

The First Decade

Seven Decisions That Shape Your Retirement

A guide for California families approaching or early in retirement.

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Why this guide exists

After 24 years in financial services, I can tell you something most retirees don't hear from their advisor. Retirement rarely gets lost in one bad decision. It gets lost in the gaps between seven good decisions that nobody coordinated.

I spent the first 20 years of my career in the wholesale and retail mortgage industries and the corporate foreign currency exchange market. Since 2022, I've been doing this work, helping California families architect retirement, life, and Medicare plans. In that time, I've watched what actually wears a retirement down, and it isn't what most people think. Market crashes recover. The damage that doesn't recover comes from structural decisions made one product at a time, without anyone looking at how the pieces fit together.

This guide walks through the seven decisions I see left to chance most often, or made by the wrong advisor at the wrong stage. None of them require a financial degree to understand. Each of them can quietly cost a family six figures over a 20-year retirement when they go sideways.

You will see real percentages in this guide. I included them on purpose, because the most expensive sentence in retirement planning is the one almost everyone says at some point. *"That won't happen to me."* The percentages speak to the reality of unexpected circumstances.

If you're approaching retirement, recently retired, or helping a parent through theirs, read this once. Then let's talk about how it all fits together for your specific picture.

Dennis

DECISION 1

When to claim Social Security

Most people treat Social Security as a number on a website. The decision of when to claim is actually a decision tree with a multi-hundred-thousand-dollar lifetime impact, and very few people walk into it knowing that.

Roughly one in four newly retired workers still claim Social Security at 62, which is as early as the program allows.¹ Fewer than 10% wait until 70 to maximize their benefit.¹ The default behavior in this country is to claim early, often without modeling what it actually does to a 20-year retirement.

The claim age you choose at 62, 67, or 70 isn't just about the size of your monthly check. It changes your spouse's survivor benefit, the timing of when other income sources like annuity income riders or taxable distributions become active, which Medicare premium bracket you fall into, and how much your life insurance has to do to fill any gaps.

Here's a situation I see often. A retired couple in Long Beach claims Social Security at 62 because, in their words, "we have other money." They live well in their 60s and 70s. He passes away at 78. His wife is 76 now, and she finds that her survivor benefit is permanently lower than it would have been if he had waited a few more years to claim. She has another 14 years to live on an income that doesn't quite stretch the way it used to. Nobody ever told her that her husband's early claim was, in effect, a survivor decision.

This is what I mean when I talk about decisions made in isolation. The right Social Security claim age for a couple in their 60s is rarely the right one for the surviving spouse in their 80s. The work is to model both scenarios honestly and pick the age that protects the version of the plan you don't want to live, not just the one you hope you will.

DECISION 2

How you intend to pay for long-term care, before you need it

This is the decision where the "won't happen to me" instinct does the most damage, because the numbers are not in your favor.

The U.S. Department of Health and Human Services projects that 56% of Americans turning 65 today will develop a disability serious enough to require long-term services and support.² Other widely cited federal estimates put that figure closer to 70% when you include any form of personal care assistance.³ Either way, more than half of the families reading this guide will face a long-term care event at some point. And about one in five of them, 22%, will need care for five years or longer.²

In California, the cost is among the highest in the country. Memory care typically runs \$9,000 to \$13,000 a month, which means a 36-month event can draw more than \$400,000 out of a household balance sheet. Traditional Medicare does not pay for any of it.

Most retirees plan to self-insure. Sometimes the math works. More often it works less well than people assume, because self-insuring with portfolio assets means draining your surviving spouse's income source at exactly the moment they need it most.

A client of mine in Pasadena had this happen. He was a retired aerospace engineer sitting on about \$1.2 million in retirement assets when his wife was diagnosed with Alzheimer's at 78. Five years of memory care drew \$500,000 out of the portfolio before she passed. He is 83 now. The retirement income he had built for two people has to last him on his own, and his investment runway is roughly half of what he had planned for. He didn't make a wrong decision. He just made one decision, when he had three good ones to choose from.

