

# THE BOOK ON RETIREMENT



*A Better Way to  
Stretch Your Retirement Dollars  
While Living the Lifestyle of Your Dreams*

**FRANK GUIDA**     **NICK GUIDA**

**MICHAEL CANET, JD, LL.M.**



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**NICK GUIDA**  
&  
**MICHAEL CANET, JD, LLM**

Impact Publishing®  
Lake Mary, Florida



## DEDICATIONS

I dedicate this book to my loving father and mother, (Nick's grandfather and grandmother), Nicola and Maria Guida. I have learned so much from both of you and you are the inspiration for the writing of this book. All those years ago in our family meat market/grocery store, you taught me how to treat people the right way. Our customers were like family to us, and you always made sure whoever walked into our store's door was given the best products and services – something we have continued in my own financial planning practice. I will always be grateful to you. Our clients at **A Better Way Financial** are always treated like family because of the wonderful things you taught me.

*Frank Guida*

This dedication is for my lovely wife, Melat. You inspire me to continually grow and develop. Thank you for your love and support.

*Nick Guida*



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## INTRODUCTION

Retirement planning can be very overwhelming and there are so many moving parts when it comes to creating a sound financial plan. Our goal in writing this book was to make something that can be complicated and convoluted, a little simpler. We wanted to give the reader the tools and information to make smart decisions, but at the same time, follow the suggestion of wise men before us: *keep it simple*.

In this book, we share many ideas that we feel are important to investors and retirees. Between us and our collective teams, we bring over a century of knowledge and experience to this book. As you can probably imagine, trying to cram it all into one book is not an easy process. So, we try to deliver the most important tidbits for you – the inquisitive investor standing on the doorstep of retirement.

We are sharing some of what we think are the most pressing issues for retirees and those soon to be retired. A recurring theme throughout the book is CHOICE. You as an investor have so many choices. One of those is whom you CHOOSE to partner with, as far as finding the right advisor – one that works for YOU, not some investment firm. CHOOSING to work with a Fiduciary, from our perspective, is paramount to any retiree's success.

Other important themes you will find as you read through this book:

- (i). It is wise to take the least amount of risk necessary to accomplish your goals.*
- (ii). Creating a secure income during retirement makes sense.*
- (iii). Always pay the least amount of taxes legally possible.*

Remember – you will have to make several CHOICES.

CHOOSE A Better Way.

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## **TWO FINANCIAL RULES TO LIVE BY**

**1. “Rule No. 1: Never lose money.”**

~ Warren Buffet – Berkshire Shareholder Mtng., 9/3/2020

**2. America’s retirees #1 Fear? Running out of money!**

~ AARP<sup>1</sup>

Question:

If one of the greatest investors of our time has a simple rule: never lose money; how can it be that so many retirees fear running out of money?

Answer:

Read on... *there has to be A **Better Way**...*

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1. <https://www.aarp.org/retirement/planning-for-retirement/info-2019/retirees-fear-losing-money.html>

## CHAPTER 12

# MORE ABOUT FINANCIAL ADVISORS : PART II

*An investment in knowledge pays the best interest.*

That leads us to the following questions you should ask:

### **(1). Who do financial advisors work for? Their Employer or Client?**

This goes hand in hand with the duty of care. As we have already addressed, there is a difference of care required by Advisors working for a broker-dealer (BD). Their responsibility is to their employer. They work for the BD, not you. The BD pays their salary. The BD pays for their benefits. And the BD sets the parameters of what investment choices the Advisors can make.

There are literally thousands of mutual funds, stocks, bonds, and annuities from which to choose. The BD will typically restrict the choices of the Advisor and require him/her to work with “X” mutual fund companies and “Y” annuity companies. It is like going grocery shopping, do you want to do that at a Wawa that has a very limited choice on their shelves, or do you want to go to a Giant or Wegmans with almost unlimited choices?

An independent Advisor, one not restricted by a BD relationship, who works under the umbrella of a Registered

Investment Advisory Firm, those Advisors work for you. Their income is directly related to how they perform for you. Because they charge a fee based upon the dollar amount of the investments, when your investments go up in value, they make more money (just like you), and when your investments go down in value, they lose money (just like you). As much as you can align your interests, working with somebody who has your best interests in mind such as an independent Advisor, probably makes the most sense.

Now, after having said all that, this doesn't mean you can't get excellent advice from an Advisor working for a BD and it doesn't mean you'll get excellent advice from somebody working as a fiduciary for you. You still have to consider all the factors that come from interviewing that person, including how resourceful and knowledgeable he or she is.

They made the CHOICE to work for you or for a broker dealer/wirehouse. You have the same CHOICE. Do you want them to work for you or work for the BD?

