

WEALTH MANAGEMENT INSIGHTS

a FERGUSON WELLMAN and WEST BEARING PUBLICATION



Helping Clients Navigate Financial and Life Decisions

THIRD QUARTER 2020

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Founded in 1975, Ferguson Wellman is a privately owned registered investment advisory firm, established in the Pacific Northwest. As of January 1, 2020, the firm manages over \$5.96 billion for more than 848 clients that include individuals and families; Taft-Hartley and corporate retirement plans; and endowments and foundations with portfolios of \$3 million or more.

West Bearing Investments, a division of Ferguson Wellman, serves clients with assets starting at \$750,000.

INVESTMENT EXCELLENCE
LIFELONG RELATIONSHIPS

Planning for the Known and the Unknown

MARY LAGO, CFP®, CTFA
Executive Vice President, Wealth Management Chair



AS ADVISORS, WE EMBRACE THE OPPORTUNITY TO HELP OUR CLIENTS explore and understand the impact of financial strategies on their lives and vice versa. We believe it is our role to put a magnifying glass to the map

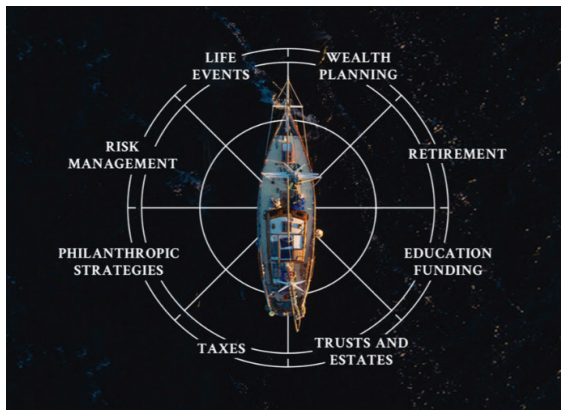
highlighting new paths and potential pitfalls. Each individual's terrain is unique and is formed by their values, resources, family and other circumstances.

Ferguson Wellman and West Bearing have tools to help clients evaluate their current circumstances and make informed decisions about spending and saving patterns, philanthropic strategies, family gifting, tax mitigation, the level of investment risk they are comfortable assuming and much more. In the image are the eight disciplines we have identified, in addition to investment management, where we can bring knowledge and resources to our clients as we collaborate with their professional partners.

Whether planning for the known or unknown, planning itself is the key. We know life events come in all shapes and sizes representing the best and most challenging moments of our lives. While we cannot control what life will bring, we can make celebrations more carefree and transitions easier by planning for them. Being prepared can also reduce the potential financial burden that can accompany these events.

This quarter we shed light on the benefits of planning for a known event, namely, retirement, as well as managing the risks associated with unknown events. Certainly the recent pandemic is an unknown that the majority of us did not plan for, but there are things we have all learned in 2020 that will enhance our planning this year and in the future.

As you make decisions about your lifestyle and goals, consider the words of Ralph Waldo Emerson, "Life is a journey, not a destination." Our focus is to support you in finding joy in the journey and success in reaching your destination.



When mapping a financial path, it is important to know the port of departure as well as the desired destination. The port of departure includes: (1) personal financial statements outlining assets and liabilities and (2) cash flow summary of expected future income and expenses. The destination may include goals such as a desired retirement lifestyle, a large purchase, business sale, community impact or family legacies.

Everything we hear is an opinion, not a fact. Everything we see is a perspective, not the truth. – MARCUS AURELIUS



The Softer Side of Retirement Planning

SCOTT CHRISTIANSON, CFP®

Executive Vice President, Portfolio and Wealth Management



RETIREMENT. THAT PROVERBIAL PHASE OF LIFE SO MANY WORKING INDIVIDUALS EAGERLY AWAIT.

Without a doubt, this momentous life shift is one of the greatest in our entire adult lives. Unfortunately, it is frequently ranked as one of our most stressful life events.

At its core, retirement is a simple proposition. You no longer need to go to work, so more time can be spent on activities that bring you joy. It is important to recognize that, while this life shift is often positive, retirement also brings with it many implications for one's personal, emotional and financial life.