There are three workable paths to fund long-term care. The first is a traditional long-term care insurance policy. The second is a hybrid product that combines life insurance with a long-term care rider, which has the benefit of returning the premium to your heirs as a death benefit if the care event never happens. The third is an annuity income rider that doubles or triples its monthly payout during a qualifying care event. Choosing to self-insure can absolutely be the right answer for your family. But making that choice without seeing the other three modeled side by side, when more than half of households will eventually face this question, is the actual mistake.

DECISION 3

Carrying the wrong life insurance for your current life stage

Life insurance is supposed to answer different questions at different times. In your 30s, it replaces income for young children. In your 50s, it covers the mortgage gap and college runway. In your 60s and beyond, it does two things almost nobody explains to you. It equalizes inheritances between heirs whose financial circumstances are very different from each other. And it creates a tax-free legacy bucket that doesn't pass through probate.

What I see in practice is policies bought in 1995 sitting inside 2025 plans. A 20-year term that expired the year before retirement, originally meant to cover the kids and the mortgage, both of which are long since resolved. An old whole life policy with cash value that might be more useful redeployed than left where it is. A husband and a wife with separate individual policies when a single joint or second-to-die structure would have solved the legacy question for half the premium.

The consequence of leaving a policy in place that was bought for a different decade tends to show up at the surviving spouse's worst possible moment, because household income drops on average about 40% when the first spouse passes away.⁴ Social Security alone typically falls 30 to 40% the day after the funeral, because the survivor keeps only the higher of the two checks and the smaller one disappears.⁴ A life insurance policy that was designed for a 1995 mortgage payoff is rarely the right tool to fill that 40% gap in 2025.

Here's a recent example. A client in Torrance called me about his two adult kids. His daughter is a successful attorney in San Diego. His son is a high school teacher in Long Beach. He wanted to leave each of them roughly equal financially, but his estate, as it sat, would have left his daughter the income property and his son a much smaller cash inheritance because of how the assets were titled. We restructured his life insurance to fund the gap, and now his son inherits a tax-free death benefit large enough to equalize against the value of the property. The estate plan was already there. The life insurance was the missing piece.

A strategic life insurance review answers three different questions in order. Is the coverage replacing income, covering a window, or restoring a legacy. Most policies were bought to answer one question, and the household has since moved to a different one without anyone updating the policy.

DECISION 4

Treating "tax-deferred" and "tax-efficient" as if they're the same thing

A 401(k) and a traditional IRA are tax-deferred, not tax-free. Every dollar inside them is, in effect, a future joint partnership between you, the federal government, and the State of California. The partnership terms are subject to change.

The mistake is treating tax-deferred balances as net worth on a statement, the way you'd look at a bank account. They aren't the same thing. What I see surprise clients most often is the way three different planning pressures collide in the same decade.

Required Minimum Distributions kick in at 73 and push your taxable income up at exactly the moment you may also start filing single, because your spouse has passed. The bracket math gets brutal quickly when you weren't planning for it.

IRMAA surcharges, which determine how much you pay for Medicare each month, are based on income reported two years prior. About 5.1 million Medicare beneficiaries paid IRMAA surcharges in 2025, which is roughly 7 to 8% of all enrollees.⁵ The thresholds start at \$106,000 of income for a single filer or \$212,000 for a married couple filing jointly, and once you cross them, total Part B and Part D premiums for a household can run anywhere from \$259 to over \$628 per month per person.⁵ A large IRA distribution in your first year of retirement can quietly add \$1,500 to \$5,000 in Medicare premium for the next year, and nobody tells you it's coming.

The Roth conversion window between roughly age 60 and 70 is a real planning opportunity that most people miss, because nobody is modeling out what their tax-deferred buckets do in their 80s.