## **(2). What is the Succession policy?**

Another key question to ask is about the Advisor's succession plans. Tomorrow isn't promised to any of us, and if we are going to hire someone, we plan on being with them long-term, so we should know what is going to happen to our plan if they get hit by the proverbial pickle truck...or if they get promoted...or if they switch companies. What happens to our accounts and the advice we are receiving?

This is an important question regardless of if you are working with an independent Advisor or somebody at a large broker dealer or wirehouse.

For example, if you are working with somebody from

Merrill Lynch, they have a whole slew of people who will step in. They have a customer service team that takes accounts that don't meet their minimum threshold for providing personalized service. (That is just the next person to pick up the phone).

They have so many Advisors, if your Advisor leaves/dies/gets promoted, they will assign your accounts to the next 24-year-old Vice President in line. They have a system in place to follow to make sure your account does not get abandoned.

The real question is...you CHOSE that specific person to work with for a specific reason. His or her replacement might not follow the same investment philosophy and probably knows nothing about you except what he or she might glean from what's in the company's CRM database.

You want to know who is going to step in should something happen. Will he/she follow the same investment philosophy, or will he/she want to "replant the entire garden" and adjust to a new approach? Is their successor younger or older? Are they more or less experienced? How does he or she communicate?

In theory, hiring an Advisor is much like a marriage. It is a long-term commitment, and you want to make sure your partner is going to be there for the duration.

### **(3). What services do they actually provide?**

Most Advisors provide the same services: they will talk to you about your goals; they will address your risk factors; and then they will make investment recommendations. That is the minimum you should expect from your Advisor. It certainly fits the suitability standard required of registered representatives, broker dealers, and the wirehouse firms.

What else is reasonable to expect? Well, from the perspective of true financial planning, you would want them to know the tax implications of the investment recommendations they are making. Not only the tax implications today, but also the tax implications in the future. *Remember, it doesn't matter how much you make, it is how much you keep at the end of the day.*

**(4). What about withdrawal strategies?**

IF you need income in the future, how is your portfolio going to provide that income? Is it guaranteed income? Is it market-driven income? What if the market drops, how does that impact your income strategy?

**(5). Who manages the money and the strategies used in the asset allocation?**

You may want to inquire about whether they manage the money themselves or pass it off to a third party to manage? IF they pass it off to a third party, how was that third party chosen? Is the third party just part of the company offering or did the Advisor do his/her own research into the third party?

IF they manage the money themselves, what is the criteria for the choices being made? Why this mutual fund or that exchange traded fund? When they go on vacation, does the management of your portfolio also go on vacation while the markets are still open for business?

You may want to know their strategy against extreme market volatility. Are they 100% buy and hold? Do they actively trade in the market? Ask about how their recommendations performed in 2008? What did they do to mitigate the downside risk during the 2020 pandemic?

For many people, a significant cost factor is long-term

care. Do they have a strategy that addresses any potential long-term care costs you may face in the future?

**(6). Do their services involve a review of your estate planning and legacy requirements?**

What about estate planning? Do they understand how your accounts are structured and how they will impact your estate plan? Can they read and interpret your Wills and/or Powers of Attorney?

Depending on what you are looking for with your Advisor will depend on what type of relationship you are seeking. These are but a few of the services you will want to inquire about as you are seeking the right relationship for your needs.

From our perspective, a financial planner's job is to address every major financial decision that involves a dollar sign. Remember the goal of not running out of money? That means that your Advisor needs to understand and address all those monetary issues in life that could violate that rule.

Remember, just like they **CHOSE** to take a fiduciary standard of care or **CHOSE** to follow a suitability standard of care, you are the one who **CHOOSES** what type of relationship you want with your advisory team and how extensive it is.

**YOU CHOOSE A BETTER WAY**

Remember Sid and Nancy? They made a **CHOICE**: they **CHOSE** to work with a financial planning team that took a more holistic approach with a fiduciary standard. What was the final factor? The most troubling factor? Sid's business. Sid was in the process of selling the business and recently had a business evaluation done. His business was worth the better part of \$10M, that's right, \$10M. The gain on the sale was substantial: \$7,200,000.

Sid and Nancy had done a great job preparing for retirement, and their nest egg itself was almost enough to meet their retirement income needs. Coupled with the sale of his business along with the sale of the land where his office building was located, it would put them over the top of his income needs and their retirement goals.

While legacy planning wasn't their highest priority, they did want to help his three girls along the way; he wanted to help out with the education of the grandkids, and if there happened to be anything left over, they wanted the assets to go to their daughter and grandkids as tax-efficiently as possible.

