

## YOUR RETIREMENT PLANNING NEWSLETTER

# Accelerated Retirement?

*It's possible, if you follow the right roadmap.*

Everybody imagines retiring early, but few people manage to do it. A recent Willis Towers Watson survey reported that far more working Americans are planning to retire after age 65 (46%) than before it (30%).<sup>1</sup> Here are five steps you can take to jumpstart the process.

### Set realistic goals — and timeframes

Start by forecasting how much money you'll need to live on each year.

- Some planners suggest 80% of your current income, others think 100% is more realistic.
- Decide on your preferred lifestyle. Do you plan to live modestly, or do you envision traveling more, or buying a second home?
- If you're planning to live on \$40,000 a year and assume that you can safely withdraw 4% a year from your nest egg, you multiply \$40,000 by 25 to get to a \$1 million savings goal.
- Factor in higher healthcare costs than you currently pay. People who retire in 2018 at age 65 will need upwards of \$280,000 to pay for health care and medical expenses through retirement, according to Fidelity.<sup>2</sup>
- Pick your preferred retirement age. If you have 20 years to save up your \$1 million goal, you can calculate your monthly savings needed to reach that number using a compound interest calculator.

### Put the brakes on spending

Reducing spending could be as simple as giving up eating out one night a week, or as significant as relocating to a less expensive area of the country.

- Consider signing up for a free Mint.com account to keep closer track of where your money is going. Mint.com shows your past spending patterns and alerts you when you are in danger of going over your budget.
- Other money-saving tips include packing your lunch; cancelling cable TV; and taking public transit or riding your bike to work.



### Turbocharge your savings

The more you save out of your current income, the sooner you'll be able to retire.

- If your employer offers a 401(k)-matching contribution, make sure you're contributing enough to get the full match.
- Traditional and Roth IRAs are another great way to sock away more dollars.
- If you're planning to retire before age 59½, you may want to consider building a taxable account that is not subject to early withdrawal penalties, to bridge the gap until you can tap those accounts without those rules kicking in.

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<sup>1</sup> "The Most Popular Ages to Retire," *U.S. News & World Report*, June 16, 2016. <https://money.usnews.com/money/blogs/planning-to-retire/articles/2016-06-10/the-most-popular-ages-to-retire>

<sup>2</sup> Source: [www.fidelity.com](http://www.fidelity.com) <https://www.fidelity.com/about-fidelity/employer-services/a-couple-retiring-in-2018-would-need-estimated-280000>

# Taking New Interest in Savings Rates

*For the past 10 years, it's seemed hardly worth putting any money in the bank. When the country was deep into recession, the Federal Reserve slashed interest rates to nearly zero to stimulate the economy. More recently, in light of improving jobs growth and healthy corporate earnings, the Fed has begun to increase rates.*

You can now earn a decent guaranteed return from bank savings, money market accounts and certificates of deposit (CDs). How much money you earn can vary widely, depending on where you choose to put it. Generally speaking, the longer you are willing to tie up your money, and the less likely you'll need to take it out early, will give you the best rates. But there are a few things to keep in mind.

- At the time of this writing, some credit unions required high minimum balances — \$25,000 in some cases — to earn a 1.75% annual interest.
- Other online-only institutions will pay a 1.85% yield for a money market savings account, with much lower account minimums. However, getting your questions answered online can be a challenge.
- CDs have been paying higher yields lately — up to 2.5% for 12 months, and around 3% for 29 months, but many carry hefty penalties for early withdrawals.
- Depending on your individual circumstances, a money market account or online savings account may be preferable to a CD, since the money market and savings accounts generally don't impose withdrawal restrictions.



In any case, be sure to read the fine print of any bank offer. These disclosures will reveal any rules or restrictions that come with the product.

Banks are once again offering competitive savings rates, and that is a good thing for consumers. Now is a good time to take a fresh look at your savings options.

## Accelerated Retirement? *(Continued from Page 1)*

### Boost income

Earning more is a great way to enhance savings.

- Pick up a part-time job
- Ask for a raise
- Move to a higher-paying job

Just be sure not to increase your spending when your income goes up!



### Caution sign: debt

Paying off — even avoiding — debt is one of the best ways to reduce your expenses and spending.

- Buy cars used, and drive them longer
- Pay off your mortgage early
- If you're contributing to your children's college education, make sure that you're not taking on more debt than you can afford (that goes for the kids, too).

Retiring early is an achievable goal if you create a robust plan and stick to it.

# The Ins and Outs of Long-term Care

*Imagine for a moment that your elderly mother slips and falls and breaks an arm and a leg. She is hospitalized and undergoes rehab — for 12 weeks. Most people think of chronic illnesses when they think of long-term care, but accidents can also trigger the need for extended nursing care, as well as physical and occupational therapy.*

Compounding the problem of these frequent accidents (see our accompanying sidebar article), health insurance plans only cover about three weeks of care. As hard as it is to imagine a life of disability or declining health, long-term care (LTC) is an issue of growing urgency for an aging population. Just as health care costs are rising to eye-popping levels, the market for long-term care insurance has been in free fall. Premiums have largely doubled, and buyers are paying more for less coverage. What does extended long-term care mean for your financial picture, and for your family? What are your options? Here's a short primer to help you weigh your options.