A couple in Torrance came to me two years ago. Both retired federal employees, both diligent savers, about \$800,000 combined between their TSP and 401(k) balances. They had no idea their RMDs at 73 would push them into a higher Medicare premium bracket. They're now paying about \$3,200 a year in extra premium between the two of them, and the math gets worse for the next decade as their balances grow with the market.

Tax-deferred is a feature of the account. Tax-efficient is a strategy that someone has to actually build. The strategy is knowing which bucket each dollar lives in, when it has to come out, and what comes out next to it.

DECISION 5

Letting one Medicare decision lock in the next decade

The moment you become eligible for Medicare is the moment the next decade of your healthcare quietly gets architected. Medigap policies, which are the supplements that pay what Original Medicare doesn't, come with guaranteed-issue rights during a specific window. Outside that window, you can be medically underwritten, priced out, or here in California, denied coverage outright.

The size of this issue is larger than most people realize. According to a Kaiser Family Foundation review, about 90% of Medicare Advantage enrollees age 65 and older, roughly 22.4 million people, would face medical underwriting if they tried to switch to a Medigap policy after their initial enrollment window closes.⁶ Conditions as common as Alzheimer's, ongoing cancer treatment, and asthma requiring daily medication can trigger denial.⁶

The opposite mistake also happens. Someone locks into a Medicare Advantage plan at 65 because the premium reads zero, loves the plan in their late 60s, then runs into a real health event in their early 70s. They want to switch to a Medigap policy at that point because they need broader provider choice, and they can't, because their health no longer underwrites well.

A retired LAUSD teacher I worked with went into a Medicare Advantage plan when she turned 65. She liked it. Her primary doctor was in network, premiums were zero, the dental and vision benefits felt generous. At 71, she got a cancer diagnosis. The oncologist she wanted to see at City of Hope was not in her plan's network. She tried to switch to a Medigap policy so she could see any provider that accepted Medicare. She was denied because of the diagnosis, and she ended up paying out of pocket for the consultations.

This is not a small decision. It is the decision that determines whether you have provider flexibility in your 70s when you actually need it. The right move depends on your healthcare history, your provider preferences, and what your retirement income looks like in 10 years. Three things most enrollment conversations don't touch.

DECISION 6

Building income on assumptions about markets instead of contracts

There is a meaningful difference between expecting income from a portfolio and contracting for income from one. A 4% withdrawal rate is a historical observation. A guaranteed lifetime income rider on a fixed indexed annuity is a contractual promise. Both have their place. The mistake is using market expectations where contracts belong, and using contracts where market growth belongs.

A well-architected retirement plan uses both. Contracts cover the income floor, which is essentials, healthcare, taxes, and the baseline lifestyle that has to be there no matter what the market does in any given year. Markets cover the upside, which is travel, gifts, legacy, and anything that can flex with the year you're actually living.

Most retirees have this inverted. Their entire income is exposed to sequence-of-returns risk in the first decade of retirement, which is the period when one bad market can permanently impair their income for life. Meanwhile their guaranteed income, Social Security and a pension if they're fortunate enough to have one, covers only a fraction of their essentials.

I saw this play out with a retired real estate broker in Manhattan Beach. She left work in early 2000 with \$1.5 million in equities and planned to live off the portfolio. The dot-com crash and the 2002 bear market drew her down to about \$900,000 just as she was starting to take distributions. She lived another 23 years after that, and she never recovered the income trajectory she had originally planned. Her retirement worked, but it was tighter than she expected for the rest of her life. Had she put even a third of her assets into a contract that promised guaranteed income for life, that first decade would have looked entirely different.

This is fixable. It rarely gets fixed because nobody ever modeled the two paths side by side.

