2021 Issue 2

PrivilegePLUS
NEWSLETTER

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Retirement Account Withdrawal Strategies

Like most things in life, retirement fund withdrawals should be carefully planned to maximize your assets and get the most mileage from your retirement funds. Of course, the first act is to view your retirement fund "inventory" to see what your options are. You may be able to draw from any of the following types of retirement accounts:

- **401(k) or 403(b)**
- **Business ownership**
- **Individual Retirement Accounts (IRAs)** (traditional, Roth or both)
- **Social Security income**
- **Taxable investments**
- **Annuities**
- **Health Savings Account (HSA)**
- **Pensions**
- **Stock-based compensation**

Regardless of the types of retirement funds you have, there are multiple options for withdrawing them to help you get the highest value from these funds throughout your retirement.

Penalty-free withdrawals from IRAs and 401(k)/403(b) accounts begin at the age of 59½. You do not want to start withdrawing from these funds before that age, if possible, to avoid potentially steep penalties. Mandatory withdrawals begin at the age of 70½. Roth IRAs are the exception, however, as there are no mandatory withdrawals until after the death of the account holder.

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The *Privilege Plus* newsletter is a benefit of being a valuable Privilege Plus account holder.

First National Bank and Trust Company

Why Pay for a Qualified Retirement Planner Instead of Doing It Yourself?

By Steve Schou

In many all aspects of life, there are things we can do ourselves and other things we can't. If your taxes are simple; you can probably do them yourself, if they are more complicated, you go to a Certified Public Accountant (CPA). If you cut yourself, you get a band-aid; but if you need stitches, you go to a doctor. The same holds true for handling your finances. In the early stages of accumulation for retirement, and you are maximizing your 401(k) contributions, individual retirement accounts (IRAs), and you're feeling comfortable with your investment selections; you may not need professional help. The do-it-yourself approach may work well. Usually, investment mistakes made during the accumulation years can be recovered over time. However, investment mistakes closer to and in retirement become critical. There is less time to recover from a wrong move. Too often, self-investing can lead to over concentration in bull markets, panic sales in bear markets, and lopsided investment strategies.

If you are a do-it-yourself approach investor or not, you should consider a fee-based Certified Financial Planner, CFP® about five to ten years from retirement. Today, retirement decisions are much more complex than in the past. Questions and indecisions tend to arise as you switch from accumulating money to minimizing taxes, and distributing a lifetime of income that you don't want to outlive.

Don't be afraid to pay for a qualified retirement planner who is fee-based. Your CFP® will help you establish your retirement goals. Your retirement discussion should include any tax tips, strategies to maximize your Social Security, retirement distribution optimization, potential health care costs during retirement, review of your estate plan, deciding on a percentage of your money for income, and when to start your withdraw.

The peace of mind and confidence that you will have with the proper guidance for your retirement, will be much greater than the yearly management fee. With qualified guidance you will stay committed to your goals based upon investment strategies regardless of the markets. This will help to produce investment returns far above your yearly fees.

This past year brought market swings that may have created investment panic or uncertainty for your investment strategies. No one wants to delay retirement. Those in 2020 with a CFP® knew how to ride out those uncertainties. They met with their planner to review their retirement plans, monitor and adjust their investment strategies for their long-term goals, not the markets.

The bottom line is that without the right amount of money, there is no retirement. Often do-it-yourself investment retirees are not able to fully enjoy their retirement because they are focusing on their investment strategies.

A qualified fee-based CFP® will help you stay committed to your investment goals, not the markets, so that you can enjoy your retirement years.

Contact our Wealth Management Team to schedule a consultation and see how we can provide Sound Advice to create a personalized plan for your financial future. **www.bankatfirstnational.com/contact-wealth.**

Steve Schou *joined First National Bank and Trust's Wealth Management team in 2020 as a Trust & Investments Officer, providing Sound Advice and expertise on investment strategies, retirement, and Social Security planning to FNBT clients. With over 30 years of financial experience, Steve's passion is to help guide people through the maze of long-term financial planning and investing. He believes in outside-the-box thinking using a holistic approach to retirement and estate planning. This approach addresses the emotional, psychological, and financial aspects of retirement. A Certified Financial Planner Practitioner™, CFP® since July 1994, Schou obtained the Accredited Wealth Management Advisor™, AWMA® in July 2018. During his career he's been a partner in an independent investment firm, and has written many articles on the topics of investing and retirement.*

Can You Spot a Phishing Scam?

Every day, thousands of people fall victim to fraudulent emails, texts and calls from scammers pretending to be their bank. The Federal Trade Commission's report on fraud estimates that American consumers lost a staggering $3.3 billion to these phishing schemes and other fraud in 2020.

It's time to put scammers in their place. At First National Bank and Trust we're committed to helping you spot them as an extra layer of protection for your account. We've joined with the American Bankers Association and banks across the country in a nationwide effort to fight phishing—one scam at a time.

We want every bank customer to become a pro at spotting a phishing scam—and stop bank impostors in their tracks. It starts with these four words: ***Banks never ask that.*** Because when you know what sounds suspicious, you'll be less likely to be fooled.

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Withdrawal Strategies

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Which Funds First?

When determining which of your retirement funds to withdraw first, some aren't up for debate. You must begin receiving minimum distributions by certain stages of your life. There are, however, some retirement funds that leave you in the driver's seat for how you wish to manage your retirement finances.

