

# Countdown To Retirement, Financial Considerations For Your Final Working Years



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*I help people on their path to Financial Freedom.* [FULL BIO](#) ✓

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With more than half of Americans at risk of not covering essential expenses during retirement (Source: Fidelity Investments Study), preparing and saving for retirement is at the top of almost everyone's mind. As we edge closer to our day one of retirement, many of us examine our social security income, any pensions we may be fortunate to have, and more closely review our investment portfolio. These are fine steps to take to increase your retirement preparedness, but as you get your final work day approaches, there are additional considerations and steps you need to take. To help you tie up all your loose ends before you reach your first day of retirement, I've included some steps you should take in your final working years.

## Visualize the life you want.

In my work with near retirees, I've found that as one enters his/her final working years he/she tends to hyper-focus on the details related to social security income taxes on retirement income and pension terms. While it's a smart practice to be well informed, it's also important that you take a step back and visualize the retirement life you want.

Set aside time to think about where you want to live and how you want to spend your time. Ask yourself, what are your passions and interests? How do you want to enjoy your days? Answering questions like these will help you figure out not only what activities you will be engaged in, but also how much cash flow you will need to enjoy life on your terms. This seems like an obvious step, but you might be surprised by how many people get consumed by the details and forget to consider the cost of their future lifestyle.

## Understand your monthly cash flow needs.

In your final working years, it is pivotal that you get a firm grasp on your monthly cash flow requirements. Despite what many want to think, numerous studies and surveys have shown that your monthly expenses in retirement will be nearly the same as your expenses in your final working years. So gaining an understanding of your future cash flow needs should be fairly easy. To more easily track your numbers, use only one credit card for as many expenses as possible and then review your monthly statements over a period of one to three years.

## Research your social security and pension options.

While you shouldn't get bogged down by the details, you need to know the details. If you are fortunate to have a pension, researching the terms of your pension and social security options should be considered part of your job description during your final working years. You want to avoid surprises during retirement and now is the time to sort things out.

One of the biggest questions you will face is: When should I start collecting social security? The short answer to this question is a question – how long will you live? While it is a bit cryptic, the single biggest determinant on

when to start social security is knowing how long you will live. And of course, no one exactly knows this, but you can do a little 'field underwriting' as we say in the life insurance business. For example, if your parents are both alive well into their 80's and 90's, you probably have a strong genetic history on your side and should push back your first day of social security income. Conversely, if you are puffing on a few packs a day, maybe you should start your social security as soon as possible.

Estimate your income taxes in retirement.

I strongly suggest that you work with an accountant or a financial advisor long before your retirement so you can structure some tax-efficient income streams for your retirement. And even during your final working years, it's not too late to improve your income tax situation. Tax laws vary from state to state, and depending on how your investments are structured, taxes on income during retirement can vary greatly from person to person. It's best you work with a professional to build a tax-efficient strategy and to estimate your income tax during retirement.

Build a realistic financial plan that is consistent with your life goals.

The above items are all components of a financial plan. And I believe it is paramount to have a written financial plan in place prior to you retiring. In addition to the above considerations, your plan needs to include estimates for potential medical and household emergencies, expenses for life goals and trips, future gifts, and other items important to you.

If you are struggling with creating your written plan, you are not alone. Don't hesitate to reach out to a professional, but look very carefully at who you ask to guide you. A good place to start is with a long-tenured Certified Financial Planner with a solid reputation. You worked hard your entire life and it makes sense to be as confident as possible that your plan is in place before your first day of retirement.

## Contributor's Bio

Mark Avallone is the author of *Countdown To Financial Freedom*, and founder and President of Potomac Wealth Advisors, LLC a financial advisory firm serving clients through holistic financial planning and wealth management. Avallone writes on a variety of financial topics, and his contributions have appeared in the *Wall Street Journal* as well as in *Forbes* where he is a regular contributor. He has appeared on *CNBC* and has been a repeat guest on the *Fox Business Network*. His insights have also appeared in *USA Today*, *U.S. News & World Report*, *The Washington Post*, and other leading publications.

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