



## Understanding Farm Retirement

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Chief Planning Officer, Financial Planner





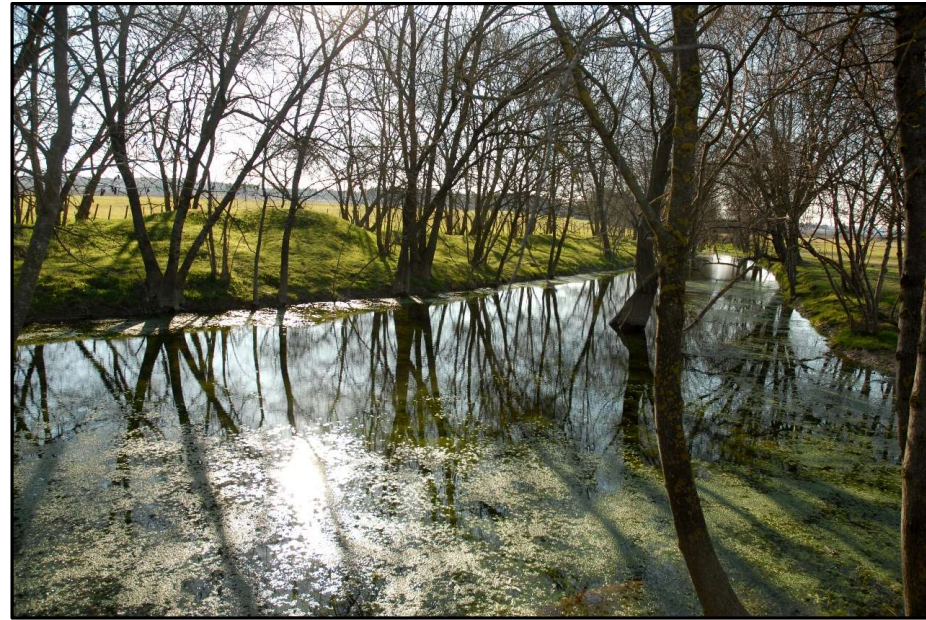
## Who is Syverson Strege?

- Fee-Only Financial Planning Firm
- No Commissions
- Credentialed Financial Planners and Associate Financial Planners
- Investment Management
- Philanthropic Planning



# Who is Syverson Strege?

- We provide peace of mind, clarity, understanding, and a simple approach to comprehensive planning.
- We exist to enrich and empower your life.



# Bio



**Matt Roberts** is the Chief Planning Officer at Syverson Strege and a CERTIFIED FINANCIAL PLANNER®. He is committed to serving others to enrich and empower their lives. His primary focus is to ensure clients maximize what they desire from their money and reach their personal and financial goals. Matt provides peace of mind, joy, and clarity of personal and family wealth through comprehensive financial planning strategies. He often says “there are only three place you will leave your money when you are gone: your family, your community, or the government. It’s up to you to decide your legacy.





# Setting Expectations for Today

- 2 Hours – one hour of information / Q&A for as long as we need
- Resource Packet
- Confidential Private Consultations – Sign-Up Sheet Available
  - We want to make sure you know how this information can be applied to your personal situation
- Feel free to ask questions during the presentation



# Agenda


1. **Retirement Lifestyle**
2. Considerations Before Retirement
  - Retirement Income
  - Retirement Plans
  - Social Security
  - Health Insurance
  - Long-Term Care
3. Case Studies- real life application





# Retirement Lifestyle

## Questions to Ask Yourself:

1. What fills my tank?
  2. What do I want to do that will provide purpose, value, and fulfillment in my life?
  3. What is your purpose (i.e. work roles, creativity, relationships, recreation, volunteering, travel)?
  4. Make a list, get it in writing, and think about it.
  5. Talk it over with your spouse.
  6. Be willing to change what isn't working.
  7. Repeat regularly!
- 

# Retirement Lifestyle

- Resources:

*Half Time* by Bob Buford

*New Retirementality* by Mitch Anthony





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# Retirement Income – Living Expenses

- How much income will I need in retirement?
- Determine what you are spending today (include expenses paid by farm).
- What do you value today?
- How could that change in the future?
- What expenses that will disappear in retirement?



# Retirement Income – Living Expenses

## Annual Income Sources

|                                      | Current | Anticipated Retirement |
|--------------------------------------|---------|------------------------|
| Head of Household Annual Salary:     | \$      | \$                     |
| Head of Household Annual Bonus:      | \$      | \$                     |
| Spouse's Annual Salary:              | \$      | \$                     |
| Spouse's Annual Bonus:               | \$      | \$                     |
| Head of Household Social Security:   | \$      | \$                     |
| Spouse's Social Security             | \$      | \$                     |
| Head of Household Pension Income:    | \$      | \$                     |
| Spouse's Pension Income:             | \$      | \$                     |
| Head of Household Retirement Income: | \$      | \$                     |
| Spouse's Retirement Income:          | \$      | \$                     |
| Annual Annuity Income                | \$      | \$                     |
| Annual Taxable Investment Income     | \$      | \$                     |
| Municipal Bond Income:               | \$      | \$                     |
| Annual Dividend Income               | \$      | \$                     |
| S-Corp/LLC/Partnership Income        | \$      | \$                     |
| Self-Employment Income:              | \$      | \$                     |
| Farm Income:                         | \$      | \$                     |
| Other Income:                        | \$      | \$                     |
| <b>Total:</b>                        | \$      | \$                     |

