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pg. 42

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The Five Major Risks to a Secure Retirement

Paul Murray of **PTM Wealth Management** helps clients avoid common pitfalls with holistic plans that take the entire financial picture into account.

In his more than two decades of providing informed financial advice to private clients, Paul T. Murray has seen calm seas and volatile storms alike. His experience, combined with his unique approach, means that very little surprises him.

PTM Wealth Management, the North Wales-based firm Murray founded 26 years ago, focuses on financial planning, tax strategies, investment management, retirement planning, and estate planning, among other services. As an Accredited Investment Fiduciary and Chartered Financial Consultant, he stresses the importance of holistic planning.

What does holistic planning mean? Rather than simply choosing investments and hoping the market cooperates, he builds comprehensive plans that incorporate a client's entire financial picture—income, taxes, investments, Social Security, estate planning, healthcare, and the possibility of living an unexpectedly long time. The overall strategy is built to adapt when and if the unexpected happens.

"Most advisors offer what I call 'financial planning-lite,'" Murray says. "They don't provide tax planning or long-term care planning, and they don't do 'what-if' modeling to stress-test their plans against realworld risks like higher taxes, bad markets, and the potential need for long-term care and higher Medicare costs."

In the retirement class he teaches at area universities to people in or near retirement, Murray helps them prepare for what he has identified as the five major risks to a secure retirement: tax-rate risk, legislative risk, market risk, longevity risk, and long-term care risk. As he says, "A failure to mitigate any one of these risks could jeopardize retirement plans."

Tax-Rate Risk. For many retirees, the amount of money accumulated over decades is only part of the story. The more important question may be how much of that money they will actually be able to spend.

"The IRS is your retirement partner," Murray says, "and it doesn't matter how much money you have saved, it matters only what you can spend after taxes."

He believes tax rates will continue to move higher in the years ahead because of factors such as trillion-dollar budget deficits, the ever-escalating national debt, Medicare, and Social Security trust funds running out of money, and the prospect of artificial intelligence soon replacing many jobs.

The solution is real tax planning, which is something most firms do not offer. PTM Wealth Management has a Guided Roth Conversion Program designed to evaluate whether moving assets into different tax structures could improve a client's future after-tax income. The planning process also considers the relationship between retirement income, required minimum distributions (RMDs), and Social Security taxation, among other factors.

"For years, investors favored tax-deductible, tax-deferred savings accounts that are designed to become income-taxable in retirement," Murray says. "As a result, we've fallen into the trap of increasing taxes, increasing Medicare costs, and extensive taxation of our children's inheritances.

"The problem with most savers is that they have accumulated far too much money in traditional retirement accounts," he continues, "and they must eventually take required minimum distributions (RMDs) from these accounts and pay tax on them. The income from these RMDs can also cause these retirees to pay higher Medicare costs known as Income-Related Monthly Adjustment Amounts (IRMAA)."

PTM Wealth's goal is to incorporate tax planning as part of the retirement plan so clients can regain control over their savings, how they spend it, and when they pay taxes on it.

Legislative Risk. Retirement planning also has to account for something no financial advisor can control: new laws. Tax rates and government programs can change over time, so a strategy built entirely around today's rules could look very different years from now.

Murray's answer is not to predict exactly what Congress will do; rather, it is to build a plan flexible enough to adapt. He examines a client's current course, considers alternatives, and regularly monitors the plan as circumstances evolve.

That is particularly important for people approaching retirement, when decisions that once seemed distant—when to claim Social Security, how to withdraw retirement assets, or whether to convert traditional retirement funds to Roth IRAs—become urgent, and can suddenly have lasting consequences.

Murray was once a songwriter and recording artist for Columbia Records. While music and financial planning appear to have little in common, both pursuits require preparation, creativity, and an ability to adjust when circumstances change.

Market Risk. While a market decline during one's working years can be painful, there is usually still time to recover. That's not a luxury most retirees can afford.

"Just because you want to retire doesn't mean the market will go along with your plan of making money forever," Murray says. "For this reason, investors should consider changing their strategy from accumulation-only, to a combination of principal-protected investments and traditional stock/bond allocations."

Longevity Risk. With Americans living longer these days—many well into their 90s—there is a legitimate fear of their money not lasting long enough. Social Security, which Murray calls the "base salary" in retirement, provides a starting point, but most people face the prospect of paying themselves for decades from investment accounts that will fluctuate in value and may be subject to periods of decline.

"There are a lot of financial solutions that can provide sustainable lifetime income in retirement, and it is important for retirees to have an income plan," Murray says. "Just 'winging it' in the stock market can potentially result in prematurely running out of money. Increasing your base salary should be a goal of savers when entering retirement. You can get through any financial crisis if you know that your monthly retirement paycheck will never run out."

Long-Term-Care Risk. Murray points to a recent study revealing that 70 percent of retirees are at risk of needing long-term care (LTC) at some point, but most refuse to purchase expensive insurance.

"No one wants to be a burden to their children, yet most have no plan," he says. "The real question that needs to be answered in long-term care planning is this: Would you rather transfer your accumulated wealth to your loved ones, or an institutional corporate caregiver?

"LTC is not limited to nursing care, and care can extend for many years to one degree or another," he continues. "We have great tools to help estimate future costs, and it should be a priority for everyone to have a plan for a need for LTC, should it arise."

The Instruments of Success

While Murray does his best work behind the scenes, there was a time in his life when he felt most at home at center stage—as a songwriter and recording artist for Columbia Records. Music remains an important part of his life to this day, and he still plays guitar and performs locally when his schedule allows.

While there might not be an obvious correlation between music and financial planning, Murray believes his two passions are actually quite similar. After all, both pursuits require preparation, creativity, and an ability to adjust when circumstances change. Experience has taught him that rarely, if ever, does everything go according to plan, whether penning a tune or building a portfolio.

"Creating a financial plan is like co-writing a song with each client," Murray says. "They bring us the ideas, and the style or tempo desired for their retirement. We bring the instruments to create the plan, along with tools to adapt the plan to make it sing true for every stage of their lives." ■

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