

Retirement Income Made Simple

A Practical, Plain-Spoken Guide to Building a Reliable Paycheck for Life By:
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Introduction: The River and the Wallet

Money rarely behaves the way we wish. One minute it's flowing, the next it's evaporating like a summer puddle. Retirement income planning is the art of turning savings into a dependable paycheck so your lifestyle doesn't depend on the market's mood.

This guide is built to be read and used. You'll find narrative explanations, sidebars with quick facts, numbered steps, and short stories with real numbers. Use a pen. Circle things. Ask yourself the questions sprinkled throughout, and make decisions you can live with.

Quick Take: A strong retirement plan covers essentials with guaranteed income, keeps 1-3 years of cash handy, and lets the rest grow for the future.

Ask Yourself □

What expenses do I want absolutely guaranteed for life?

- When I imagine a perfect month in retirement, what am I doing-and what does it cost?
 - If the market fell 20% this year, which expenses would I trim first?
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Social Security: Your Bedrock

Social Security is the most reliable income source most Americans will ever have. The decision you

control is timing. Claiming at 62 shrinks your check; waiting to 70 grows it roughly 8% per year after Full Retirement Age (FRA).

There's no universal "right" answer-only the answer that fits your life expectancy, your spouse's needs, your savings, and your nerves.

Did You Know? Claiming at 70 vs. 62 can raise your monthly benefit by 70-80% depending on your FRA.

Case Study: Henry vs. Clara (With Numbers) Henry files at 62: \$1,400/month (\$16,800/year). At age 82 he has received roughly \$336,000 (ignoring COLA).

Clara waits to 70: \$2,480/month (\$29,760/year). From 70 to 82 she receives ~\$357,000-more than Henry-despite claiming later. If she lives into her late 80s, the gap widens significantly.

Who "wins" depends on longevity and need. Henry valued cash sooner; Clara valued more cash later. Match the strategy to your sleep-at-night factor.

Smart Moves □ Coordinate claiming with a spouse (survivor benefits can step up to the higher earner's benefit).

□ Mind taxes: up to 85% of benefits can be taxable depending on other income.

□ Use savings to bridge to a later claim age if you want a larger lifetime benefit.

Pensions: If You Have One, Optimize It

Traditional pensions are rarer, but precious. Decide between single-life (biggest check, ends at death), joint-and-survivor (smaller check, continues for spouse), or a lump sum rollover.

Your choice should reflect health, age gap, other assets, and your spouse's security-not just the biggest number today.

Case Story: Robert & Maria Choose Security Offer: \$2,000/month single vs. \$1,600/month joint with 100% survivor benefit.

They chose the joint option so income would continue for Maria. Peace of mind beat a larger check.

Tip: If a lump sum is offered, compare the implied payout rate with a high-quality immediate annuity quotation for an apples-to-apples guarantee.

Savings & Investments: Taming the Wild Horse

Sequence-of-returns risk is the hazard of bad markets early in retirement. The same average return can produce very different outcomes depending on the order of gains and losses.

Tactics that help: hold 1-3 years of cash for spending, refill it after gains; use guardrails (spend more after good years, tighten after bad); rebalance regularly to keep risk in check.

Withdrawal Approaches (Compare & Contrast) □ 4% Rule: Simple starting point, not a promise; adjust when reality differs from history.

□ Guardrails (e.g., Guyton-Klinger): Raise/lower withdrawals based on portfolio changes to avoid ruin or underspending.

□ Buckets: Cash (0-3 years), Bonds (3-7 years), Stocks (7+ years). Sell from growth when markets cooperate; lean on cash when they don't.

Did You Know? A 20% drop early in retirement can have double the impact of the same drop a decade later-because you're selling more shares at low prices.

Inflation: The Quiet Budget Buster

At 3% inflation, prices roughly double in 24 years. Healthcare often runs hotter than the headline CPI.

Your plan needs an annual "raise" baked in.

Ways to fight back: keep some growth exposure (quality stocks/dividends), consider TIPS and I-Bonds, and use COLA features where appropriate (annuity riders, delaying Social Security).

Healthcare & Medicare: Plan, Don't Guess

Medicare basics: Part A (hospital), Part B (medical), Part D (drugs). Add either Medigap (supplement)

or a Medicare Advantage plan. Higher-income retirees face IRMAA surcharges-tax planning can help avoid bracket surprises.

Build a healthcare line item in your budget that includes premiums, deductibles, dental/vision, and out-of-pocket meds.

Estimate: An average couple may spend \$300,000+ on healthcare over retirement (excluding long-term care).

Budget for it now.

