Ep. 178 Dear Patti: Retirement

Hi everybody. Welcome to the Patti Brennan Show. Whether you have $20 or 20 million, this show is for all of you who want to protect, grow, and use your assets to live your very best lives. We don't measure people by how much money they have. Some people are just starting out, and some have amassed a fortune. There's something here for all of you, right?

ERIC: Oh, absolutely, you couldn't have said it better. And I think what's interesting is that ultimately, what is money? It's a means to an end. But more importantly, it buys options. It allows you to take back your time and allocate it the way you see fit. That's ultimately the most important thing of what it provides.

PATTI: Eric, I didn't even introduce you. I just turned to you because I feel like everybody already knows you. But let me introduce our Chief Planning Officer. This is a Dear Patti segment. It really should be Dear Patti and Eric because Eric has been with me for over 20 years. It's been a wonderful relationship—a cross-mentoring relationship. It started out with me mentoring him, and now it's reverse mentoring. He's mentoring me. We go back and forth, and we thought this would be a neat way to present the questions that listeners have been writing to us since we started this podcast.

ERIC: Yeah, Patti, I think it's interesting how you define it as a mentorship. I would actually categorize it as maybe a shared curiosity about a particular set of subjects that we're both passionate about. It's the enjoyment of continuing to ask questions. Two decades is a long time, and I don't necessarily feel like I know more; I just have more curiosity.

PATTI: That's what's so much fun about this. Folks, just so you know, Eric and I tend to be the last people to leave the office. Invariably, you'll come into my office and we'll start to talk. We both get really excited about something—a question that came up or something one of us discovered. And it gives us the opportunity to dig deeper and answer these listener questions.

ERIC: And not to go off track here with today's topics, but what a blessing it is to live in a world where there's such an abundance of information. We can ask these questions and weave a mosaic that helps us understand the world in a way that's beneficial for others trying to plan their lives and find financial security, meaning, and purpose.

PATTI: That was the whole purpose of starting this podcast. We take care of our clients holistically. There are so many people who don't have someone to call to ask anything, someone they can count on. So these are listener questions. Let's start with the first one.

ERIC: Patti, you teed that up beautifully. Today, we're continuing with our popular Dear Patti series. These listener questions mirror the conversations we have every day with our clients. The first question is: "Dear Patti, I'm 62 and planning to retire in the next year or two. I have a mix of Social Security, a small pension, and about $2.5 million in investment accounts. I'm worried about how to start pulling money from these resources. How do I know which faucets to turn on first and when?”

PATTI: Excellent question. You've entered what we call the phase of ambiguity. First of all, congratulations on a great portfolio. You're asking the right question. When you retire, you have what you have, and it becomes about how that lasts the rest of your life. There’s a gap between your income sources and your spending. How do you fill that gap?

ERIC: Isn’t that what you call mailbox money?

PATTI: Exactly—replacing the paycheck. The portfolio needs to bridge the gap. Most retirees will face curveballs: a financial crisis, a personal event, or a family emergency. Your plan must account for those.

ERIC: This listener is highlighting the three-legged stool: guaranteed income, pensions, and the investment portfolio. It's a complex issue. You have to consider tax brackets, Medicare status, investment strategies...

PATTI: And when to take Social Security. That’s why we always say: run the numbers. You don’t need access to all $2.5 million immediately. We suggest dividing your portfolio into three pools:

Pool One: 0-3 years of gap coverage. If you need $5,000/month, that’s $60,000/year—around $200,000 set aside in safe, liquid investments.

Pool Two: The next 3 years. Another $200,000 in slightly more aggressive, but still moderate, investments.

Pool Three: Long-term investments. Stocks, international securities—your growth-oriented assets.

Pool One doesn’t fluctuate. Pool Two jiggles. Pool Three is volatile. Seven years is usually enough time for markets to recover, historically.

ERIC: That structure—the pools of money concept—gives people confidence. It creates a repeatable process.

PATTI: We started this during the tech bubble, and it saved our clients. Then the financial crisis, COVID—and it’s working now. But it’s not set-it-and-forget-it. As people draw cash flow, we continually replenish those pools.

ERIC: So it’s not a hands-off approach.

PATTI: Exactly.

ERIC: Next question: “Hi Patti. I’ve heard taxes in retirement can sneak up on you. I’ll lose a big salary but still have investment income. Are there ways to lower my taxes before I retire?”

PATTI: I love this question. When people retire, they often drop into a lower tax bracket. That’s a huge opportunity for tax planning. Maybe you can realize gains in a 12% bracket and pay no tax. Or do Roth conversions strategically. But be careful—watch for unintended consequences.

ERIC: Like the ACA subsidies for health insurance if you're under 65. A Roth conversion could push you out of eligibility.

PATTI: Or Medicare's IRMAA penalties. That's why modeling is so important. But between retirement and RMD age (currently 73 or 75), there’s often a window of opportunity.

ERIC: There’s a Goldilocks zone for planning.

PATTI: Absolutely.

ERIC: Okay, next question: “Dear Patti, retirement sounds amazing—no more 6AM alarms—but I’m terrified of running out of money, especially if markets crash. How can I make sure my plan can handle curveballs?”

PATTI: Assume curveballs will come. Have Plan A and Plan B ready. You don’t want to figure this out in a crisis. Run the numbers to test risk capacity. Risk tolerance is emotional; risk capacity is measurable. Big difference.

ERIC: It’s both art and science. Understand the client’s psychological profile, but also quantify risk.

PATTI: Do it *before* the crisis. Over the weekend, I ran numbers on every client. We know what to do. They don’t need to worry. That’s the key.

ERIC: Final bonus question: “Everyone talks about saving for retirement, but no one mentions the emotional side. I’m worried about losing my identity and purpose. How do successful retirees handle this?”

PATTI: Such a great question. This hits CEOs, scientists, teachers—everyone. I've seen people cry in my office because they’re bored and lost six months into retirement. It’s critical to understand *why* you want to retire. What are you retiring *to*?

ERIC: Gray divorce has tripled since the 1990s.

PATTI: A lot of people aren't emotionally ready. And for couples, it's tough. You go from being apart most of the day to being together all the time. And many men haven’t cultivated strong friendships, so they depend on their spouse for social connection.

I once had a client who said she wanted to retire. She loved her job, loved her coworkers. I asked, “So why retire?” She said, “The commute.” So really, she wanted to retire from commuting. That’s different.

Retirement has phases. There’s a honeymoon phase—like freshman year of college. It’s fun. But after that, what gives you purpose? Friends? Volunteering? Social connection? That’s your other kind of “Social Security.”

ERIC: That was action-packed. Thank you so much, Patti. And thank you to our listeners who submitted questions. If you have a question, email us at DearPatti@KeyFinancialInc.com or message us on LinkedIn. We may answer it in a future episode.

PATTI: Eric, this was awesome. Retirement is a big subject. We could talk forever. Send in your questions to Dear Patti, and we’ll answer them for you.

ERIC: We’ve been talking about it for 20 years, and we’ll keep going for 20 more.

PATTI: I’m with you on that. Thank you for joining us today. Thank you, Eric Furman, our Chief Planning Officer. You always make it fun.

ERIC: Likewise. Take care.

PATTI: Have a great day, everybody.