Having Enough Retirement Income – Becoming Financially Independent

A quintessential question for preparing for retirement is how much income is enough to live our dreams and aspirations. The answer lies in consideration of many factors. These will ultimately be very personal to you. The biggest determinant is "What does retirement mean to you?" Most retirees picture a unique experience that differs from past American "retirement". This can include working because you want to not because you have to. You may not want to be fully retired.
To more accurately define the new mentality of retirement is to exclaim to be "financially independent". This would mean that enough income flows in from benefits, retirement plans, property, and investments to replace your current income through work now and into the future. By becoming financially independent, work becomes a choice outside of the need to produce income to live. Achievement of this goal allows freedom of choices. This is the definition of **financial independence.**

How much of your current income is needed in retirement? This is based on your lifestyle needs… the amount you spend monthly to support your life. Generally the financial services industry recommends about 70% of your pre-retirement income. This general percentage is assumed for most Americans (middle America) and is designed to meet similar spending habits developed prior to retirement. **Great caution** should be exercised in identifying the proper percentage of income for you. This percentage ranges greatly and may be substantially lower or even greater than your current income.

Some expenses can be reduced at time of retirement while others may increase. A significant factor are retirees realizing that they are a consumer an additional 50 hours a week in retirement compared to their working years. Consider your spending on weekends compared to during the workweek. People generally have better opportunity to spend more money as a consumer. This could mean an increased need for income. Where do you spend more money? The answer could mean a higher percentage of income need during retirement compared to the 70% norm. People are living longer. A longer lifespan requires money to last for a longer period of time. Consider a surprising fact for some retirees: retiring at the age of 50 would mean…
Approximately, 28 years of working and saving money to create an ongoing income for perhaps 50 years!

Other considerations:
Inflation – Will your income be inflation proofed? Proper investment allocation and income planning should allot for a modest increase in spendable income each year to mirror inflation… Thus, with careful inflation planning, your income will provide the same buying power 20 years into retirement as it did your first year of retirement.
New Expenses: The increasing cost of health care. How much will you need to budget for prescriptions, Medicare supplements, long term care insurance, life insurance and other lost employment benefits?
Ongoing work or hobbies: Can you generate part-time income into retirement? Will your hobbies and/or recreation require additional income?
Will your mortgage/debt be paid-off? This could reduce your retirement income need by 5-25% depending upon the amount you set aside monthly for debt repayment?
Retirement savings: Will you need to continue to set aside dollars for retirement… this could reduce your need of income by 10–20% of pre-retirement income. If you are no longer setting aside a

percentage of income into programs like a company 401k, your overall income need is reduced appropriately.

Taxes: Will the amount of tax be different due to reduced income or withdrawals from investments? Careful planning should evaluate the different taxation on various investments at retirement.

The answer to your retirement income needs comes down to your personal scenario. I highly recommend taking careful analysis of your goals, income, budget, debt, etc. with a qualified financial professional to assist your planning and provide greater confidence to your retirement preparation.

Wishing you “the best” in your financial independence years!

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