Long-Term Care (LTC): A Realistic Plan Beats a Lucky Guess

Two of six Activities of Daily Living (ADLs) is a common trigger for benefits. Funding options

self-insure, traditional LTC policies, or hybrid life/annuity-LTC combos.

A practical approach: earmark assets or choose a modest hybrid benefit sized to protect against the first 2-3 years of care.

Annuities: Turning Savings Into a Paycheck

Types: SPIA (income now), DIA (income later), MYGA (CD-like fixed rate), FIA (index-linked growth with principal protection).

Use annuities to 'floor' essential expenses-mortgage, groceries, utilities-so the rest of your portfolio can ride out markets without panic selling.

Case Study: Flooring Essentials Essential bills: \$3,200/month. Social Security covers \$2,100. A \$1,100/month SPIA fills the gap. The portfolio is now free to focus on long-term growth for travel, gifts, and surprises.

Life Insurance in Retirement: Protection, Liquidity, Legacy

Whole Life/GUL: guaranteed protection to fund legacy or final expenses. IUL: flexible premiums with index-linked cash value; can provide tax-advantaged loans later.

Final Expense: small permanent policies (\$5k-\$25k) so children aren't left with bills.

- Equalize inheritances when most assets are tied up in a home or business.
 - Provide quick, probate-free liquidity for survivors.
 - Coordinate beneficiary designations with your estate plan.
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Taxes in Retirement: Strategy, Not Guesswork

Think in lifetimes, not tax years. Use low-income years (often 62-70) to convert portions of IRAs to Roth before RMDs begin.

Coordinate withdrawals to manage brackets and Medicare IRMAA thresholds. Consider Qualified Charitable Distributions (QCDs) from IRAs at 70½ to reduce taxable income.

Simple Example Converting \$40,000/year from a traditional IRA to Roth between 63-66 may reduce future RMDs and lower lifetime taxes-especially for a surviving spouse who'll file as single.

Behavior & Psychology: Spend Without Regret

Retirees often underspend out of fear. A written income plan, bucket strategy, and rules for withdrawals help you spend confidently without second-guessing.

Set rules in calm times: spending guardrails, rebalancing bands, and a 72-hour hold on big financial decisions after market shocks.

Real-Life Scenarios (Expanded)

The Floor & Explore Couple: They cover essentials with Social Security + annuity ('floor') and leave investments to fund travel and gifting ('explore'). When markets drop, they pause extras-essentials never wobble.

The Solo Saver: A single professional builds a Roth ladder and an IUL for flexibility. Keeps two years of cash, delays Social Security to 70, and uses a guardrails withdrawal strategy.

The Business Owner: Mixes a SEP-IRA, a deferred annuity, and GUL for legacy. Ensures heirs won't be forced to sell assets in a downturn.

Checklists & Worksheets

Pre-Retirement (50-65) □ Max out 401(k)/IRA; use catch-ups after 50.

□ Pay off high-interest debt; right-size the mortgage.

□ Price LTC options before health changes.

□ Update beneficiaries; add transfer-on-death where appropriate.

Year One of Retirement □ Build a 12-month budget: essentials vs discretionary.

□ Set up monthly transfers from a cash bucket; refill quarterly.

□ Confirm Medicare coverage and drug plan.

□ Schedule a 6-month income review and a 12-month tax projection.

Annual Review □ Rebalance portfolio; check risk vs. target.

□ Project taxes; consider Roth conversions/QCDs.

□ Review healthcare/LTC; price changes annually.

□ Refresh estate documents; verify beneficiaries.

What-If Playbooks

If Inflation Surprises: Raise next year's spending only by essentials; defer big discretionary purchases; consider inflation-linked bonds.

If Markets Drop 20%: Pause travel upgrades; draw from cash bucket; rebalance into value; avoid panic selling.

If One Spouse Passes Early: Reassess Social Security survivor benefits; shift portfolio risk; confirm beneficiary transfers.

If Long-Term Care Is Needed: Activate LTC benefits or earmarked fund; coordinate family support; revisit budget and housing.

Legacy & Values: The Part Money Can't Measure

Retirement is as much about purpose as paychecks. What do you want your days to look like? What stories do you want told about you?

Your income plan should fund the life you want-time with family, service to others, time outdoors, creative work. The money is the means, not the end.

Closing Thoughts: Build a Sturdy Raft

You can't control the current, but you can build something steady to ride it. A good retirement income plan balances guaranteed paychecks with growth, keeps taxes and risks in check, and-most importantly-lets you live with confidence.

Let's Talk About Your Retirement Income Plan

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