give you the definition of these three buckets, but before I do that, I do wanna say.

Talk to a professional. This is a very customized thing. And you have to be very strategic about where you're pulling the money from, whether it's a security annuity, or if you're tapping into some of these retirement accounts. You have to be very careful from a tax perspective and you wanna optimize where you're pulling the money from.

So a professional consultant can help you with this. And the outwork folks on the phone can help with this as well. So I think I'll go through these three buckets. First of all, you have your taxable investments. Those are your your

checking accounts, your savings accounts. That's liquid money that's already been taxed.

It could be a brokerage account where you've got investments. It's already been taxed from an income tax standpoint. There may be capital gains in there, different types of taxes, but basically that's taxed after tax money. The next bucket is called a pre-tax retirement account bucket, and that money hasn't been taxed.

All the taxes have been deferred. So this would be your 401ks, 403Bs, four 50 sevens. The annuities, sometimes the annuities will be in an a retirement account. Those are, the government is waiting for their tax money on that. So just remember whenever you pull a dollar outta that, it will be taxed.

And then the Roth account on the final that is after tax money, but it's in a place that's never gonna be taxed again. So Roth accounts are after tax dollars that you've saved for your retirement, and you pay the taxes when you put the money in the Roth, and that money grows tax free. Okay? There's no requirement to take money out of that.

It can pass on to your heirs and that will pass on tax free as well. So it's really the goose that laid the golden egg. We love the Roth accounts. So anyway, when you do look for the partial retirement ideally you'll be working with a professional to help you figure out should I turn on my social security?

Does that make sense? Now I've got my rental income coming from some homes I've rented out. Maybe. That's gonna be some source of income and then where to pull the money from next, because there are penalties associated with some of these boxes, like the pre-retirement account in the middle. As James mentioned before, you gotta be 59 and a half, or you're gonna pay 10% on taking money out of that.

So you have to just be really careful when it comes to creating that paycheck. Does that make sense?

Debra Gates: Wonderful. Yeah, that makes sense. Thank you so much for that. Okay. We have a couple of more concepts. It is amazing how fast the time goes. So I, I know you're really passionate about this concept sequence of a returns Rosanne and the consolidated investment portfolio.

I know that's considered like your nest egg, but what if the economy doesn't look good? For your next day, and what do you do if the markets are down? Is it

still a good idea to plan for retirement? And I just want you to this sequence of returns. I know that it's really crucial for retirees, but can you just explain in layman's terms and tell us why is such a crucial consideration for retirees?

Rosanne Costello: Yeah, I think it's crucial and it's a lesser known. A lot of people don't think of it until they get, they're standing at the door and there's a down market sitting in front of them. Imagine you've planned this whole event of I'm going to do this partial retirement. I'm gonna pull money from here and here, and this is how much I need.

You've done all the homework on that in the markets. Take a turn for the worst. So it, it's called the sequence of returns, and it refers to the order in which the investments with the returns occur, especially during retirement when you're pulling money out. I'll give you the lay of land on this one.

Now, the the investor on the left, the blue investor, and then you got the investor on the right. They both start out with a hundred thousand dollars. And then look at the return column under the blue and the yellow and the green, sorry. You can see that the blue investor has a nice starting point.

Okay? So his a hundred thousand grows by 8% the first year. He takes his \$5,000 out for the year, and so his net nest egg is \$103,000. And you can see he's got positive returns all the way to year 11. And then they go negative at the end from 11 to 15. So he starts out positive, goes negative, it's all good.

He ends up with \$105,000 and a 4% return during that 15 year period. On the other, the flip side with the green investor, he starts out just the opposite. His returns are negative for the first five years, and then they're positive all the way up until year 15. Because he consistently took his \$5,000 out every year, just like investor Blue did.

But he's, he was negative to start with. You can see his nest egg goes down and his ending after the 15 year period, he never caught up because he pulled the same amount of money out in a down market. So his nest egg go dwindle down to 35,000. You look at that and you say, oh geez, what can I do if the markets are down and I wanna retire?