## Annual Expenses

|                                  | Current | Anticipated Retirement |
|----------------------------------|---------|------------------------|
| Real Estate Taxes:               | \$      | \$                     |
| Auto License:                    | \$      | \$                     |
| Charitable Donations:            | \$      | \$                     |
| Cafeteria Plan:                  | \$      | \$                     |
| Non-Reimbursed Medical Expenses: | \$      | \$                     |
| <b>Lump Sum Living Expenses:</b> | \$      | \$                     |
| or Utility Expenses:             | \$      | \$                     |
| Rent:                            | \$      | \$                     |
| Travel/Vacation:                 | \$      | \$                     |
| Gifts:                           | \$      | \$                     |
| Auto Service & Fuel:             | \$      | \$                     |
| Dues & Subscriptions:            | \$      | \$                     |
| Groceries:                       | \$      | \$                     |
| Dining Out:                      | \$      | \$                     |
| Lawn Care                        | \$      | \$                     |
| Telephone (Cell & Home):         | \$      | \$                     |
| Computer/TV, Etc.:               | \$      | \$                     |
| Misc. Expenses:                  | \$      | \$                     |
| Savings:                         | \$      | \$                     |
| IRA/401k Contributions:          | \$      | \$                     |
| Education Expenses:              | \$      | \$                     |
| Federal Taxes:                   | \$      | \$                     |
| State Taxes:                     | \$      | \$                     |
| Homeowners Association Fees:     | \$      | \$                     |
| Other:                           | \$      | \$                     |
| <b>Total:</b>                    | \$      | \$                     |
| <b>Total Annual Income:</b>      | \$      | \$                     |
| <b>Total Annual Expenses:</b>    | \$      | \$                     |
| <b>Net Discretionary Income:</b> | \$      | \$                     |

# Retirement Income - The 3-Legged Stool

Social Security

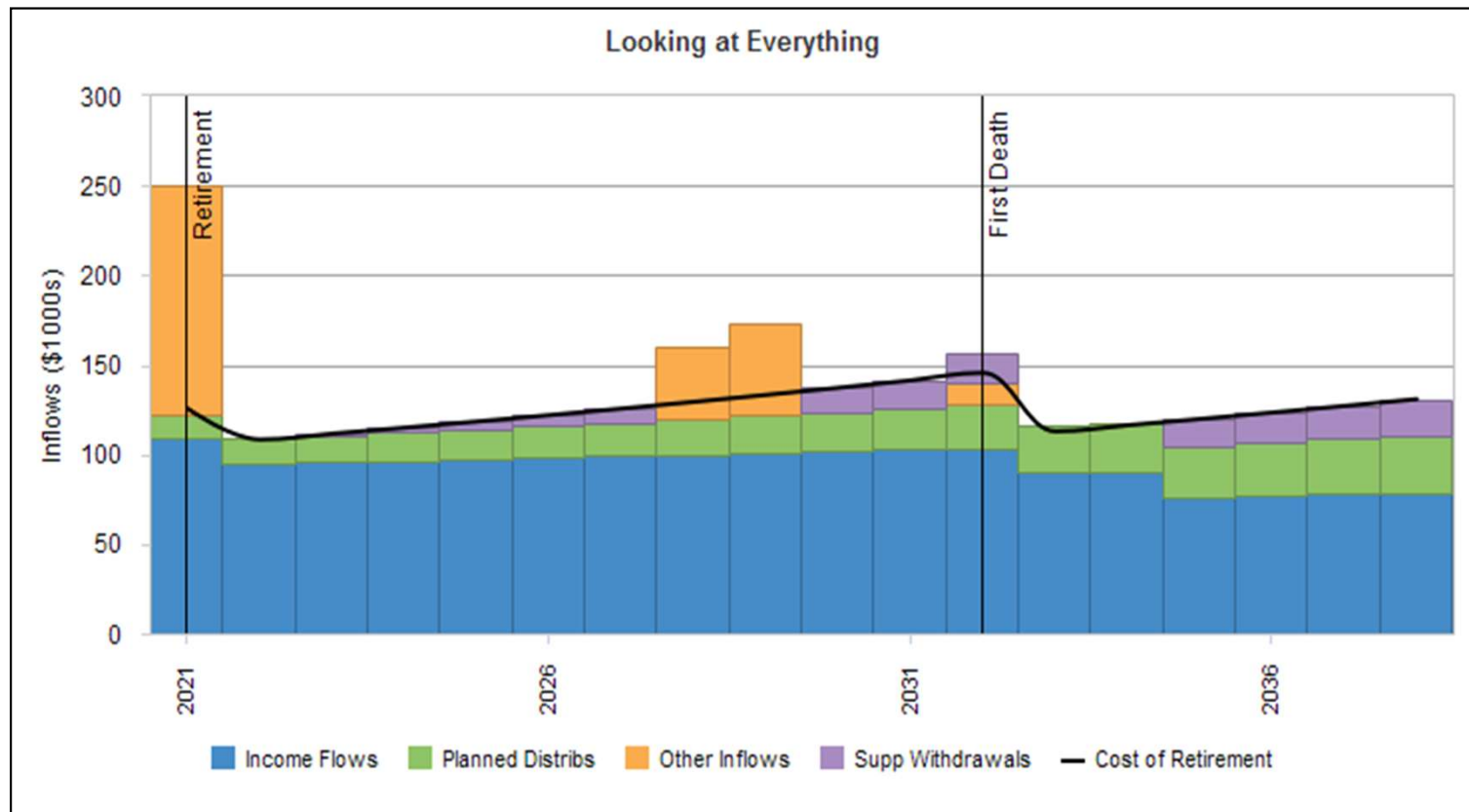


Retirement Plans

Farm Income



# Retirement Income – Looking at Everything





# Retirement Plans

- Why do you have retirement plans?
  - Tax benefits
  - Diversification
  - Alternative source of income in retirement



# Retirement Plans

| Feature                        | SEP   | Simple IRA  | 401(k)  |
|--------------------------------|---|---|---|
| Eligible Employer              | Any employer  | 100 or fewer employees  | Any employer  |
| Contribution Limits (Employee) | \$6,000 or \$7,000 if over 50   | \$13,500 or \$16,500 if over 50   | \$19,500 or \$26,000 if over 50   |
| Contribution Limits (Employer) | 25% of comp up to \$57,000  | 3% of comp up to \$8,550 or 2% of comp up to \$5,700                        | 25% of comp up to \$57,000  |
| Deductions & Deferrals         | Deduction for employer & tax deferred for employee                          | Deduction for employer & pre-tax for employee                               | Deduction for employer & pre-tax for employee                               |
| Distributions                  | Taxable at ordinary rates. Subject to 10% penalty if taken out prematurely. | Taxable at ordinary rates. Subject to 10% penalty if taken out prematurely. | Taxable at ordinary rates. Subject to 10% penalty if taken out prematurely. |

