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THE ROAD TO RETIREMENT

OUR MONTHLY GUIDE TO EVERY MILEPOST, JUNCTION,
AND LANDMARK ON YOUR ROAD TO RETIREMENT.



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WHAT'S ON OUR MINDS THIS MONTH

Spring means spring cleaning, and spring cleaning, for most of us, means *decluttering*. Getting rid of the things we don't need so we can make space for what we care about most. Maximizing what brings us true joy and minimizing what secretly stresses us out. Reducing waste so we can hopefully save money.

All these activities can apply to our finances, too, especially in retirement. We can declutter our lives in retirement in ways that can help us save money and reduce stress.

In this edition of *The Road to Retirement*, we will cover three basic “financial decluttering” activities that all retirees should consider.

Have a great quarter!

WHAT'S AROUND THE BEND: CONSOLIDATING ACCOUNTS

Have ever gone to the store to buy new batteries...only to discover later that you already had some in a drawer you forgot to check?

What about going to the supermarket because the recipe calls for lemon juice...without realizing you already had a bottle that got pushed to the back of the fridge?

Or how about this: You bought a subscription to a streaming service to watch a specific show...without realizing you already had an account under a different email?

This sort of duplication of both effort and expense can easily build up in our finances as well as our home life. By the time they are ready to retire, some people may have multiple individual retirement accounts (IRAs) such as Roth, traditional, or even Inherited, combined with one or more Qualified Retirement Plans (QRP) and multiple taxable accounts. Add to this a variety of savings accounts, accounts with mobile payment services like Paypal or Venmo, and credit cards, and you have the potential for *significant* financial clutter in retirement.

The reason this matters is because with clutter comes the possibility of assets not being properly aligned, more money that may be sitting around unproductively, more potential for fraud, and possibly paying for more fees than you need to.

That's why it's always good for retirees to examine ways they can simplify their finances and reduce clutter by consolidating, combining, or rolling over various accounts into a smaller, more manageable number. This can bring the following benefits:

QUOTES WE'VE
BEEN THINKING
ABOUT:

**“A good plan,
executed now,
is better than
a perfect plan
next week.”**

— GEORGE PATTON

- A clearer view of your financial picture, so you know truly how much you have to meet expenses, fund your dream lifestyle, and achieve your goals in retirement.
- Fewer logins and account details to remember and store (when done right) – which means fewer opportunities for cybercriminals to steal your identity.
- Potentially reduced fees. Most types of financial accounts come with various management, and administrative costs. These can add up, so by consolidating, you may be able to reduce both the number of fees you pay and the overall amount.
- Reduced risk of forgetting Required Minimum Distributions (RMDs) or leaving money on the table. Once you turn 73, retirees are required to take required minimum distribution from certain retirement accounts each year and not doing so can trigger penalties. Having multiple IRA or QRP accounts can increase the likelihood of forgetting or withdrawing the wrong amount.
- Less stress for your heirs. Someday, your heirs and beneficiaries will need to take over your estate, which can be a daunting, complicated process. By consolidating accounts well ahead of time, your loved ones will have less paperwork to deal with, fewer phone calls to make, and an easier time to actually enjoy the legacy you worked so hard to leave for them.

Now, none of this should be taken to mean that *all* your accounts should be consolidated. Having multiple accounts can sometimes mean greater flexibility and more investment options, but it needs to be done strategically. In general, the more you simplify your financial picture in retirement, the easier it is to make that picture look however you want it to.



WHAT'S OVER THE NEXT HILL: REDUCING INVESTMENT CLUTTER

The previous article discussed financial clutter on a macro level. But clutter can occur on a micro level, too. For instance, in your investment portfolio.

As you know, your investment portfolio is designed to help you grow your wealth over the long-term within your specific risk boundaries. Some investors' portfolios can be built around one or more **investment funds** – a diversified assortment of various securities, such as stocks or bonds.

Generally speaking, there are two types of stock funds: Actively managed and passively managed. An actively managed fund is one where the fund's manager takes an active role in selecting which securities to buy or sell, and when. Many actively managed funds have the express goal of outperforming the overall market, meaning the fund seeks to do better over a specified period than a benchmark index. (The S&P 500 is a good example.)