There's some pivoting that can go on, and I actually saw that during COVID where people had picked out their date. It was March 30th, they were gonna retire on that day, and COVID happened, I think the markets were down about 35% in that month, in March. And so they did a pivot. They said, I'm not gonna retire this year.

I'm gonna push it off for a year. So that was a complete pivot. But what we see more often than not is people will reduce the amount of the withdrawals that they take. So instead of 5,000 that year, maybe they do 2000, or maybe they pull the money from another source. Like a, they start living on their savings for the first couple of years in this down market.

Usually those bear markets don't last that long. That's five years. It's very unusual. But. For a couple of years have a backup plan where you could possibly pivot and not have to sell your investments to live on, in a down market. So that's all that's saying is just, be prepared to pivot or tighten your belt.

We actually had some clients during those tight times in the 2020 and 2022 was a bad year as well, where they said, look I'm not traveling, I'm not doing anything anyway, stop taking money outta my account. And they'll just turn it off for a couple of years. Yeah.

Debra Gates: Yeah. So there are all kinds of things.

I think the common thread that I hear from you and James both is just really to spend some time planning and thinking about what it is that you wanna do. I wanna go through one more concept that James, I want you to talk about asset allocation. Briefly because I do wanna get some more questions in, I know that there, there's, there are more questions that are coming in.

So can you just briefly explain this asset allocation?

James Valmonte: Sure. I will be brief. Asset allocation, it's important. It's a bottom line. It's diversification geographically, industry sector, and very importantly the ratio between stocks and bonds. You get it right. And in terms of its alignment with your time, a horizon, your goals, and you don't, shouldn't have to make too much changes and you can weather those tough time of sequence events Rosanne was alluding to on the last slide.

So it's very important. It's the main driver of successful outcomes from a portfolio performance standpoint over time. So don't ignore asset allocation. My. Ask of those on the call today, if you haven't done it in a while, is call the CAPTRUST at Work Advice Desk. And if you're considering partial retirement, make sure not only you're asking about partial retirement, but where your asset allocation is relative to the conversation of maybe how your where your goals are and how those goals have changed.

Debra Gates: Yeah. And so I think at this point I'm going to just make a little bit of a switch. It's the wonderful thing when you're live that you can do this. What I wanna do at this point is I wanna put up these takeaways and conclusions. And while this is up, and you can read through this, know what you're retiring to, your lifestyle, your expenses, your goals, the common theme is that you wanna have a plan.

You wanna be open to partial retirement as an option if it makes sense. And then the other thing is we are gonna look for you to call CAPTRUST because CAPTRUST is readily available. To answer any questions for you. So while we while I turn this to Ashley to see what questions we have in the question page, I'm gonna put up the phone number that everyone can read and write down if you have questions about your personal situation.

These are the hours of operation. Here's the website where you can schedule an appointment, schedule as many appointments as you like. And so I wanna leave this up so everybody will have access to this information. But Ashley, are there questions? I know that there are questions that have come through.

Ashley Thomas: Yes. So we have tons of questions. Thank you all so much for submitting these. Again, I still see a few personal questions, so if you have questions that are personal in nature, please don't hesitate to schedule that appointment or give us a call at the hours on your screen. So Rosanne, I will go ahead and.

Send a question your way. How can someone socially and mentally engage? How can they stay socially and mentally engaged during partial retirement?

Rosanne Costello: Oh boy, there's lots of books out there. I usually give my clients that are transitioning to retirement retire Happy, wild and Free by Ernie Zelinsky. I love that one. But yeah, as far as what to do with all that extra time. It's gonna be very personal. Like I said, if you're going to be more entrepreneurial and start your own company, you're not gonna have any trouble finding things to do with your time.

You're gonna be occupied full-time on that one. Yeah. And as far as, staying engaged in, you're part of a community again, if you're partially retired and you're working for a company. That's gonna help a lot, that'll ease that transition of, potentially being isolated as James mentioned, you've got that camaraderie, that community that you go to every day.

Ashley Thomas: Yeah. Thank you for that information. Now James, a question for you, what are some common mistakes that you see people are making when they begin transitioning to partial retirement?

James Valmonte: Sure. So the most clear ones that come to mind for me are most frequent ones is the better word, is just under estimating how much money actually spend in retirement.