# SECURE Act

- Key provisions
  - RMD Age changed from 70 ½ to 72
  - Elimination of “stretch” option for inherited IRAs
  - Contributions allowed to Traditional IRAs after 70 ½





# Individual Benefits-Social Security

| Years You Worked | Your Taxed Social Security Earnings | Your Taxed Medicare Earnings |
|------------------|-------------------------------------|------------------------------|
| 1986             | 578                                 | 578                          |
| 1987             | 1,427                               | 1,427                        |
| 1988             | 2,534                               | 2,534                        |
| 1989             | 4,215                               | 4,215                        |
| 1990             | 5,813                               | 5,813                        |
| 1991             | 7,199                               | 7,199                        |
| 1992             | 9,045                               | 9,045                        |
| 1993             | 11,245                              | 11,245                       |
| 1994             | 13,585                              | 13,585                       |
| 1995             | 15,837                              | 15,837                       |
| 1996             | 18,155                              | 18,155                       |
| 1997             | 20,718                              | 20,718                       |
| 1998             | 23,177                              | 23,177                       |
| 1999             | 25,703                              | 25,703                       |
| 2000             | 28,197                              | 28,197                       |
| 2001             | 29,851                              | 29,851                       |
| 2002             | 30,982                              | 30,982                       |
| 2003             | 32,430                              | 32,430                       |
| 2004             | 34,617                              | 34,617                       |
| 2005             | 36,544                              | 36,544                       |
| 2006             | 38,822                              | 38,822                       |
| 2007             | 41,162                              | 41,162                       |
| 2008             | 42,601                              | 42,601                       |
| 2009             | 42,492                              | 42,492                       |
| 2010             | Not yet recorded                    | Not yet recorded             |

