**A Guide to Retirement: Finding Peace of Mind During a Major Life Change**

Whether you are at the top of your game or are preparing to wind down professionally, readying yourself and your finances for retirement is essential. Starting early in your preparation is key to creating a financial situation during retirement that is conducive to the life you want to live. As you think about what life will be like when you retire, the goal is the peace of mind that comes from knowing that you are getting the most out of the money you have worked so hard to save and that you will never run out of it.

* **Give yourself a head start.** Long before retirement,

**Financial Evaluation for Retirement**

you will want to allocate your annual after-tax

income so that 50-55% is spent on your family’s

*This process produces a clear picture of your finances going into retirement. Going through these steps multiple times in the years leading up to retirement will give you opportunities to revise your expectations and make appropriate adjustments.*

**1. Calculate your guaranteed income**

*Add up your Social Security benefits, payments from a pension or annuity, or any other income that you are guaranteed after you retire.*

**2. Estimate your income from savings**

*This is the amount that you can responsibly withdraw from savings each year. Most people entering retirement use the 4% Rule: withdraw 4% of the value of your portfolio in your first year of retirement, then increase this withdrawal each subsequent year, adjusting for inflation.*

**3. Total your income**

*Total your guaranteed income and your estimated income from savings. You can safely use this amount for your living expenses.*

**4. Set your retirement budget**

*Divide this total yearly income by 12 to get your available monthly funds. Use this number to set your budget during retirement.*

needs, 25-30% on wants, and 20% is reserved for

savings. This will ensure that you have enough

savings to draw from during retirement.

**5 Years Until Retirement**

This checkpoint on the road to retirement is all about deciding what you want your life to be like after you retire and either making changes or staying the course to ensure that you have the resources to secure this lifestyle.

* **Picture yourself as a retiree.** Consider where you

will live, potential changes in your expenses, major

life events on the horizon, and any other aspects of

life that are important to you. Decide what you

want your life to look like.

* **Use the Financial Evaluation for Retirement**

**process to see where you stand financially.** This

may seem premature but evaluating how you will

be able to live after retirement several years before

you retire gives you time to adjust your spending

habits and change your financial situation later in

life. Do not work backward; plan your expenses

around your income, not the other way around.

* **Save without thinking about it.** If you are paid via

direct deposit, have your work split part of each

paycheck into an online savings account that you do not access often. This way, you can save more and gauge how much of your income you spend on non-essentials.

* **Open a Roth IRA or a regular taxable account.** If you already have a savings plan in a 401(k), 403(b), or IRA, opening an account that is taxed upfront results in paying less in taxes later. Having an account like this gives you another income stream to draw from during retirement. Additionally, you can withdraw from this account at any time penalty-free, and surviving spouses are able to assume the Roth IRA as their own with the same benefits.
* **Pay down your mortgage.** There are several strategies for speeding up your mortgage payments. You could pay half of your bill every two weeks instead of monthly (resulting in one extra payment per year) or apply tax refunds and any unexpected extra cash to your loan’s principal. Be prudent about refinancing or using a home equity loan; you do not want to create more debt. This stage in your life is about eliminating debt.
* **Aim for moderate investment growth.** At this point, you should decide how much risk you are comfortable with in your investments and meet with our office regarding any changes that you are considering. Most people nearing retirement want to minimize risk, so maintaining a 50/60 or 60/40 ratio of stocks to bonds is reasonable.
* **Recommit to your job.** Do not let the prospect of retirement lure you out of your rhythm at work. Allowing yourself to be phased out could result in an earlier retirement than you might have planned on. Keep learning and look for ways that you can add value at your company.

**3 Years Until Retirement**

As you near retirement, it is time to drill down on your plan to maximize income and eliminate debt. You might want to reevaluate your retirement goals. Has anything changed since the five-year mark? Have your spending habits shifted? This is the time to revisit your plans and make sure that you are on track to see them through.

* **Repeat the Financial Evaluation for Retirement.** It is important to look again at your financial situation when there is still time to adjust your spending.
* **Prepare to make life changes if you chronically struggle with debt.** If, at this point, you are still having trouble paying off debt and sticking to a budget, you should reevaluate your priorities. Eliminating debt should be your primary focus as your free income will not be as flexible during retirement.
  + Some strategies to cut down on debt include setting up a payment schedule, creating a budget each month, writing a goal sheet that shows when your debt will be paid off, and consulting a nonprofit consumer credit counseling agency.
* **Do some inexpensive home improvements.** Simple projects like repainting cabinets, replacing fixtures, and new landscaping can greatly increase the resale value of your home. If you are planning on downsizing after you retire, this step is particularly important as you raise the capital necessary to find a new place to live and continue covering your expenses.
* **Check on your Social Security benefits.** Timing

**Navigating Social Security**

is crucial here; you want to make the decision that

*You are eligible to begin withdrawing your Social Security benefits as early as age 62, and as late as 70. However, you will not receive your full benefits until you reach retirement age (which depends on your birth year). You can access a Social Security benefits calculator and a full statement of your benefits at the Social Security Administration’s website (*[*www.ssa.gov*](http://www.ssa.gov)*). There are, however, some general guidelines that you can use to time your withdrawal. If you are…*

**Single and in good health:** Wait at least until your retirement age to receive your benefits. If you wait until after this age, you are eligible for more than 100% of your benefits.