## Self-funding

The best way to plan for an unexpected health issue that could last as long as eight or 10 years is to have amassed great long-term wealth. But this option is only realistically available to high net worth or ultra-high net worth investors.

## LTC and hybrid plans

A traditional LTC policy is harder to find and expensive but is worth it if you can afford it. An LTC policy will pay up to a certain maximum daily benefit in case you are hospitalized or require in-home or rehab care above what your health insurance policy will cover. Hybrid plans are where the LTC market is becoming more attractive. Hybrids are life insurance policies that include a certain amount of LTC coverage and usually have premiums that are guaranteed not to rise.

## Fixed annuities

Another LTC-like option that may be attractive for some middle-income earners is a fixed annuity.<sup>3</sup> You make a lump sum payment in exchange for guaranteed regular payments as specified under the contract with an insurer. Some hybrid annuities offer multiplier rider options that pay out higher interest if long-term care is needed.

Long-term care is a difficult issue for families to tackle, but a major financial risk. The range of insurance-based products on the market may offer a solution, but as always, it's advisable to consult with a qualified insurance and tax professionals for the best course of action to take for someone in your situation.

<sup>3</sup> Fixed annuities are not FDIC insured. Guarantees are based on the claims paying ability of the issuer. Withdrawals made before age 59½ generally trigger a tax penalty.

<sup>4</sup> Source: [www.osha.gov](https://www.osha.gov). <https://www.google.com/search?q=slip+trip+and+fall+tips&oq=slip+trip+and+fall+tips&aqs=chrome..69i57j0.4473j0j7&sourceid=chrome&ie=UTF-8>



## Slips, trips and falls — by the numbers

Slips, trips and falls make up the majority of general industry accidents, according to the Department of Labor statistics. This category of accidents, which includes sprains and strains, bruises and contusions, fractures, and abrasions and lacerations, not only create pain, possible temporary or permanent disability and reduced quality of life, but also occur with surprising frequency<sup>4</sup>:

- 15% of all accidental deaths (roughly 12,000 per year) can be attributed to slips, trips and falls (second only behind motor-vehicle accidents)
- Approximately 25% of most frequently reported injuries are due to slips, trips and falls
- More than 17% of disabling occupational injuries result from falls

Most falls can be avoided by recognizing the human factors that increase the risk of trips and slips, such as carrying or moving cumbersome objects, or moving too many objects at one time; not paying attention to surroundings or walking distracted (read: texting!); taking unapproved shortcuts; and being in a hurry and rushing. You can prevent falling by maintaining a clear, tidy work area free of clutter; following safe walking routes; wearing proper footwear with good traction; and learning to fall “properly.”

You can help foster a safer workplace by notifying supervisors and maintenance crews of slip, trip and fall hazards when they are present, and making sure that your company includes slips, trips and falls as part of its ongoing employee safety training program.

# Retirement in Motion

## TIPS AND RESOURCES THAT EVERYONE CAN USE

### Pre-retirees Less Confident about Retirement, Survey Says

If you are anxious about not having enough saved for retirement, you're not alone. In a recent AARP survey of 1,500 middle-income workers between the ages of 40 and 59, just 48% say they've saved enough for a comfortable retirement. Nearly 30% don't take advantage of the free employer matching contribution in their retirement plan, and 25% aren't taking advantage of convenience features in their plans such as automatic paycheck deductions.<sup>5</sup>

### Q&A

#### How can I boost savings once my kids leave the nest?

For many couples, retirement planning takes on fresh importance once their children leave the nest, especially if they have put off savings during the child-rearing years. If this is your situation, think about directing a greater share of your income toward your retirement. It may be helpful to devise a strategy several months before you face an empty nest, figuring out how far behind you are in building your nest egg. Having a written budget is critical, as is auto-depositing your contributions. That way you're not tempted to spend your increased income once the kids are launched.

### Quarterly Reminder

#### Check your tax withholding

The Tax Cut and Jobs Act of 2017 included several provisions that could affect the taxes you pay in 2018 and in the future. If you haven't already done so, be sure to check with your HR department or benefits manager to verify that you are not under- or over-withholding federal and state tax payments.

### Tools & Techniques

#### Planning app can put you on track

Most people spend more time planning for their vacations than they do their retirement. To get some ideas on how to plan for a more secure future, try a new interactive tool located at [AceYourRetirement.org](http://AceYourRetirement.org). It takes just three minutes to complete, and it will give you specific ideas on how to put your goals within reach.

### Corner on the Market

#### Basic financial terms to know

##### Compound Interest

Compound interest is the idea that the return you earn each year is added to your principal, so that your balance grows at an increasing rate. This should be the basis of every personal savings plan. To see the effect of compound interest, try the online calculator at [moneychimp.com](http://moneychimp.com).

<sup>5</sup> Source: [www.aarp.org](http://www.aarp.org). *Op cit.*