



## Clarion Newsletter

July 2015

### The New Gradual Retirement

Working a little (or a lot) after 60 may become the norm.

Do we really want to retire at 65? Not according to the latest annual retirement survey from the Transamerica Center for Retirement Studies which gauges the outlook of American workers. It found that 51% of us plan to work part-time once retired. Moreover, 64% of workers 60 and older wanted to work at least a little after 65 and 18% had no intention of retiring.<sup>1</sup>

Are financial needs shaping these responses? Not entirely. While 61% of all those polled in the Transamerica survey cited income and employer-sponsored health benefits as major reasons to stay employed in the "third act" of life, 34% of respondents said they wanted to keep working because they enjoy their occupation or like the social and mental engagement of the workplace.<sup>1</sup>

It seems "retirement" and "work" are no longer mutually exclusive. Not all of us have sufficiently large retirement nest eggs, so we strive to stay employed - to let our savings compound a little more, and to leave us with fewer years of retirement to fund.

We want to keep working into our mid-sixties because of two other realities as well. If you are a baby boomer and you retire before age 66 (or 67, in the case of those born 1960 and later), your monthly Social Security benefits will be smaller than if you had worked until full retirement age. Additionally, we can qualify for Medicare at age 65.<sup>2,3</sup>

We are sometimes cautioned that working too much in retirement may result in our Social Security benefits being taxed - but is there really such a thing as "too much" retirement income?

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#### Upcoming Seminars

October 2015  
(Day to be determined)

#### Portfolio Review

Call us today to make an in-person or phone appointment to review your portfolio.

Contact Us  
866-557-1031



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Income aside, there is another question we all face as retirement approaches.

**How much control will we have over our retirement transition?** In the Transamerica survey, 41% of respondents saw themselves making a gradual entry into retirement, shifting from full-time employment to part-time employment or another kind of work in their sixties.<sup>1</sup>

Is that thinking realistic? It may or may not be. A recent Gallup survey of retirees found that 67% had left the workforce before age 65; just 18% had managed to work longer. Recent research from the Employee Benefit Retirement Institute fielded roughly the same results: 14% of retirees kept working after 65 and about half had been forced to stop working earlier than they planned due to layoffs, health issues or eldercare responsibilities.<sup>3</sup>

**If you do want to make a gradual retirement transition, what might help you do it?** First of all, work on maintaining your health. The second priority: maintain and enhance your skill set, so that your prospects for employment in your sixties are not reduced by separation from the latest technologies. Keep networking. Think about Plan B: if you are unable to continue working in your chosen career even part-time, what prospects might you have for creating income through financial decisions, self-employment or in other lines of work? How can you reduce your monthly expenses?

**Easing out of work & into retirement may be the new normal.** Pessimistic analysts contend that many baby boomers will not be able to keep working past 65, no matter their aspirations. They may be wrong - just as this active, ambitious generation has changed America, it may also change the definition of retirement.

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**Citations.**

1 - [forbes.com/sites/laurashin/2015/05/05/why-the-new-retirement-involves-working-past-65/](http://forbes.com/sites/laurashin/2015/05/05/why-the-new-retirement-involves-working-past-65/) [5/5/15]

2 - [ssa.gov/retire2/agereduction.htm](http://ssa.gov/retire2/agereduction.htm) [6/11/15]

3 - [money.usnews.com/money/blogs/planning-to-retire/2015/05/22/how-to-pick-the-optimal-retirement-age](http://money.usnews.com/money/blogs/planning-to-retire/2015/05/22/how-to-pick-the-optimal-retirement-age) [5/22/15]



## Why Sell Investment Property Now? *Doing the Ben Franklin*

A few weeks ago while meeting with a long-time client, he said he could not wait for the economy to improve so he could sell his rental properties for a better price and finally retire. We reviewed the status of each property (debt, equity, net annual income, market value, etc.) and evaluated the likely result of a potential sale in this market place. He was reluctant to sell for all the obvious reasons, but he really wanted to sell for all the obvious reasons. Quite the dilemma!

After some discussion and a little soul searching, the client decided this was indeed a good time to sell and listed his retail and residential properties for sale. His goal is to complete a 1031 Exchange into Delaware Statutory Trusts (DSTs) so he can stop working (dealing with the toilets, tenants and trash), travel with his wife, spend more time with his grandchildren and finally get to enjoy the wealth he had created during his lifetime. But is this a good time to sell given the economy? As you may imagine, it was not an easy decision.

There was much to consider. Could he get a fair price for his property? What would he do with all that time on his hands? Could his buyers get a loan in this difficult lending environment? How many years would it take for market values to return to pre-recession highs? Does it make any sense to sell at this time when we are still not recovered from the recession? It seemed every time he came up with a good reason to sell, he immediately identified a good reason not to sell. What to do?

So I suggested we complete a Ben Franklin decision matrix to compare the pros and cons of selling and not selling at this time. The Ben Franklin decision-making tree or matrix is a simple way of looking objectively at the reasons to do and/or not do something. A copy of his analysis appears on the next page.

Every investment property owner will have their own personal reasons for selling or holding their properties and this matrix is unique to this particular client. The most important reason for selling may be economic, but for many of those who choose to sell, it is just the right time for them to sell and give up the day to day responsibility for property management.

If you have been wondering if this is a good time to sell your investment properties, please take a few minutes to create your own Ben Franklin to see if it makes more sense for you to hold or to sell your properties at this time. The current market place does provide good buying opportunities at historically low interest rates for institutional and cash buyers. And remember: you can't buy low and sell high in the same market at the same time.

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## Ben Franklin Decision Matrix

### “Should I sell my property now and complete a 1031/DST Exchange?”

<u>Pros</u>	<u>Cons</u>
<ul style="list-style-type: none"> <li>• Ready to stop being a landlord - no more tenants, trash, and toilets</li> <li>• A 1031/DST Exchange defers all taxes due at sale</li> <li>• DSTs are readily available to complete my exchange</li> <li>• If I sell at a loss, I can use the tax credit to offset current/past taxes</li> <li>• Possibly many years before inflation reaches 2007 property values</li> <li>• Capital gains and depreciation recapture taxes may increase soon</li> <li>• DST properties are generally large, commercial investment properties that come with professional asset and property management</li> <li>• Historic low interest rates are available on DST properties</li> <li>• Buy low in current market and position property for sale in next bull market</li> <li>• Higher potential monthly income from the DST than provided by my current property</li> <li>• Leverage up into Class A triple net properties</li> <li>• Stop working and be free to travel or go fishing</li> </ul>	<ul style="list-style-type: none"> <li>• Not ready, still building my business, enjoy working and being a landlord</li> <li>• Don't want to sell and pay capital gains and depreciation recapture taxes</li> <li>• Don't have/can't find a suitable replacement property</li> <li>• Market value is now less than what I paid for it</li> <li>• Market value is more than I paid for it, but less than it was in 2007</li> <li>• My investment strategy is long-term buy and hold</li> <li>• I do not want to give up control of the property or investment to a third party</li> <li>• I think I can better manage my investment properties myself than others could</li> </ul>

*This material does not constitute an offer to sell or a solicitation of an offer to buy any securities described herein. Only the prospectus makes such an offer. The offering's objectives, risks, charges and expenses should be considered carefully before investing. The prospectus contains this and other important information about the offering. As with any real estate investment, there are various risks including, but not limited to: loss of principal, variations in occupancy which may negatively impact cash flow; illiquidity, and limits on management control of the property.*

### Thought for the Day

“MONEY, n. A blessing that is of no advantage to us excepting when we part with it.”

~ Ambrose Bierce ~