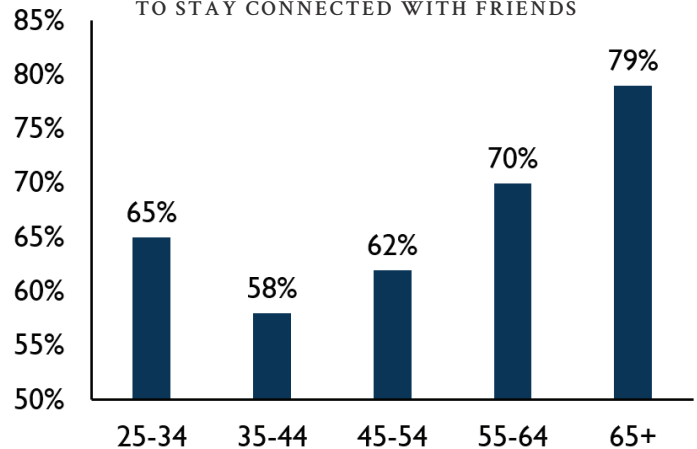
Volunteerism and part-time work are frequently cited as popular ways to *occupy* time in retirement. But for some, they prove to be less rewarding and fulfilling, in part because it can be challenging to find the same level of purpose that retirees felt in the jobs they left behind.

In a similar vein, one of the most undervalued aspects of working is the social connection and friendships that develop through the workplace. Upon retiring, many adults experience a reduction in social contact, and this can be particularly challenging for retirees to regain, especially for those who are less socially inclined. A survey from research and consulting firm Age Wave underscores this point, with 79 percent of adults age 65+ agreeing that socialization with friends and family is critical to their retirement well-being. Spending time cultivating personal relationships prior to retirement can increase post-retirement satisfaction.

Beyond the social aspect of working life, there is also the identity that comes with being a productive member of the workforce. For many retirees, decades spent on the job created routines, structure and purpose, all of which provide comfort. They are familiar pieces of life, so much so that when removed abruptly, their absence can create a rocky transition to retirement and mental wellness through later years of life. Many increase their fulfillment by building structure and routines that align with their personal values and vision of their golden years.

From a financial perspective, the shift from having steady earned wages to reliance on other sources of cash flow can cause anxiety, even for those with significant resources and modest needs. Retirement can also signal a change from wealth accumulation to using or depleting resources, a similarly stressful adjustment, if no planning has occurred.

PERCENT WHO AGREE IT'S IMPORTANT TO STAY CONNECTED WITH FRIENDS



Source: Age Wave

APPROACHING RETIREMENT

For those who are planning to retire in the next few years, it is important to establish a realistic plan for how you want your retirement to look. This advance planning can make for a smoother transition in the long term and provide a better framework for goals you want to achieve in your retired life.

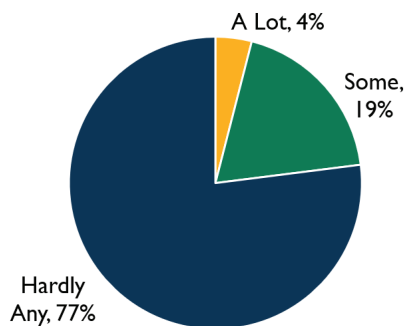
It is important to have an honest conversation with your spouse, partner, family members or trusted friends to identify goals for the future. Starting or updating one's financial retirement plan is also a valuable endeavor, particularly the assessment of current assets and liabilities against future spending objectives. Ferguson Wellman and West Bearing can assist with this process by modeling out how your plan can be positioned to help you retire when you want. We can also help you identify a reasonable spending expectation, given your goals and individual circumstances.

Volunteering extensively or working part-time can be an effective glide path into retirement; however, a thoughtful plan with realistic goals is still worthwhile. If you plan to volunteer, how often and for what organizations will you offer your time? For those seeking part-time work, will you consult in the field you are retiring from or will you chart a new course? It is important to ask yourself these and other questions to start down this new path with confidence and clarity.

AT RETIREMENT

We often hear that "life is better" when you retire and leave the work life behind. For some, this is certainly true. For others, retired life poses new challenges, many of which stem from a lack of planning

PERCENTAGE OF RESPONDENTS PLANNING FOR LEISURE TIME IN NEXT FIVE YEARS



Source: Age Wave

about goals and outcomes for the future, as seen in this chart above.

Upon retiring, leisure time increases dramatically, as noted in the data at right, creating the opportunity to dig into existing hobbies or discover new ones. For many, building some structure into this newly found time can provide for a much happier transition from work to “play.”

Moving to a new location is another common theme for retirees. Motivators for this change include seeking out a more desirable climate, gaining proximity to family, or finding a smaller home that is more affordable. While this is certainly an enticing new path for retirees, it is also a decision that should be made with care. The grass can seem greener on the other side, but removing the comforts of your current living situation (e.g., friends, daily routines) can have unintended consequences for your wellness in retired life. If possible, give your plans an extended test run before you make a permanent move. Of course income and estate taxes vary by state and should also be considered as you contemplate your residence.

Retirement for couples can be additionally stressful, with differing expectations for how each person plans to spend his or her time. With leisure time ballooning in retirement, being cognizant of your partner’s needs and desires is paramount to finding the right relationship balance.