The other one is not taking, and a consideration the taxes that you're gonna continue to pay. You're partially working at a reduced state, but you're still gonna pay taxes on that income and understanding the impact that might have on maybe social security benefits you're receiving.

But also the fact that you'll also have additional taxes through the investments now that you're gonna start liquidating either through your 401k plan and ordinary income or other savings accounts you, you might have, and then the healthcare piece. It's starting to finally get attention to create, get a more broader awareness across the country that healthcare outside of what your Medicare and whatever health plan you have is gonna cover.

You're gonna have some out of pocket. Expect that, and it could be 100, 200, \$300,000 potentially for a couple. Is that in your budget? Have you accounted for that? So expenses are the key aspect of kind of overlooked or mis mistakes made by not fully taking the expenses into account actually.

Ashley Thomas: Yeah, that's a really great point. I know that's something that we try to drive home with everyone. Make sure you know your numbers. Rosanne in that same vein, people are wondering about taxes, how they can be prepared for those, how they can shelter themselves from them. So are there tax implications that people should be aware of when they're transitioning to partial retirement?

Rosanne Costello: Yes and yes, they can be very significant, especially income tax, social security benefits potential penalties. There's just so many things you have to consider. It's almost like literally threading a needle and getting that you just don't wanna make any mistakes when it gets to that point.

For example, you don't want to. A lot of people take their 401Ks when they leave a company and they roll it into an IRA that is called a direct rollover, and it needs to go directly to the new institution. It can, it be, it needs to be made payable to them. Do not let them make a check payable to you when you take money out of a 401k.

Yeah, there's a 20% withholding and the, and that money will just be gone and there's nothing you can do about it. So you don't wanna make mistakes when it comes to that. You just have to be really careful, get the professional help. Another one with, like we talked about, I think earlier, the IRA taking money out of an IRA before you're 59 and a half, there's a 10% penalty there.

Your tax bracket will drop down if you're partially retired and your income goes down. And there's some things you can take advantage of as well when your tax bracket drops down, maybe some possible Roth conversions. I won't go into all the details, but basically you pull money out of the ira, you get taxed on it, and you put it into the Roth.

Remember the golden, that golden goose that lays the egg, right? The more money you can get into that Roth, you'll never be taxed again. It's such a beautiful thing. So there's advantages that of having that partial retirement and those years where you're tax strapped. It drops down and you can take advantage of things.

So it could be a CPA, you know that you get help from professionally, but your advisor should lay out the plan for you and at least get it set up and work with your CPA with you.

Ashley Thomas: Yeah, that's all really great information. Now people are wondering how they can prepare for partial retirement, things that they should keep in mind.

So are there a few steps that you can give us, Rosanne, of how someone should begin preparing for partial retirement in the next six to 12 months?

Rosanne Costello: It's back to the numbers game, really from a financial perspective, which is where I live, right? It's all about getting your arms around your expenses.

Where's your income gonna come from? Put together a spreadsheet get yourself an balance sheet, what are your assets, what are your liabilities? I think it helps to have debt paid off, especially like non-mortgage debt. You want to go into that with not having any debt to drag you down.

Let's see. Figuring out, I think, your sources of income and how you should pull that income, being real strategic about all of those things before you pull the trigger. Sequence of returns. Look at the environment, what's going on around

me right now? Because the worst thing you can do is retire or partially retire and have to draw on your portfolio, the market's down, and then panic.

You don't wanna panic because you if you had a plan in place. You've gotta, try to implement that plan. You might have to pivot from it a little bit and move it around and adjust it. But, once you have that plan in place, you don't want to liquidate everything and sit in cash because you're afraid because the market went down.

Ashley Thomas: Okay. All really great points. Rosanne. James, some people are expressing some concerns they've never seen partial retirement. They're not sure if they actually want to stick with a decision, and so can someone reverse their decision if partial retirement isn't working out as they planned?

James Valmonte: Good question. Short answer, yes. Long answer. It depends on your expectations. It should be reasonable. Depending on how long you've been in partial retirement and how you executed your partial retirement may be easier to go back to full-time employment if you stayed with your current employer just on a reduced scale.