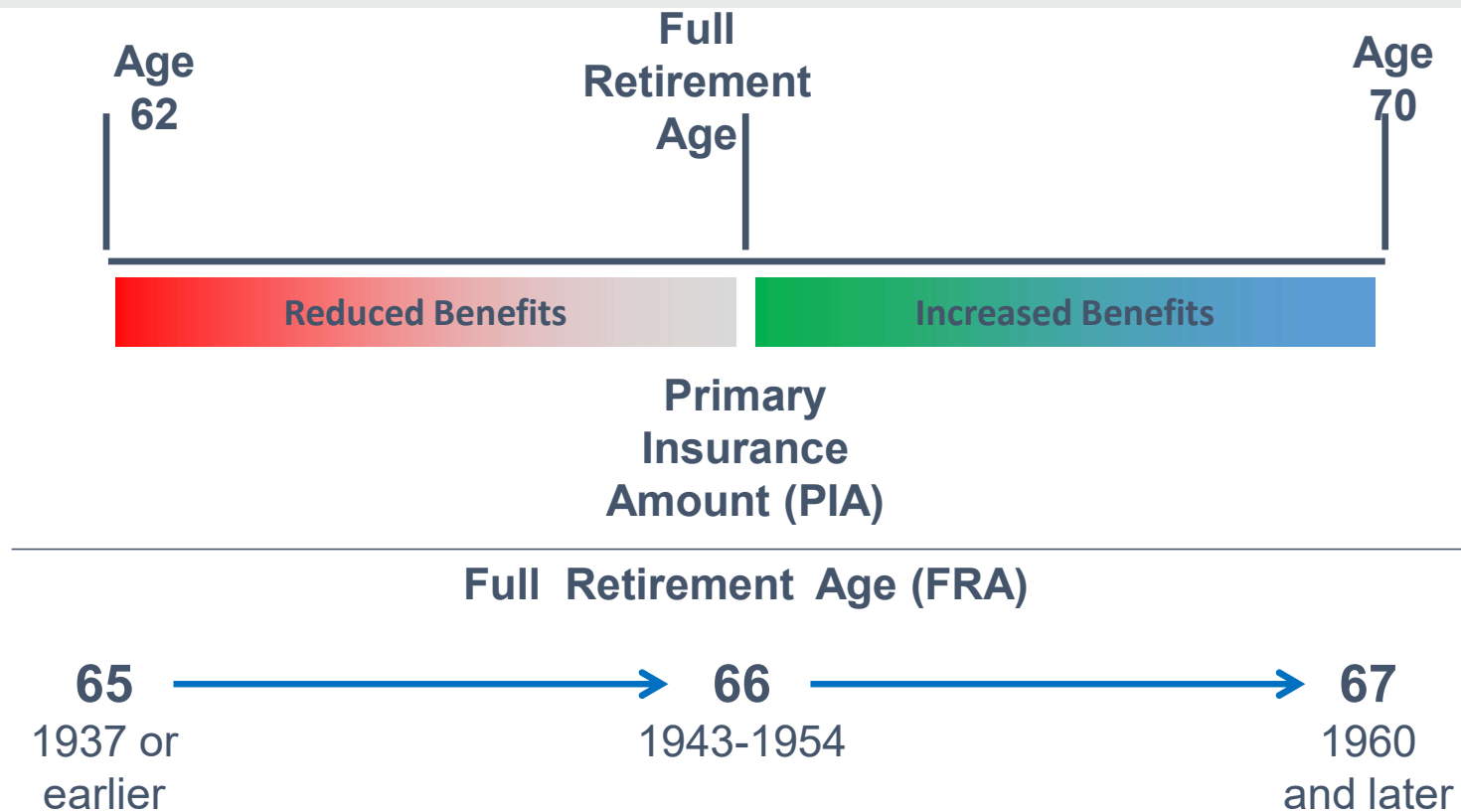
Best 35 Years

|                    |  |                  |
|--------------------|--|------------------|
| <b>*Retirement</b> | You have earned enough credits to qualify for benefits. At your current earnings rate, if you continue working until.....  | \$ 1,554 a month |
|                    | your full retirement age (67 years), your payment would be about.....  | \$ 1,938 a month |
|                    | age 70, your payment would be about.....   | \$ 1,072 a month |
| <b>*Disability</b> | You have earned enough credits to qualify for benefits. If you became disabled right now, your payment would be about.....   | \$ 1,419 a month |
| <b>*Family</b>     | If you get retirement or disability benefits, your spouse and children also may qualify for benefits. You have earned enough credits for your family to receive survivors benefits. If you die this year, certain members of your family may qualify for the following benefits: |                  |
| <b>*Survivors</b>  | Your child.....  | \$ 1,107 a month |
|                    | Your spouse who is caring for your child.....  | \$ 1,107 a month |
|                    | Your spouse, if benefits start at full retirement age.....   | \$ 1,477 a month |
|                    | Total family benefits cannot be more than.....   | \$ 2,720 a month |
|                    | Your spouse or minor child may be eligible for a special one-time death benefit of \$255.  |                  |

...\$ 1,554 a month  
...\$ 1,938 a month  
...\$ 1,072 a month

Online Statements or  
Retirement Estimator  
[www.ssa.gov](http://www.ssa.gov)

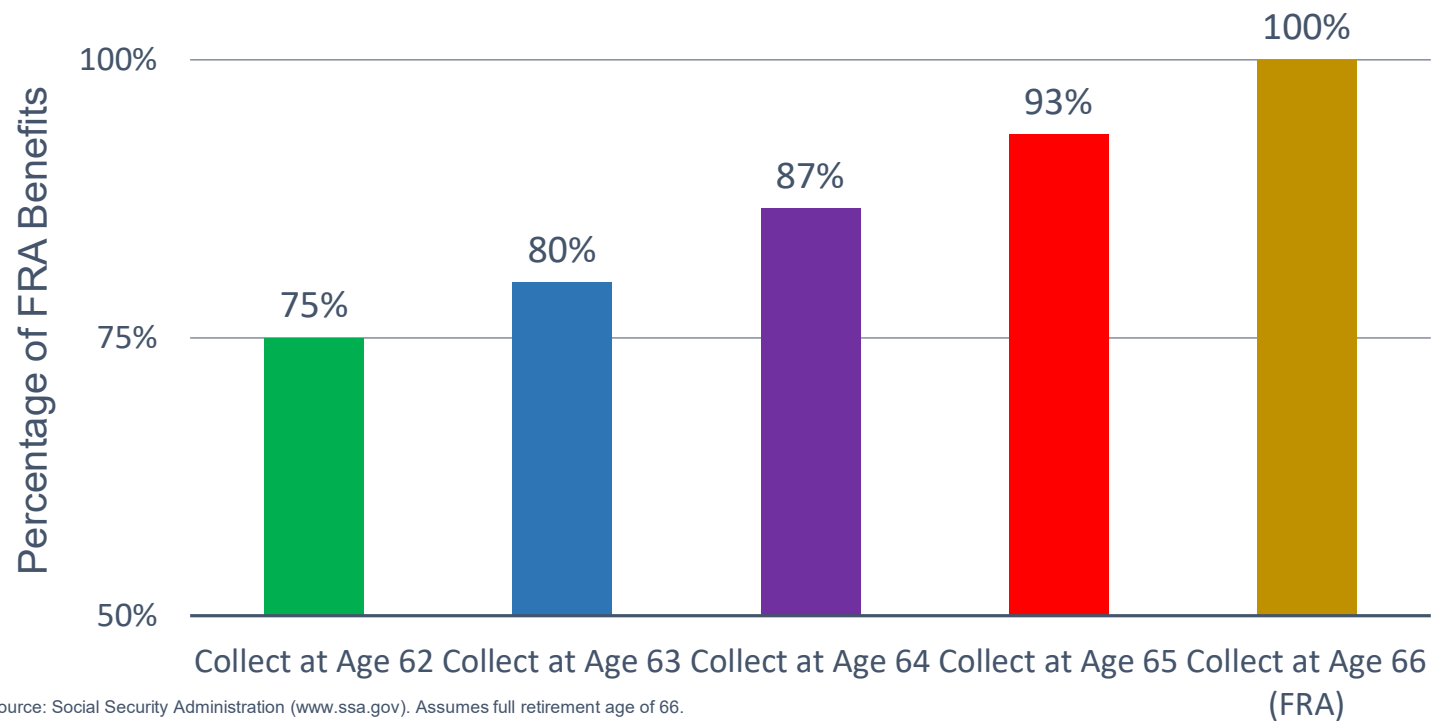
# The Tradeoff for Individual Benefits



Source: Social Security Administration ([www.ssa.gov](http://www.ssa.gov)).

# Collecting Early: The Cost

## Cost of Collecting Early



## Collecting Early: Consider These Questions

- **Working**
  - Are you actually retiring?
  - Will you work, even part-time, before FRA?
- **Longevity**
  - How is your health?
  - Is there an expectation of longevity?
- **Spouse**
  - Are you married?
  - What is the age difference between spouses?
  - Whose benefits can the spouse collect?

