Handling Retirement Shortfalls

How to address retirement savings that aren't stacking up.

No matter your age or background, saving for retirement is a common concern. Will yours be the storybook future, one spent sampling wines in the Napa Valley and golfing the world's iconic links? Or will it be far more mundane and perhaps stressful, as you dutifully watch over an income stream that you hope — hope — remains sufficient to maintain your standard of living?

With today's financial landscape marked by volatility and fluctuations, it's more important than ever that you take a proactive approach to managing your financial future, whether you're already retired or several years out. We offer below a few tips:

Consider Maximizing Your Contribution

Contributing the maximum amount to your employer-sponsored retirement plan will increase the potential for reaching your saving and investing goals. The earlier you start, the better; it will allow your earning the opportunity to compound on a tax-deferred basis.

Develop a Concrete Plan

Establishing clear savings goals that incorporate a time element (number of years until retirement) is necessary to create a relevant investment plan. Without such a plan, it is difficult to understand whether your savings will provide you with the living standard to which you've grown accustomed and for each year of your retirement.

As part of that plan, create a firm budget and try to trim recurring expenses, if possible, along with expensive discretionary ones, like travel.

Account for Inflation

Factor in inflation when developing a savings plan, estimating what it will cost 10 or 20 years from now to maintain your standard of living. Assuming an average inflation rate of 3%, the result is a cost of living that doubles in just 24 years (!). As a result, you'll need to boost the amount each year during your retirement to keep pace with the rising prices of goods and services.

Eliminate or Reduce Credit Card Debt

There are prudent ways to use credit; start by reviewing the terms of your credit cards. Keep track of your balance for each, their rates, and accrued interest. In some cases, you may be able to find a card that offers lower fees and interest rates. Check to see.

If you have begun to accumulate too much credit card debt, it's time to assess your budget, including your spending habits. Look at how you're spending money: Are there problem areas that you frequently pay with credit? If so, create a realistic budget that will help you pay off the debt in the shortest possible time without adding more debt. Carrying too much debt at any time, especially during retirement, has the potential to impact your financial security.

Ongoing Financial Health Monitoring

There are several items that could impact your cash flow in profound ways. As such, continually review the below with an eye toward revising your budget:

1. **Interest rates:** These fluctuate and could reduce the income from your savings and investments. If rates drop, you may need to find living expenses that you can reduce to offset the impact.
2. **Tax rates:** Federal, state, and local tax rates change over time; so, too, do tax regulations. Make sure that you understand the impact, if any, that these changes will create on your overall cash flow. For instance, if you're moving between states where the tax rate is substantial, consider the impact on your bottom-line and revisit your budget to make any necessary adjustments.
3. **Healthcare costs**: These can be unpredictable and have a major impact on your cash flow and expenses.
4. **Miscellaneous life events:** You may also incur life events that impact your cash flow, either on a one-time basis or even continually. For instance, if your spouse dies, your monthly living expenses will decrease; and if your child gets married, you may have a (hefty) one-time expense to pay for the wedding.

Part-Time Help

Perhaps your income shortfall is modest, in which case a part-time job can help you fill in the gaps. The opportunities for seniors at many retailers are proliferating, with many companies appreciating the strong work ethic of older workers.

Delay Retirement and/or Social Security

If you anticipate a sizable cash flow issue as you approach retirement, consider postponing retirement or even delaying Social Security if you can, the latter which might allow you to receive a larger payout.

By taking a proactive approach to retirement savings both before and during retirement, you minimize the possibility of cash flow issues that could otherwise constrain your lifestyle expectations.

For help planning for your retirement, speak with your financial professional.

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