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Things You Control

Getting Reliable Retirement Income:
From Wealth Accumulation to Income Architecture

For many high-net-worth investors, retirement is not simply the end of a career—it is the transition from earning income to engineering it.

During working years, the financial focus is typically on accumulation: maximizing earnings, saving aggressively, building businesses, exercising stock options, managing concentrated positions, and deferring taxes where possible.

Retirement changes the equation, dramatically.

After retirement, income no longer comes primarily from work. Instead, it comes from a coordinated system of Social Security, investment portfolios, retirement accounts, business interests, deferred compensation plans, pensions, and other assets. For affluent investors, this is less about "retirement income" and more about creating an effective income architecture.

Research from the Employee Benefit Research Institute shows that most retirees rely on multiple income sources. However, for high-net-worth households, the balance shifts materially away from dependence on Social Security and toward personal savings and investment portfolios.

That distinction matters because portfolio construction, withdrawal sequencing, and tax strategy increasingly determine long-term outcomes. For example:

- Which assets should be used for current income versus long-term growth?
- Should withdrawals come from taxable accounts, IRAs, or Roth assets first?
- When do Roth conversions make sense?
- How should capital gains be managed?
- How can Medicare premium surcharges (IRMAA) be minimized?
- How should deferred compensation plans or concentrated stock positions be unwound?

These are not isolated investment decisions. They are interconnected cash-flow and tax-management decisions.

This is why many traditional "rules of thumb" begin to break down in retirement. During accumulation years, maximizing tax deferral was often beneficial. Near retirement, however, continuously deferring taxes can sometimes create larger future RMDs, higher Medicare premiums, and unnecessary tax concentration later in life.

Likewise, many affluent retirees assume they can simply continue working if needed. In practice, retirement timing is not always fully controllable. Health issues, business transitions, industry changes, or family circumstances often accelerate retirement earlier than expected.

Healthcare costs are another major variable. Medicare expenses, supplemental insurance, long-term care considerations, and tax-driven premium increases can materially affect retirement cash flow.

For high-net-worth investors, retirement success is therefore not simply about portfolio performance. It is about coordinating investments, taxes, withdrawals, and timing decisions into a sustainable long-term framework.

In our work with clients, we integrate tax analysis directly into the planning process because investments and taxes are deeply intertwined. Tax returns help identify opportunities for proactive planning while there is still time to act—not after the year has already ended.

That may include:

- Evaluating withdrawal strategies
- Reviewing realized gains and dividend exposure
- Assessing Roth conversion opportunities
- Coordinating charitable strategies
- Structuring retirement plan contributions for business owners
- Reviewing deferred compensation elections for executives

Even when no action is necessary, clients gain confidence knowing that important planning opportunities were not overlooked.

The transition from wealth accumulation to retirement income distribution is one of the most important financial shifts investors will experience. For affluent households especially, the challenge is no longer simply building wealth—it is converting that wealth into durable, tax-efficient income.

If you would like to discuss how your retirement income architecture, tax strategy, and portfolio structure fit together, I would be happy to have a conversation.

Note: *This is not legal or tax advice. Please consult with a legal or tax professional regarding your specific situation and the current laws.*

Why Things You Control are Important

In Investing (as in Life) we can: hope, worry or plan.

I believe that when we hope or worry, we are largely looking at the future and are focused on things we do not control. We hope the markets will get higher and we will make money. Or we worry that markets will collapse and we may lose all our money. And yet, deep down in our hearts, we know that whether our thoughts are optimistic or pessimistic they simply do not influence future outcomes.

We can also look at the future plan-fully. When we do this we tend to focus on the things that we do control. And, by picking activities that are in our control and that are important to our future we have a far better chance of achieving our goals. Of course, life holds few guarantees! So, for example, while we all hope that our favorite stock pick will be a high performing stock, not implementing a properly diversified portfolio is plainly irresponsible to our financial well-being.

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DorchesterAdvisors is a Registered Investment Advisor in NJ, NY and MI.

Our Financial Planning Principles

Without a Purpose, accumulating money can become a soul-less task. A financial plan gives your savings a purpose.

It's OK to be broke when you are young - not so when you are old: Studies show that people typically tolerate risk and uncertainty better when they are younger.

Getting down from Mount Everest is as important as getting up: Pay as much attention to consuming your money after you retire as you do to accumulating it before you retire.

Planning is life-stage dependent: The principles of saving and investing money in your early years are very different from the techniques that you use in retirement to generate a reliable income stream.

Financial confidence comes from being on top of your taxes, protecting yourself from risks, having a clear picture of your investments and debt, and specific targets for saving and spending.

Achieving financial independence requires a careful balancing of Income, expenses, taxes, and savings. This balancing act (planning) is not intuitive, nor can it be done well on the back of an envelope, but effective plans do give more peace of mind.

Identify your true risks (in contrast to investment volatility, labelled as risk, or uncertainty) and take action to manage them using the correct risk management tools. Pick the right tools for the job - investments won't manage the risks you face, risk products (insurance) won't deliver the growth and flexibility you need.

Taxes remain important even after you retire. However, in retirement your investments become the principal source of your income and hence drive your taxes.

In matters of health: it's your body but your doctor knows better how your body works. So it is with your money: A partnership with an advisor will help you to reach your financial goals - you save, they help your savings grow. Together you can get there faster.