But even that's not a guarantee of depending on where the markets are and demand is for the role. You may have challenges and clearly that may be harder if you're trying to get back, go back to the company you used to work for. So maybe the expectation is you wanna go back to working full-time.

The expectation should potentially be to another employer, and a different type kind of job.

Ashley Thomas: Great. Thank you. And so I'm gonna present you all one more question. I'm not sure who wants to take it or if you'll tag team it, but how does someone balance income from part-time work with withdrawals from their retirement account?

Rosanne Costello: Yeah, I'll start James. Yeah, the income, you have to figure that out.

First, how much do I am I, at what age am I? Okay? So that's a starting point. If you're low, below 65 and or 67 and you're taking a discount on your social security, you might not wanna turn that on. And so figure out where. Your income is gonna come from, and again, people have other ways of getting income, right?

Other sources, whether it's a rental property and they know they're gonna get this much, whether it's annuity, they might, they know that this is gonna cover the nut for my bills every month for my annuity. It's very customized, so it's it's not a one size fits all type of thing. It's gonna be dependent on your circumstances.

So figure out the income and then, get your arms around your expenses. Maybe you need to cut expenses a little bit. Maybe you need to front load your expenses and, hey, I'm healthy. I wanna travel, I wanna do things now while I can. And just know that it's gonna stop or slow down at some point, and you can budget for that as well.

Just being open to changing, making changes as needed. That's it.

Ashley Thomas: James you're back on. Debra, you wanted to add?

James Valmonte: Oh, James. Oh, Ashley, could you repeat the question? Forgive me I missed the part of that question. I heard balance email.

Ashley Thomas: Yeah. This was just really asking more so about how are they balancing the income that they're receiving while they're working and those withdrawals from their retirement accounts.

I didn't know if you had anything to add before we turned it back over to Debra. Yeah.

James Valmonte: Yeah. Not too much. Rosanne, I. Explained it well the proper way to manage that it just, it comes down to it, it's a balance. And you're trying to minimize if possible, the amount you need to pull from your other sources so you can allow that money to continue to grow, so that becomes a bigger benefit and more money for you down the road.

I think ultimately that's the goal when you're looking at those different sources your. Partial retirement income and your portfolio income.

Ashley Thomas: Yeah. Great. Thank you so much, Debra. I will go ahead and turn it back over to you.

Debra Gates: Thank you Ashley. I just think the common theme through all of this is is to plan, to be able to pivot.

But the wonderful thing about everyone that's on this call today, you have access to advice you have access to a sound board, so you can go online, schedule appointment at CAPTRUST at work.com, and it is a 30 minute appointment. All we need is your name. We need your email address. A phone number and you can actually speak to one of our financial counselors.

And they'll set that appointment. We'll send you a confirmation for all of that. And if you wanna call us directly at 1-800-947-NINE six seven, I'm sorry, 9 9 4 8 Monday through Thursday, 8:30 AM until 5:30 PM Eastern time 8:30 AM until 4:00 PM on Friday. But when you're looking at scheduling those appointments, we have some evening appointments available as well.

When you're planning out, when you're thinking six to 12 months ahead of time, just call and have speak to someone at CAPTRUST and we can do a blueprint for you and just see foundationally where you are and see if this really is a consideration for you. We have, can you tell me in 30 seconds?

It's a hot brown robin. 30 seconds. What's your closing thoughts, James? 30 seconds.

James Valmonte: Partial retirement is a great option. If you're considering it talk to an advisor sooner rather than later. The sooner you start the more options and more opportunity you have. Rosanne, 30

Debra Gates: seconds.

Rosanne Costello: Yeah. Give yourself choices, fill up your nest egg with all these different buckets of money.

And. Plan, have a plan. Don't be afraid to change from your plan and enjoy it. Find something you love and enjoy. Enjoy the ride.

Debra Gates: Absolutely. So for those of you on the call, this session has been recorded and you'll receive a notification in the co upcoming days how you can access this recording.

And it will get to you. So again, once again, thank you for welcoming to the Pasadena office, James and Rosanne. Thank you for your time. It's been great. So everybody have a great day. Stay safe and we'll see you next time.

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