One of the primary considerations when determining which retirement funds to utilize or withdraw first involves taxation. The more you pay in taxes, the less of your money you get to keep. When funds and opportunities to earn more funds are limited, as they are in retirement, it is best to adopt a strategy that minimizes your contributions to Uncle Sam.

The other vital consideration involves your income needs. It is wise to consider the monthly income you will require to maintain a particular lifestyle during your retirement. Once you understand the monthly income you will need to meet those standards; then you must work out a budget that will create a sustainable income for you for the duration of your retirement.

Do not forget, however, that you should revisit your strategy each year to determine whether your goals are the same, your needs are consistent, and the monthly income generated was sufficient to meet those needs and reach those goals or if more significant income is required. In other words, you can make changes, to some degree, throughout retirement to accommodate things like rising health care costs, increased costs of living, and even decisions to move to areas that have lower costs of living.

Retirement Withdrawal Strategies

There are a few commonly employed retirement withdrawal strategies that serve retirees well, depending on their financial goals and other considerations. The one that will work best for you may not be the same one that works best for others. It may even require some degree of trial and error to decide which strategy you like best. These are some commonly used retirement withdrawal strategies you might want to consider.

- **The Four Percent Rule.** This strategy has you withdrawing four percent your first year and an additional two percent (to account for inflation) each year after that. This method gets lauded for its simplicity. It is equally criticized for being somewhat short-sighted as market volatility can create a risk for depleting funds too quickly.
- **The "Buckets" Strategy.** This strategy creates three "buckets," where you store your holdings. In one bucket, you will have 20 percent of your savings to serve as living expenses for up to five years. The second bucket holds "fixed income" securities. The third holds the remaining assets in equities. Cash removed from the first bucket is replenished from the remaining two. It offers opportunities for savings to continue growing throughout your retirement but is much more time-consuming to manage than other retirement withdrawal strategies.
- **Dynamic Withdrawals.** With this method, you only withdraw the income created by your retirement portfolio, leaving the principal untouched to continue earning and growing your income over time. The major advantage of this method is that your principal remains largely untouched. However, the income generated varies from year to year and inflation may outpace your withdrawals.
- **Fixed Dollar Withdrawals.** With this method, you withdraw a fixed amount of cash each year throughout retirement. That allows for the automatic withholding of federal taxes and offers a simple method for managing your money. However, it does not account for inflation over time and may force you to liquidate more assets to accommodate withdrawals in down markets.

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BaZing Benefits

Take advantage of the BaZing suite of benefits that are included with your Privilege Plus checking account. You can access BaZing via the FNBT mobile banking app or log in online at **bazing.com**. View the suite of benefits available to you at **bankatfirstnational.com/Personal/Bazing-Benefits/**.

BaZing

Phishing Scams

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Top Three Phishing Scams

- **Text message** – If you receive a text message from someone claiming to be your bank asking you to sign in, or offer up your personal information, it's a scam. *Banks never ask that.*
- **Email** – Watch out for emails that ask you to click an unfamiliar link or provide personal information. The sender may claim to be someone from your bank, but it's a scam. *Banks never ask that.*
- **Phone call** – Would your bank ever call you to verify your account number. No! *Banks never ask that*. If you're ever in doubt that the caller is legitimate, just hang up and call the bank directly at a number you trust.

You've probably seen some of these scams before. But that doesn't stop a scammer from trying. For more tips on how to keep phishing criminals at bay, including videos, an interactive quiz and more, visit **www.BanksNeverAskThat.com**.

What's Your Scam Score?

Take five minutes to become a scamspotter pro by taking the #BanksNeverAskThat quiz at **www.BanksNeverAskThat.com**. Share your score on social media to encourage your friends and family to test their scam savviness, too. The more scamspotters out there, the harder it is for phishing criminals to catch their next victim!

First National Bank® and Trust Company

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EXTENDED TRIPS
View the list of Privilege Plus Extended Trips on our website at **www.bankatfirstnational.com/trips** or call **800.667.4401**.

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Holiday Schedule

First National Bank and Trust will be closed in observance of the following holidays:

Thanksgiving Day. . . Thursday, November 25
Christmas Eve*. . . . . Friday, December 24
Christmas Day . . . . . .Saturday December 25
New Year's Eve** . . . . . . Friday, December 31

*FNBT will be open on Christmas Eve but close at noon.
**FNBT will be open on New Year's Eve but close at 3:00 pm.

Withdrawal Strategies

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- **Fixed Percentage Withdrawals.** Another simple strategy to follow is to withdraw a specific percentage each year from your retirement accounts. Unfortunately, it creates some volatility with some years offering more income and others offering less. Additionally, it may require you to deplete your retirement savings too soon.

Takeaway

Some people employ multiple strategies, mixing and matching as needed to give themselves adequate income from year to year as expenses (cost of living, medical care, etc.) grow while helping them to set more money aside to help their money last longer. It may take a while to find your comfort zone or even working with an expert to find the best way to put your money to work for the retirement you've dreamed of.

First National Bank and Trust experienced Wealth Management professionals can help you manage your money. Contact our team at **www.bankatfirstnational.com/contact-wealth** or call **800.667.4401**.

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