**The higher earner in a married couple:** Wait at least until after retirement age unless you and your spouse are in poor health and may not be able to reap the benefit of a late filing.

**The lower earner in a married couple:** An early filing is fine, especially if either you or your spouse is in poor health.

is most prudent for your family and financial

situation, ensuring that you get as much out of

Social Security as you can for as long as possible.

* **Decide how you will occupy your time during**

**retirement.** Think about what you enjoy and what

your strengths are. You could work part-time and

draw on your past experience, volunteer, further

your education, or any number of hobbies that you

might enjoy.

**1 Year Until Retirement**

This is the home stretch of your journey to retirement. You should envision yourself as a retiree, making small adjustments to your plan for retirement if you see fit.

* **One last time, perform the Financial Evaluation**

**for Retirement.** The results should fit with the

financial plan that you already have. Repeating the

process again allows you to ensure that you are on

track to meet your goals.

* **Try living on the budget that you created for**

**retirement**. This is a test run of your budget. After

living this way for one month, you will know how life will be financially during retirement, and you can adjust your expectations accordingly.

* **Consolidate your accounts.** By combining your accounts, you will save money on fees that are not applied to larger accounts, have a clearer picture of your assets, and will be less likely to make a mistake when making mandatory withdrawals from traditional IRAs and 401(k)s**.**
* **Visit the dentist.** Traditional Medicare does not cover dentistry. Having necessary dental procedures while you are still on your company’s health plan will save you money in the long run.
* **Look for new opportunities by networking.** If you want to move into a part-time position at your current workplace or would like to branch into part-time work in a similar field, it is vital that you take advantage of this time when you still have a full time job to look for opportunities within the network that you have cultivated during your career.

In the three months before you retire, you should do a final check of your retirement plan. At this stage, you should be ensuring that everything is in place as it should be for you to settle into retirement.

**3 Months Until Retirement**

* **Check on crucial elements of retirement.** In the final months before retirement, you should confirm your provisions for health care, Social Security, pensions, retirement savings, and insurance.
  + **Health Care:** Make sure that you have a health care plan ready. Medicare eligibility begins at 65, and you are signed up automatically when you begin receiving Social Security benefits.
  + **Social Security:** If you plan to start withdrawing your Social Security benefits as soon as you leave your job, you should register ahead of time. You can apply up to four months before you want your benefits to begin.
  + **Pension:** Your pension can be paid out as a lump sum or in regular payments. Before you retire, you should select your preferred payout option.
  + **Retirement Savings:** Consider rolling funds over to an IRA, particularly if you are under 72. Contact our office if you have any questions about whether this is the right move for you in your financial situation.
  + **Insurance:** Have an insurance plan in place. If you currently have insurance provided by your workplace, check to see if this will continue in retirement.
* **Budget for home renovations.** If you plan to stay in your home and see no reason to downsize, budget for renovations to your home conducive to living as you age. You might consider widening doorways, adding a walk-in shower, adjusting stairs entrances, or installing a chairlift to reach upper floors of your home.
* **Enjoy the fruits of your responsibility.** As you enter retirement, congratulate yourself on a job well done. Having been wise with your money, you can be at peace knowing that you will be financially stable and free to enjoy your retirement. Going forward, maintain your good habits. Spend responsibly and stick to your budget.

**If you are not on track…**

**Contact us**

*If at any point in this process, you are concerned that you will not be able to meet the goals that you have set, there are several options to improve your financial situation.*

**1. Work longer**

**2. Get a job during retirement**

**3. Reduce retirement income needs**

**4. Convert non-income producing assets into income-producing assets**

**5. Contribute more to your 401(k) plan**

We want you to stretch your wealth as far as possible so that you can live comfortably during retirement. Additionally, we want you to be prepared for unexpected expenses. To be in this position, you will have to think in terms of time rather than money. How much time does your selected spending level give you to live? Is this a time frame that you are comfortable with? Think about what expenses you are willing to cut to give yourself extra time. If you have questions, please do not hesitate to contact our office to discuss your options for retirement at **225-223-6048**.