DECISION 7

Planning for both spouses, instead of for the surviving spouse

The single most overlooked figure in retirement planning is the income drop the surviving spouse experiences when the first spouse passes away. The Federal Reserve Bank of Chicago found that household income falls roughly 40% after a spouse's death, even after accounting for the fact that one person costs less to support than two.⁴ The Consumer Financial Protection Bureau has documented something even more striking. The share of widows in households earning over \$110,000 a year drops from 32.4% before widowhood to 10.3% after.⁷ The share of widows in households earning under \$30,000 a year rises from 4.1% to 19.1%.⁷

The mechanism is simple. Social Security keeps the higher of the two checks, and the lower one disappears. A joint-and-survivor pension drops by 50% or stops entirely depending on what was elected 20 years earlier. Income models usually project for a couple. Very few of them project for a single survivor in a single-income tax bracket, dealing with funeral expenses, medical bills from the last illness, and the emotional weight of the decisions that come with everything else.

A retired pastor and his wife in Inglewood are an example I think about often. He retired in his late 60s with a teacher's pension from his second career and elected the maximum monthly payment, which meant no survivor benefit going to his wife. The advice he received at the time was to take the higher payment and let life insurance handle the rest. The life insurance he bought was a 20-year term that lapsed at 75. He passed at 78. His wife is still in their home today, and she lives on her Social Security and what's left of their savings. She sold their lake property in Arrowhead two years ago to fund her cost of living. She is doing fine, but the retirement plan he worked his whole life to build ended with the maximum payment going to him alone, instead of to the partnership that actually built it.

The fix isn't always more life insurance. Sometimes it is a different annuity election with a survivor option. A different Social Security claim strategy. A different beneficiary structure on existing assets. Or a permanent life insurance policy carried specifically to equalize the surviving spouse's income after the first death. The architecture work is to look at the surviving-spouse scenario first, and then design the plan backward from there.

The First Decade Checklist

Where your plan stands right now

Before our call, answer the following honestly. If you're not sure, write "not sure," because that is a valid answer and one of the most useful pieces of information you can bring to a planning conversation.

1. Social Security claim ages.

Have we modeled both spouses' lifetime benefit under two different claim-age scenarios?

Yes No Not sure

2. Long-term care.

Have we modeled the three workable paths (traditional LTC, hybrid life and LTC, annuity income rider) against the math of self-insuring?

Yes No Not sure

3. Existing life insurance.

Has each policy been reviewed against your current life stage and household balance sheet within the last five years?

Yes No Not sure

4. Tax-deferred balances.

Do you know the projected RMD impact on your Medicare premiums and tax bracket in years 1, 5, and 10 of retirement?

Yes No Not sure

5. Medicare timing.

Have you made (or do you have a plan to make) your Part B and Medigap decision with awareness of the guaranteed-issue window?

Yes No Not sure

6. Income floor.

Do you know what percentage of your essential monthly expenses is covered by guaranteed contracts (Social Security plus pensions plus annuity income riders) versus market-based withdrawals?

Yes No Not sure

7. Surviving spouse.

Have we modeled the surviving spouse's monthly income at years 5, 10, and 15 of widowhood?

Yes No Not sure

If three or more answers came back No or Not sure, you are in the company of most of the families I work with, and it doesn't mean you have done anything wrong. It usually just means nobody has ever sat down and looked at the whole picture together.

The next step

If you would like a strategic second look at any of these seven decisions, completely independent, carrier-neutral, with no pressure to do anything you are not ready for, you can book a Retirement Income Review with me. It runs 30 minutes on Zoom, and you will leave the call with a written one-page summary of which decisions in your plan are settled, which are open, and which deserve a closer look.

[Schedule a Retirement Income Review →](#)

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About the author

Dennis Gibbs is the founder of LiveWise Insurance and an independent California-licensed agent. He spent the first 20 years of his career in the wholesale and retail mortgage industries and the corporate foreign currency exchange market. Since 2022, he has applied that experience to architecting retirement, life, and Medicare plans for California families. LiveWise Insurance is independent and carrier-neutral by design, because Dennis works for the families he serves, not for any insurance company.

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Sources

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