# Health Insurance

- [www.medicare.gov](http://www.medicare.gov)
- Medicare Components
  - **Part A – Hospital Insurance**
    - Inpatient at a hospital
    - Skilled Nursing Care for rehab
    - Hospice
    - Home health care
    - Deductible of \$1408 in 2020



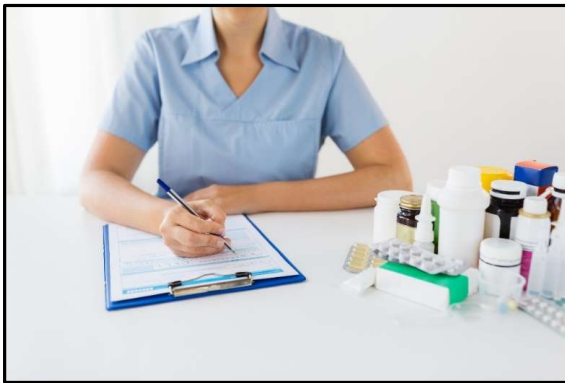
# Health Insurance

- **Part B – Medical Insurance**
  - Services from doctors and other healthcare providers
  - Outpatient care
  - Durable medical equipment – walkers, wheelchairs, hospital beds, etc.
  - Preventive services – screenings, vaccines, yearly Wellness visits
  - Premium of \$144.60 per month plus Income-Related Monthly Adjustment Amount (IRMAA) based on AGI from two years ago



# Health Insurance

- Medicare Components – continued



- **Part D – Prescription drug coverage**
  - Cost of prescription drugs (including many recommended shots or vaccines)
  - Premium of around \$25/mo. before IRMAA
- **Medicare Supplement – Plan G (Plan F has been ended)**
  - Covers deductible for Part A
  - Covers \$198 annual deductible for Part B and Part B 20% copay costs
  - No Part B excess charges of 15%.
  - Average premium of about \$100 - \$117/mo.



# Health Insurance

- **Medicare Advantage – Part C**
  - “All in one” alternative to Original Medicare
  - May reduce out-of-pocket costs
  - Restricted to your doctors in a plan’s network
  - Often provides benefits related to vision, hearing, and dental
- When to file
  - Three months before reaching age 65
  - Definitely sign up for Part A, Part B may depend on other coverage available.



- Income-Related Monthly Adjustment Amounts



# Long-Term Care



- **What is long term care?**
  - Full-time skilled nursing care in a facility
    - Median Cost of about \$7,000/mo.
  - Assisted Living
    - Cost of about \$4,300/mo.
  - Home Healthcare – usually per hour





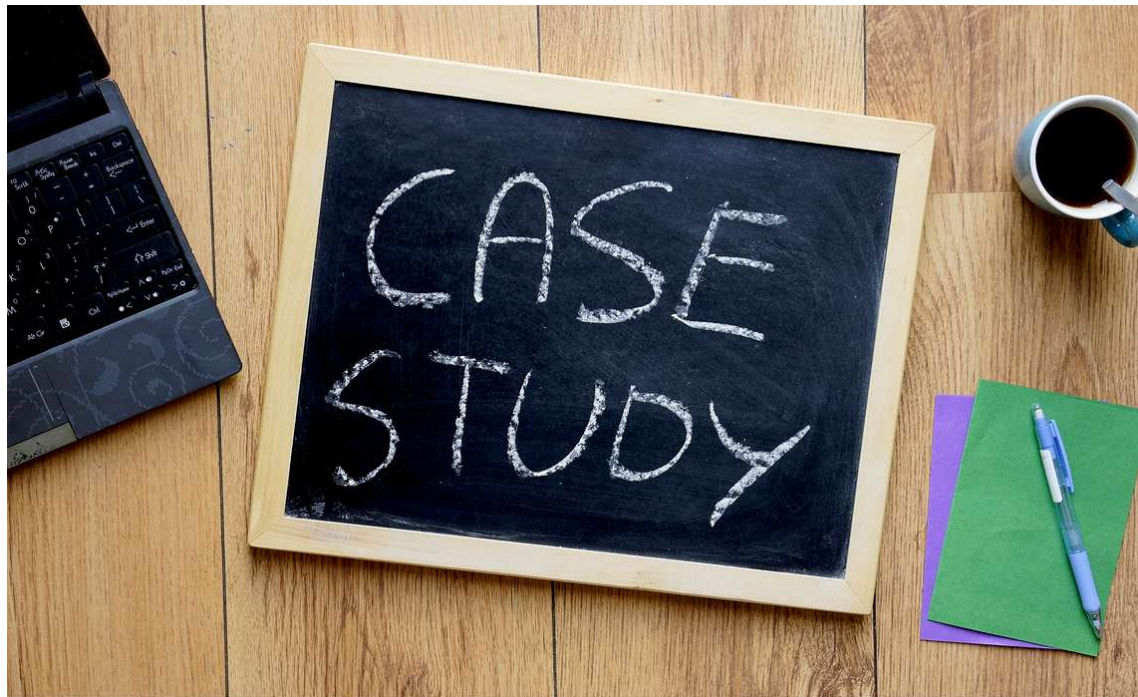
# Long-Term Care Options

- **What are the options to provide for long-term care costs?**
  - **Self-insure:** develop adequate resources (savings, rent, income) to pay for the costs listed above and maintain the spouse who does not require additional care.
  - **Traditional Long Term Care Insurance:** An insurance policy that provides a pot of money to be used for long term care costs. Use it or lose it.
  - **Hybrid Insurance/Asset-based Policies:** a blend of traditional life insurance or annuity policies with long-term care benefits that may consume all or part of the death benefit, if needed.