Here is the interesting part. When they sat down with their CPA, the same CPA who had handled the books, payroll, and had advised them against converting anything to a ROTH, the CPA told Sid to be prepared to cut a check in the amount of \$221K to the State of Pennsylvania, and a check for a whopping \$1,692,000 to the IRS. The CPA didn't even blink an eye. He just spit it right out and actually had already prepared the tax coupons. BOOM. Done. Write the checks and call it a day. On to the next client meeting.

When they called their Advisor at the time, he let them know that once the sale took place, he could arrange to have enough liquid cash to cover the tax bill. That was the extent of his advice. As you can imagine, Sid and Nancy balked at the idea of sending almost \$2M in taxes to the IRS and the State.

Sid and Nancy wanted to see if there was *A Better Way...*

When we were presented with the opportunity to run our own scenarios, we stepped up to the challenge.

We evaluated the case, smiled, and asked them: Would you like to save nearly TWO MILLION DOLLARS in TAXES?

Sid and Nancy sure did, and we wanted to help them. With a little work and creativity, we were able to eliminate almost \$1.4M of the tax bill. They came to us because somebody said we could review their financial plan and make some recommendations. They left saving over \$1.4M in taxes!

Here is what we did for Sid and Nancy:

For Sid, almost \$6.5M of the selling price and the bulk of the gains on the sale of his business were in the actual real estate he owned. He owned the very building where the technology and manufacturing was being developed and implemented. Sid needed income during retirement. We decided to avoid paying the tax on the gain associated with the \$6.5M, and we used a tax code, 1031 Exchange, to completely eliminate what would otherwise have been taxes on almost \$5M of gains.

By leveraging the tax codes, we were able to convert what would have been over \$1M in taxes into a stream of tax-efficient income. The \$6.5M created an income stream of over \$357K of annual income. And because of the way the 1031 can work, almost 40% of that income was 100% tax free.

That income was sufficient to take care of their income needs, and with the balance of the sale, we agreed that they could pay about \$250K in combined State and Federal Income taxes. To accomplish that goal, we split the remaining \$3.5M into two buckets:

- (1) The first bucket we put into a conservative (and tax efficient) equity allocation to give them growth potential and liquidity during the first decade of their retirement. That allocation meant they had almost \$2M available any day of the week for all those extras in life: the honey-do list, the round-to-it list, and the bucket list.

- (2) The second bucket took advantage of the Tax Cut and Jobs Act and opportunity zones which allowed Sid and Nancy to delay paying taxes on the balance of the \$1.5M for at least 10 years, possibly longer.

Obviously, there are many intricate details that are involved with these tax strategies, too many to be included here. The important takeaway is that Sid and Nancy chose to work with a financial planning team that truly understood not only investments, but the tax implications of making those recommendations, as well.

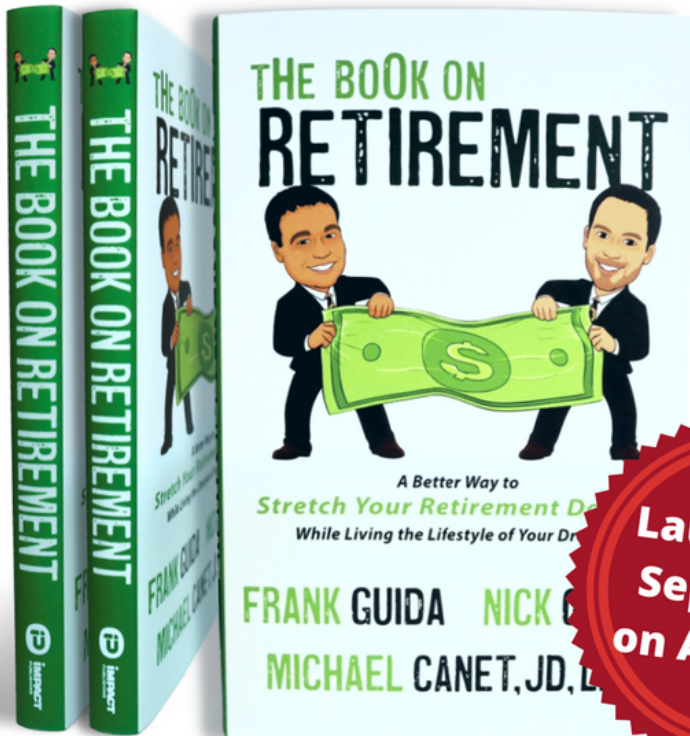
**Remember, it is not how much you make, it is how much you keep that counts!**

Sid and Nancy were happy they **CHOSE A *Better Way***.

Read More In...

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