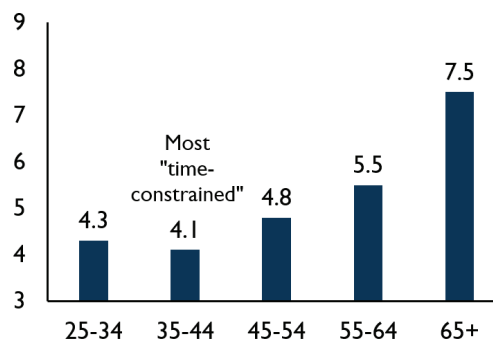
As highlighted above, retiring can be a challenging transition during the best of times. For those whose unfortunate retirement timing coincides with a recession, the added layer of economic stress can be

unnerving. Retirees in a more sensitive financial situation still need to revisit their financial retirement plan to ensure that they are on the right course. Revisiting one’s investment portfolio asset allocation is also a good practice when entering retirement. The conventional wisdom of reducing one’s portfolio risk at retirement certainly sounds sensible. For many, retirement may not be an automatic trigger to shift to a conservative portfolio. There are likely other factors at play which require a deeper analysis of the overall retirement plan. This could include how much income is needed from retirement assets to cover living expenses; the age of your partner; wellness and healthcare and the ability to adjust spending if needed. This analysis is precisely why target date retirement funds have received criticism, as they become overly conservative upon retirement date. This one-size-fits-all approach clearly has its shortcomings.

With social distancing to mitigate the spread of COVID-19, we all have had to take steps to stay connected safely, using technology and seeking activities that pose less risk than others. From extreme weather to pandemics, being flexible but committed to your physical and emotional well-being during difficult times has proven necessary of late.

Ultimately, the transition to retirement should be a welcomed life event, filled with new possibilities for the future. Certainly, planning for the financial transition is important. But retirees who create meaningful social connections, routines and work with their spouse or partner to build an aligned vision of retirement prior to the transition, will have the richest retirement.

AVERAGE HOURS OF LEISURE PER PERSON PER DAY, RETIREES ARE THE MOST ‘TIME AFFLUENT’



Source: Age Wave



A Ship in the Harbor

JOSH FRANKEL, CFP®
Executive Vice President, Portfolio and Wealth Management



SHIPS ARE BUILT FOR SPECIFIC PURPOSES, SUCH AS EXPLORATION, TRAVEL, AND TRANSPORT.

Every time a ship sets sail, the captain is responsible for all aspects of the operation, including safe navigation and the management of all personnel

and procedures. The captain must also assess dangers they will encounter and decide how to best manage a variety of risks. Despite the risks, the captain will undoubtedly state, “A ship in harbor is safe, but that’s not what a ship is built for.”

In a similar fashion, “A retirement in harbor is safe, but that’s not what retirement is built for.”

Our clients want to enjoy the journey and not remain in harbor. Our job, as the “captain of the financial plan” is to help our clients identify, analyze, review and monitor potential risks they may encounter. There is no shortage of risks in retirement, but a framework for managing risk can provide peace of mind. Risk management helps prepare for the unexpected, protect families and preserve your financial status.

When it comes to risk, there are generally five ways to manage them, including:

- **Accept Risk:** understand the risk and assume all the risk with no mitigation
- **Avoid Risk:** avoid high-risk activities that could result in catastrophic impacts on your retirement plan
- **Transfer Risk:** shift risk exposure to life, disability, long-term care insurance policies
- **Mitigate Risk:** prevent and control risk, such as purchasing smoke alarms and wearing seat belts
- **Share Risk:** assume a limited degree of manageable risk and transfer remainder to another party, like medical insurance

One of the most significant risk exposures our clients often ask about is long-term care. Considering 70 percent of people over the age of 65 will need some type of long-term care support; we recommend developing a plan to address the financial, emotional and physical risks of needing long-term care.

There has been a heightened awareness of risk for all of us in 2020 in light of the pandemic. In consultation with your portfolio manager and other professional advisors, we encourage you to take an inventory of your current and possible future risk exposures. We can help you build a plan to weather the proverbial storms with a controlled amount of exposure to the elements.

ENJOY THE JOURNEY,
DON'T REMAIN IN THE HARBOR



Source: Ferguson Wellman

Our logo features a bronze coin of Marcus Aurelius Antonius, Emperor of Rome from A.D. 161 to 180. According to historian Edward Gibbon, he was the only person in history in which “the happiness of a great people was the sole object of government.” Marcus Aurelius was the author of meditations that reveal a mind of great humanity, natural humility and wisdom.