# Case Study

## Charitable Remainder Trust



# Ken and Doris Wilson



## Retiring Couple

**Ken-age 70**

**Doris-age 68**

- Retiring this year
- 3 married children
- 10 grandchildren
- Iowa home & condo in FL
- Have done “traditional” estate planning

# Desired Outcomes

- Increase Retirement Income
- Minimize Income & Estate Taxes
- More Available for Family
- Leave a Lasting Impact Through Charitable Gift



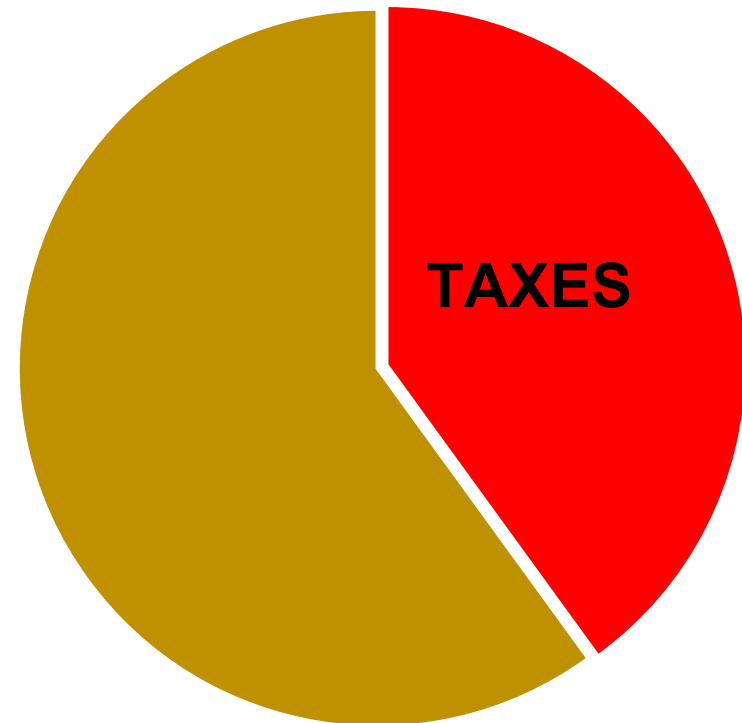
# A Solution

**\$500,000**  
**Appreciated Stock**  
**and**  
**Depreciated Machinery**



If you sell  
the asset...

**Tax on Sale of Assets**  
**Takes a BITE**



# A Solution

**\$500,000  
Appreciated Stock  
and  
Depreciated Machinery**



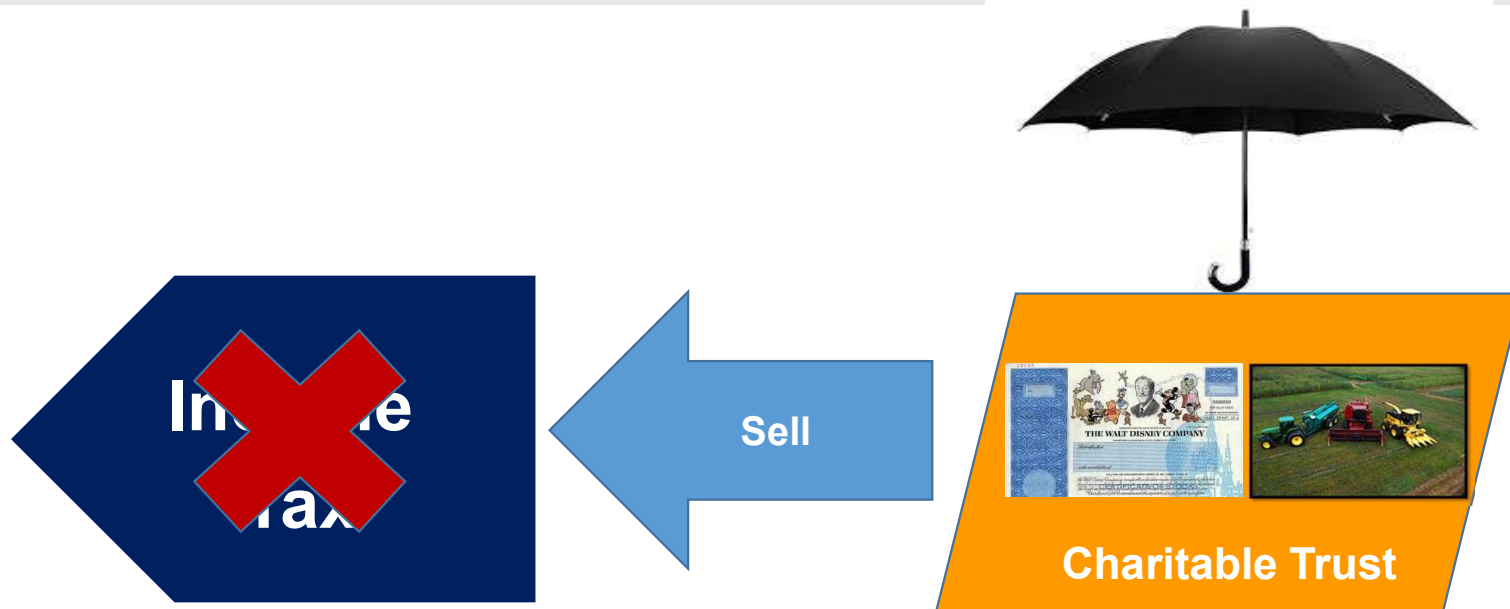
**Transfer**

**Charitable Trust\***



\*Charitable Remainder Unitrust

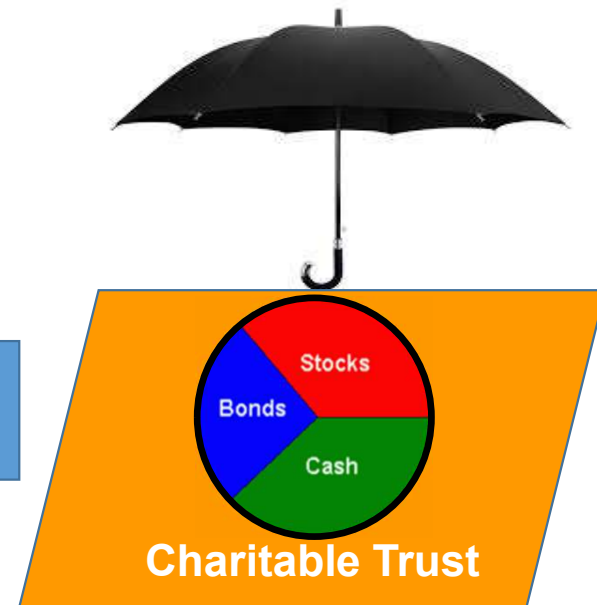
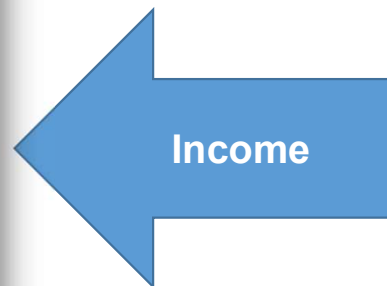
# Then Sell The Asset