A passively managed fund, on the other hand, invests in a pre-determined basket of securities and then *stays put*. Other than periodic rebalancing, there is no active buying or selling. These days, many passive funds are **index funds**. This is when the fund's portfolio is built to mirror the securities in a specific index. (Again, the S&P 500 is a common example.) The goal here is not to outperform the market, but essentially to *match* the market.

What does all this have to do with financial clutter? Well, actively managed funds typically come with higher fees than index funds. That's because it takes a lot more work to manage an active fund. The tradeoff for investors, then, is paying a higher fee for the possibility of outperforming the market.

FUN FINANCIAL FACT

Pop quiz: How many different ways are there to make change for a dollar?

- A) 78
- B) 152
- C) 293
- D) 450
- E) The number is so large it requires exponents

The Answer:

C) 293
Remember this if you ever have the opportunity to go on Jeopardy!

SOURCE: [WILLIAMS COLLEGE](#)

Another type of portfolio clutter involves **duplicate investments**. This is when a portfolio contains different securities or funds that overlap one another.

For example, let's say someone invests in two different funds, each from a different company...but both funds have a heavy concentration of tech stocks. This might make the investor feel diversified, but essentially, they are paying to own the same thing twice *and* doubling their risk at the same time.

Duplicate investing can occur with individual stocks, too. For instance, an investor might choose to buy shares in the ACME Corporation at the same they are invested in a fund that also owns ACME.

On our team, we work hard to ensure our clients don't have to worry about active versus passive or duplicate investments. But if you have any outside investments, it's important to be aware of investment clutter. An untidy portfolio can mean taking on additional risk *and* fees without ever realizing it.



WHAT'S ON THE HORIZON: DOWNSIZING YOUR CAR(S)

This one is the hardest.

For some people, cars are almost like members of the family. Some of your favorite memories probably happened in them. Between commutes, errands, and road trips, you've probably spent almost as much time in your cars as you have your house. You've invested hours and hours, and dollar upon dollar, in keeping it clean and running.

That can make it very difficult, emotionally speaking, to give a car up.

But while most retirees choose to hand the keys over when they physically *can't* drive anymore, due to failing eyesight, slower reflexes, diminishing mental acuity, or some other reason, this decision is more about the *financial* reasons to consider downsizing your vehicular situation.

Now, when I say "downsizing your car," that can mean one of two things:

1. Trade in your previous car for a smaller, more economical model, or
2. Reduce the number of cars you have (most commonly going from 2 to just 1).

According to the Bureau of Labor Statistics, the average American over 65 [spends over \\$8000 per year in transportation costs, which comprises roughly 14% of household spending](#). Essentially, that means a significant chunk of your expenses in retirement come from owning a car...and of course, that number goes up the more cars you own, or if your cars tend to be big gas guzzlers, sports cars, or luxury vehicles.

Now, you should never get rid of something you truly need and use, or that brings you joy. The question you *should* ask yourself is, "Do I really *need* to have two cars in retirement?"

Or, "Do I really still need a truck when I no longer need to haul anything?"

"Does it really matter if my car goes from 0-60 in less than 3 seconds if I never drive that fast anymore?"

“Do I really need all that cab space now that my kids are out of the house?”

Downsizing your car or reducing the amount of cars you own because they simply aren't needed anymore is one of the best ways to help reduce expenses in retirement. Taking fuel costs, new tires, safety and emissions testing, oil changes, and, of course, insurance premiums off the table can potentially give you a *lot* more to work with when it comes to your monthly budget. (This is especially true as you move deeper into retirement, as insurance rates tend to jump as people age.)

So, while it may be painful to consider – or not even be necessary – the question of whether you should downsize your cars is one that every pre-retiree should ask.

Because that answer may just get you where you want to go even faster than when you're behind the wheel.





DISCLAIMER:

Please keep in mind that rolling over your qualified employer sponsored retirement plan (QRP) assets to an IRA is just one option. Each option has advantages and disadvantages, and the one that is best depends on your individual circumstances. You should consider features such as investment options, fees and expenses and services offered. Investing and maintaining assets in an IRA will generally involve higher costs than those associated with a QRP. We recommend you consult with your plan administrator before making any decisions regarding your retirement assets.

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