Top Retirement Questions Answered

If you are like most Americans, you have many questions about retirement. Whether you are one, five or 10 years away from enjoying your golden years, living a comfortable retirement requires thorough and proactive planning. Over the next five months, Retire Wise will answer some of the most common questions as they relate to planning for retirement. The goal is to help ease your mind about taking this next big step.

"Should I be saving more?"

This is a big concern for many clients. The recommendations below could help guide your retirement plans.

First, get real about your longevity. Don't think too morbidly about this, but do consider how long you foresee living. According to a recent government study, life expectancy rates in the U.S. are at an all time high, with the average person living for nearly 78 years.[1] And statistics are showing one spouse could live up until age 95. Take care of your savings now with a careful plan to draw from them conservatively over your anticipated lifetime.

Next, calculate your expenses. Factoring in your longevity will help you determine how much to save—but so will calculating your projected expenses (e.g., home mortgage, utilities, student loans, credit card and other bills), and then padding your retirement savings accounts accordingly. If you determine you will be living too far below your means on your current savings, consider staying in the workforce a few years longer. If you are in good health and enjoy your job, working a few more years could make an important difference in your retirement savings.

Finally, nurture your retirement accounts. How you fund your retirement savings accounts today (such as a 401(k) and/or tax-deferred IRA)—and your plan to draw from them later— will determine how much longer you should work to save enough to live on in retirement.

Don't rely on blanket percentages that you may find online to determine how much to save. Instead, contact the office to schedule an appointment to discuss determining your specific savings strategy.

Stay tuned! Next month, Retire Wise will address this question: *"Where should I live in retirement?"*

SIGNS YOU ARE WITHDRAWING TOO MUCH FROM RETIREMENT SAVINGS

Imagine yourself in this common scenario: You diligently saved during your working years, but now that you've retired, you are increasingly concerned about running out of money. This is a legitimate and real worry for many—especially those in their early years of retirement—and a concern you do not want to ignore.

Wouldn't it be great if your retirement savings account(s) gave an urgent warning when you are withdrawing too much so that you avoid downsizing your retirement income for years to come? Below are some scenarios you'll want to avoid so that you can stay within budget when in retirement:

- **You haven't thought about a withdrawal rate** – This is a critical number to determine in order to keep your annual withdrawals from completely draining your savings. You may have heard of the "4 percent rule," which suggests withdrawing 4 percent of your portfolio in the first year then adjusting that initial amount for inflation in subsequent years. This rule may work for some, but not all, especially with higher life expectancies and changing interest rates.
- **You took a "one size fits all" approach to determining your income needs** – Basing your individual retirement needs off the needs of a friend, colleague or something you read online is a recipe for disaster. No two people have the same financial needs in retirement and yours are uniquely based off of your current savings, anticipated expenses and life expectancy.
- **You avoid looking at statements** – There is a reason you are avoiding looking at your portfolio statements and that is likely because you are spending too much and living beyond your planned means in retirement. Retirement is all about the numbers and sticking to a plan. Hoping and praying you have enough to live on could put you in a dire financial situation later. Plus, higher withdrawals could mean hefty annual tax payments (based on your age and timeframe for taking Social Security or other benefits).

Taking note of these warning signs and preparing in advance for your financial needs in retirement will help keep you on the right track to enjoy an income-steady retirement. Contact the office if you have questions or need guidance along the path of retirement planning.

[1] http://abcnews.go.com/Health/Healthday/story?id=4508655