- No Income Tax on Sale plus Income Tax Deduction in Year of Transfer (for stock)

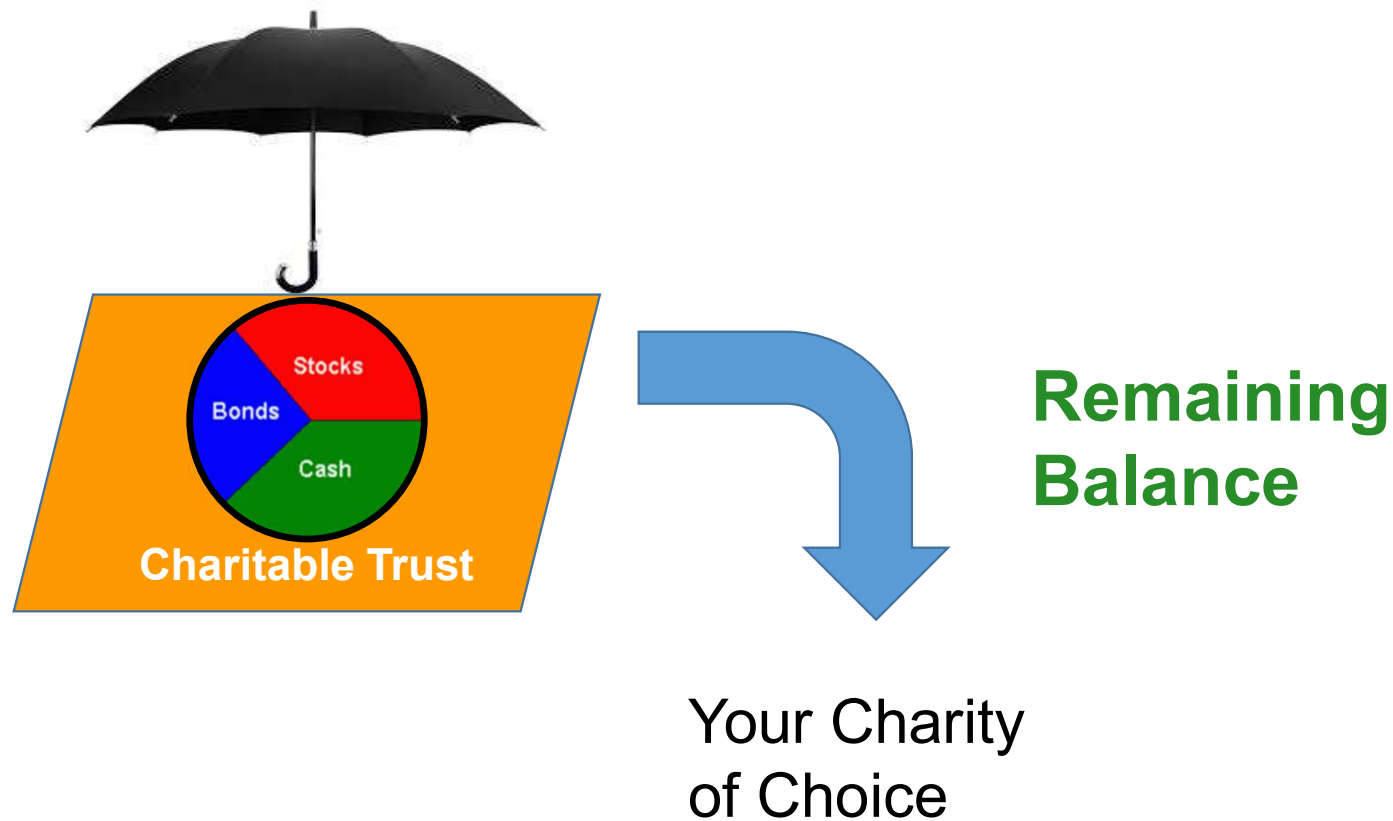


# Then Diversify



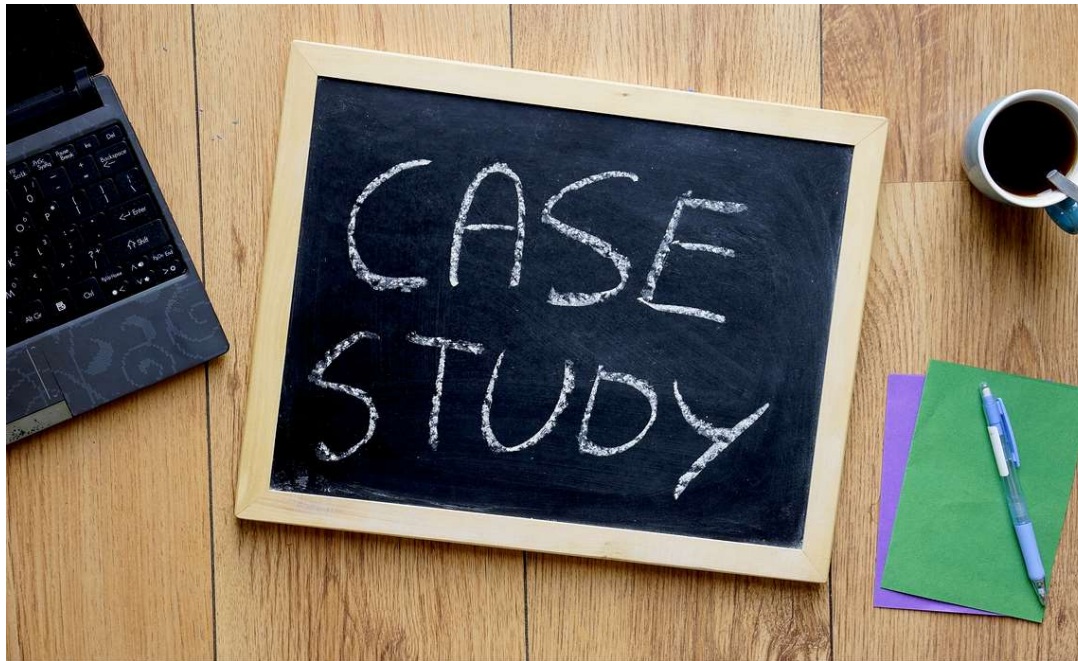
- Income you can't outlive starting at **\$25,000** per year

