# TIPS TO PLANNING A SUCCESSFUL RETIREMENT

# SET A PERSONAL GOAL FOR YOUR RETIREMENT

- When do you want to retire?
- What sort of lifestyle do you want to have during retirement?
- Where will you live?
- What kind of legacy do you want to leave behind for your heirs?

These are all important questions when planning for your retirement. Everyone's answers will be different so it is important for you to sit down and set realistic personal goals for your lifestyle during retirement.

# GATHER FINANCIAL INFORMATION

Once you set your personal goals the next thing you should do is gather your personal financial information and create a net worth statement and a cash flow statement. A net worth statement will give you a snapshot of your personal financial health. It is a summary of your assets less what is owed to others. A cash flow statement will show you what income you have coming in as well as what you are spending on necessary and discretionary expenses. By examining these numbers you can figure out what your retirement income needs will be or if you will need to make any adjustments to your current lifestyle in order to retire comfortably.

# EXAMPLE OF NET WORTH STATEMENT

| | |
|---|---|
| Assets | |
| Work Savings Plan (401k/403b) | $475,000.00 |
| Checking & Savings | $40,000.00 |
| CDs | $20,000.00 |
| IRA | $300,000.00 |
| Home | $600,000.00 |
| Car | $25,000.00 |
| Other Assets | $65,000.00 |
| Total Assets | $1,525,000.00 |
| Debts | |
| Credit Card | $2,000.00 |
| Car Loan | $5,500.00 |
| Mortgage | $150,000.00 |
| Total Debts | $157,500.00 |
| Net Worth | $1,367,500.00 |

# EXAMPLE OF CASH FLOW STATEMENT

| | |
|---|---|
| Annual Pay | $100,000.00 |
| Total Income | $100,000.00 |
| Necessary Living Expenses ( Food, Rent, Utilities, etc.) | -$36,000.00 |
| Discretionary Living Expenses (Travel, Entertainment, etc.) | -$24,000.00 |
| Debt Repayments (Car payments, credit cards, student loans) | -$6,000.00 |
| Federal Income and FICA Taxes | -$20,000.00 |
| Taxable Savings | -$4,000.00 |
| Tax-Deferred Saving (401k, IRA) | -$10,000.00 |
| Total Expenses | -$100,000.00 |
| Annual Net Cash Surplus/Deficit | $0.00 |

# DETERMINE YOUR ANNUAL RETIREMENT INCOME NEEDS

Now that you have set your retirement goals, looked at your net worth and created a cash flow statement you should have a pretty good idea of the income you will need when you retire, as well as a time line of when you will be able to retire. Although there are some additional items that you should take into consideration when planning your retirement income. The following page shows some factors you should consider when determining your retirement income needs.

# FACTORS TO CONSIDER

- Planning for longevity.
- How will your healthcare expenses change when you retire?
- Should you invest or pay off debt?
- What are some one-time expenses you will have during retirement?
- Legacy planning. Do you want to leave assets for your heirs?
- How will inflation impact your retirement needs?

# PLANNING FOR LONGEVITY

The average person retires around 63 and is retired for 18+ yrs. Based on your savings, pension plans, IRAs , etc. will you have enough saved to last that long?

# HEALTHCARE EXPENSES

Fidelity Investments estimates that the average 65 year old couple will need $240,000 to cover future medical costs above and beyond what Medicare provides. That figure does not include the costly amount of Long Term Care.

# SHOULD YOU INVEST OR PAY OFF DEBT?

This is always one of the toughest and most personal decisions. Should you pay off debt or invest your money for retirement? Ideally you do not want to have any debt going in to retirement. With that being said, it is not necessarily a bad thing to have a mortgage when you retire. If your investments are earning a rate of return that is more than your mortgage interest rate and the payment is low enough that you can still live comfortably then you should keep the mortgage.

The difference between the interest you pay towards a mortgage and interest you pay on consumer debt is you may get a tax benefit on the mortgage interest and you don’t with the consumer interest. A good rule of thumb is to pay off high interest rate consumer debt first while still making your minimum contributions to your investment accounts. Once your consumer debt is paid off you can then shift the money you were paying towards that to your investment accounts.

# PLANNING FOR ONE-TIME EXPENSES

Examples of one-time expenses during retirement are a luxury cruise, new car, child's wedding, boat, dental implants, home repairs or paying off your home. It's important to plan on when you will incur the cost, how much it will cost and if you will borrow money or use savings to pay for it.

# LEGACY PLANNING

Do you want to leave assets to heirs? Is there a specific amount or just what you have left? Be sure to include this amount as a final expense during your retirement.

# INFLATION DURING RETIREMENT

Inflation affects every aspect of living. In order to help increase the likelihood of your savings lasting through your retirement you need to give your retirement annual budget a cost-of-living increase every couple of years. To help fight inflation you need to incorporate it into your retirement planning. You can consult a financial planner to help with this or there are a number of online calculators to help as well. You should also remain invested during retirement although more conservatively than you may be now.

# REEVALUATE EXISTING INSURANCE POLICIES

Reviewing you insurance policies is necessary during any life change and is especially necessary when you are retiring.

- **Life Insurance-** Once you retire you may no longer need life insurance. You may want to keep it though if you are using it as part of your estate plan or as an inheritance for your heirs.
- **Homeowner's Insurance-** You will need homeowner's insurance as long as you own your home. It doesn't hurt to call and check to see if you are eligible for any discounts.
- **Auto Insurance-** Check to see if there are any available discounts that you are not already receiving, like mature driver discount (age 55-70) or low mileage since you will no longer be commuting to work.
- **Long Term Care-** This type of insurance can be a good investment to cover long term care expenses should the need arise. The younger you are when the policy is obtained the cheaper the premiums.

# TRUST, WILL AND BENEFICIARY REVIEW

As with your insurance policies, many changes may have occurred since you first had your will or trust drafted, as well as your retirement accounts and insurance policies. It's important to review all of the instructions in each of these documents to ensure that they reflect your current wishes and that any assets you leave behind will be left to the correct beneficiaries. If you do not have a trust or will, now is the time to put one in place.

# SOCIAL SECURITY BENEFITS

Besides your personal retirement investments and savings, you may be eligible for Social Security benefits. As long as you have paid into the program and have met the minimum required amount of work credits necessary to qualify. You can set up an appointment with the Social Security Office or go online to https://www.ssa.gov/planners/retire/ where they have a multitude of tools and calculators to help you plan for retirement, see if you qualify and you can even apply for your benefits.

# MEET WITH A FINANCIAL PLANNER

Retiring is one of the most important decisions you will make in your lifetime. If you are feeling unsure about your ability to retire, are overwhelmed with the prospect of planning it yourself, or just want confirmation from a professional. Seeking the guidance of a financial planner is a great way to go. They speak with you in length about your retirement goals, take a look at your complete financial picture and then put a plan in progress to help you meet those goals.