PREPARING FOR LIFE IN RETIREMENT: 4 LESSONS RETIREES WISH THEY'D LEARNED EARLIER

Nearly 75% of adults say they have financial regrets, ranging from not saving early enough for retirement to saving too little for emergencies or carrying too much credit card debt. [1] Yet entering retirement with regrets is not a forgone conclusion, especially for those willing to heed the sage advice of current retirees.

When asked what they wish they'd done better (or learned sooner) when preparing for retirement, retirees participating in a 2017 survey shared their top four tips:[2]

1. **Don't put off saving for retirement**. More than 36% of retirees advised people planning to retire to start planning today. (Similarly, 22% of participants in a separate survey cited not saving early enough as their chief financial regret.[1])

2. **Save more than you think you need.** to outpace inflation and plan for unexpected expenses. Nearly one-third of current retirees report spending just as much or more money once they have entered retirement.

3. **Take care of your health now.** 26% said they underestimated the significant health challenges they'd face in retirement. For those with incomes between $100,000 and $150,000 in retirement, being vigilant about health was of utmost importance, while the guidance to save more dominated among those with incomes below $30,000 in retirement.

4. **Don't assume you'll be able to work well into your retirement years.** 40% said they had to leave their jobs because they were let go or had health or family issues to tend to. Only 16.3% reported being able to retire early thanks to strong finances.

According to a 2017 Bankrate.com retirement survey, Baby Boomers are the most likely to regret not saving for retirement earlier. Yet, those nearing retirement are not the only one's worried; 18% of Gen Xers and 11% of Millennials also expressed concerns about not beginning to save early enough.[1]

It's never too early or too late to begin saving – or saving more – for retirement.

While the benefits of saving early for retirement can't be overstated, it's important to remember that there's no better time than today to begin saving or increasing your current savings rate. Begin by maximizing contributions in any qualified retirement plans you're eligible to participate in, such as a 401(k) or individual retirement account (IRA). If you're over age 50, take advantage of the opportunity to make annual catch-up contributions in these plans. The more you save now, the greater the opportunity to realize the power of tax-deferred compounding on investment earnings over time.

For information on strategies to help optimize your income in retirement, contact the office today.

[1] https://www.bankrate.com/pdfs/pr/20170523-May-FSI.pdf
[2] http://www.foxbusiness.com/markets/2017/11/06/top-tips-retirees-wish-had-known.html

WHY NET WORTH IS NOT A DEFINITIVE GUAGE OF RETIREMENT READINESS

As you prepare for retirement, it's important to understand the distinction between net worth and income. In a nutshell, **net worth** is what you own (property/assets) minus what you owe (debts/mortgage). **Income** is money you receive through work (wages), investments or other sources, such as Social Security and/or retirement plan distributions. The following scenario helps clarify the difference between the two, and explains why basing retirement readiness on net worth alone could lead to falling short of your income needs in retirement.

Let's say a couple nearing retirement is debt-free with a net worth of $1 million comprised of $50,000 in cash savings; qualified retirement plan accounts valued at $150,000; two cars worth $50,000 combined; and a mortgage-free home valued at $700,000. While the couple's current net worth is $1 million, only a quarter ($250,000) of their assets are positioned to generate the income the couple may need to supplement their Social Security benefits and meet their income needs in retirement. The remaining $800,000 is illiquid, representing property that must be sold before its cash value can be realized.

Holding illiquid assets, such as real estate, collectibles, precious metals and other property during retirement can be a good thing if you have enough income-producing assets, such as cash and investments to satisfy your spending needs in retirement. However, it can be detrimental if you're strapped for cash and forced to sell a home or other property at an inopportune time to raise cash to satisfy current spending needs.

This is why it's important to make the distinction between net worth and income in retirement. While most people focus on accumulating assets during their working years, retirement is about de-accumulation, or drawing down on your assets over time. Retirement planning focuses on ways to bring money in (income) when you're no longer working.

A well-constructed retirement income plan is designed to help generate consistent cash flow to satisfy your daily living expenses and spending needs over time. This is accomplished by structuring assets to generate income while managing investment risk. While retirement income planning is complex, experienced financial advisors have the knowledge and tools to assist you in developing a personalized strategy to help generate the income you will need throughout your years in retirement.

To learn more about planning for your income needs in retirement, we are here to help.

These are the views of Katie Williams, a freelance financial writer and news commentator, not the named Representative or the Broker/Dealer, and should not be construed as investment advice or a recommendation. Neither the named Representative nor Broker/Dealer gives tax or legal advice. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. The publisher is not engaged in rendering legal, accounting or other professional services. If expert assistance is needed in these areas, the reader is advised to engage the services of a competent professional. Please consult your Financial Advisor prior to making any investment decisions.