# When They Both Pass Away



# Case Study

## Preparing Farming Operation for Retirement



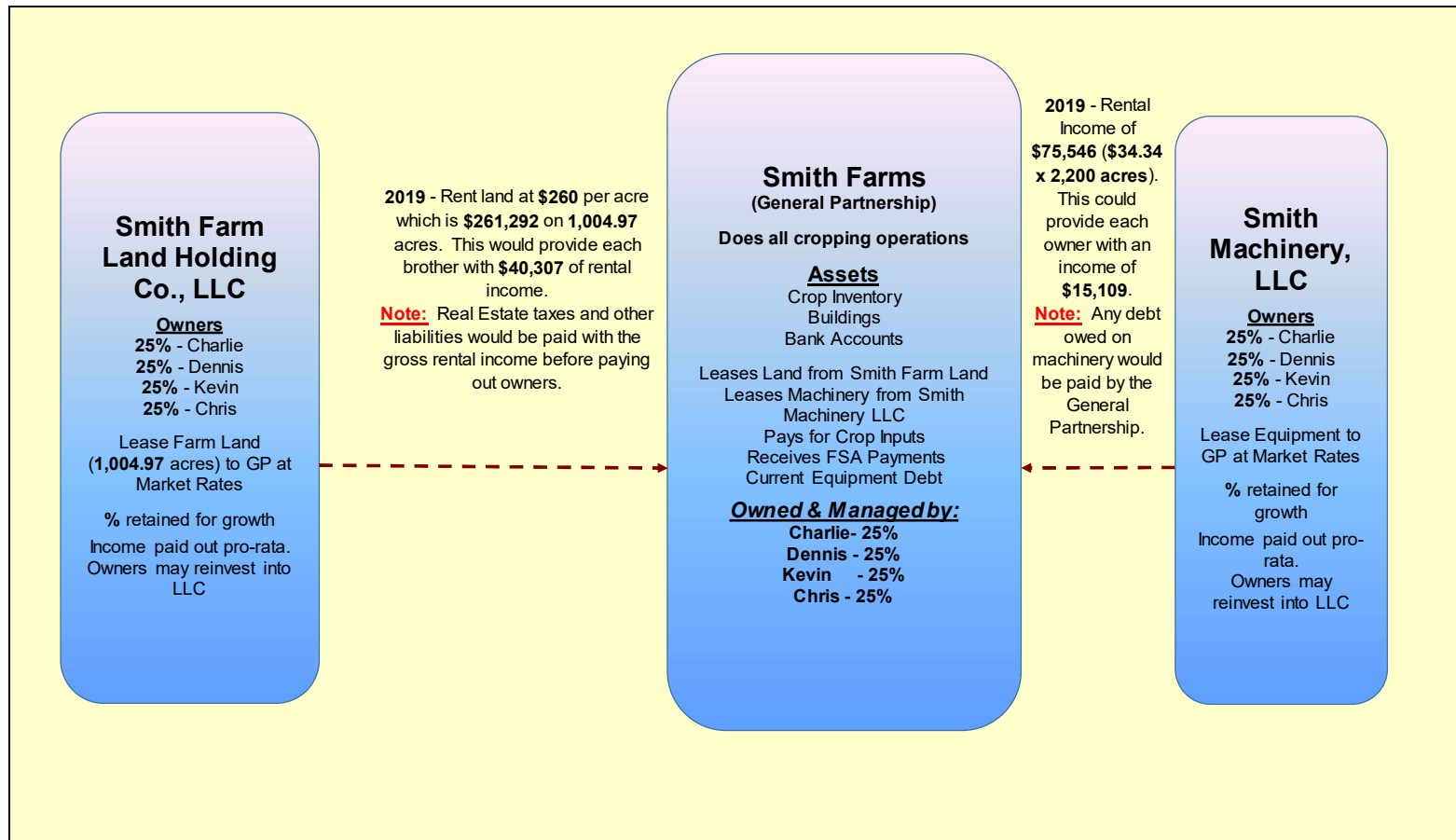
# Smith Family Farm

- Chris retiring this year (age 76)
- Dennis and Kevin retiring in two years (age 71)
- Charlie will farm for foreseeable future (age 63)
- Children are not interested in farming

# Current Situation

- General Partnership owned equally by four brothers
- 1,000 acres of farmland
- \$1M machinery
- No buy-sell agreement

# Solution



# Questions

- What is the most helpful thing you heard today?
- What questions do you have of us?



# Confidential Private Consultation Sign-Up Sheet

- No Sales Pitch
- We will meet virtually or in Des Moines.
- We will provide education based on your unique situation.



**YOUR CHANCE TO START TODAY**

Name(s): \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Phone: Cell: \_\_\_\_\_ Home: \_\_\_\_\_

E-Mail: \_\_\_\_\_

My/our biggest concern: \_\_\_\_\_

My/our most important takeaway: \_\_\_\_\_

☐ YES I would like to have a complimentary, confidential conversation with a member of Syverson Strege.



# SYVERSON

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# STREGE

## Thank You!

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