Rosenberg Financial Group

Retire…Relax™

Can I Afford to Retire?

Before you read this report, it's important that you read **"What I Need To Do To Plan For My Secure Retirement?"** That report is available on the "Special Reports" section of our website, www.retirerelax.com. That report puts this report in the proper context.

When we first meet with pre-retirees, we always want to get an understanding of their overall financial situation. What will their income be in retirement? Will it be enough to cover their expenses? Will they have a pension? How much have they saved? Do they have any debts? What's their medical insurance situation? How's their health? When will they apply for Social Security and how can they maximize those benefits?

The decision to retire is huge and not to be taken lightly. Unfortunately, we often see people who have an "I'm tired of working and I want to retire" frame of mind. This is dangerous because they are making a life-changing decision based on how they feel at that moment. Instead of making this financial decision based on emotion, we need to make this decision based on facts. To help you make the best decision, let's walk through some of the questions we would ask if we were meeting with you.

What Will Your Income Be During Retirement?

First, you will need to gather some figures. Do you know what you will receive from Social Security? If you're not sure, you can go to the Social Security website (www.ssa.gov) and create a My Social Security account. This enables you to see your current benefit information.

Are you planning on taking income distributions from your retirement accounts? If so, we encourage you to not plan on taking more than 3-4% per year. As an example, if you have $200,000 saved, 4% of that is $8000. So, your monthly gross income, from your retirement account, would be $667.

If you will receive a pension, you need to request an estimate from your benefits office. The closer you get to your retirement date, the more accurate that estimate will be, and if you are married, please consider the survivor benefit. Now, complete the following:

Expected monthly fixed income in retirement:

How does this compare to your current income? If it will be much less than what you are earning now, how will you make this work? Your choices are to either reduce expenses by paying off debt before you retire or reduce expenses (spending) during retirement. Or, of course, you could continue to work.

Social Security income at age:		=	$ /mo
Pension income at age:		=	$ /mo
Investment income:		=	$ /mo
Other income:		=	$ /mo
Total Monthly		=	$ /mo

To help you with this decision, we have some more homework for you. At the end of this report, you will find our Spending Tracker. It's important to know where your money goes. The Tracker will help you do just that.

Yet another factor to consider is inflation. It is very possible that you might be retired for as many years as you worked. Just think about what it would be like if you were given a salary at age 25 and that salary never increased. Think about how much the cost of everything has gone up.

How Do You Make the Best Decisions Concerning Social Security?

When we ask people why they took their Social Security benefits, they say, “I paid into it, and if I don’t live to receive them I will have lost what I put in.” Or they say, “I want to enjoy my money now in case I don’t live too long.”

But you should think of Social Security as a long-term plan. If you eventually have financial problems, it will be in your later years. Too many people plan for what they want now. But the real issue is what happens when you get older, the cost of living has gone up, and you can't make ends meet? At that point you would probably wish you had handled your Social Security benefits differently. Remember, your biggest problem isn’t that you’ll die too soon and miss out on potential benefits. Your biggest problem is you will live too long and run out of money.

What Return Can I Expect on My Investments?

So far, you've calculated what your income will be and you're going to track your spending to see where your money is going. Now, you've already read about what inflation can do to your purchasing power and you've learned tips on maximizing Social Security, what could be left? Projecting the future growth of your investments.

Many planners use retirement calculators. You can find them all over the web. They ask you to input your current information, which is pretty straight forward. But you also need to make a number of assumptions, like your life expectancy and an assumed rate of return. This is where it gets dicey.

Obviously, you don't know how fast your money will grow between now and the rest of your life. You must be careful here. Remember the people who retired in the late nineties? We saw people who had assumed a 10-15% return each year. How did that work out? Be conservative. Maybe 4-5% is a good figure to use for now and keep an eye on it as you go along.

We're not going to provide a calculator website. We're not even going to provide a worksheet where you can do the calculations yourself. Why? Because we've seen a number of bad retirement decisions based on these calculators. In fact, they can do more harm than good.

It's too easy to play with the numbers until you get the answers you want. After all, many people are just looking for justification to retire. We've never seen a calculator that really works, no matter what some people would lead you to believe. The reason is, we have no idea what next year will bring.

If you base your retirement on false assumptions, then you may be doomed to run out of money. You need to look at this logically and with some common sense. Talking with a Certified Financial Planner™ Professional is a good place to start.

Eight Signs That You Could Run Out of Money

The largest single fear that retirees have is running out of money. So let's look at several factors that might give you some insight as to whether you can really afford to retire.

1. You have a mortgage with more than 5 years to payoff.

We tell everyone who will listen that retiring with a mortgage makes retirement more difficult. Your mortgage is probably the single biggest monthly expense you have. Think about how much easier and secure your retirement will be if you don't have this payment. The same is true if you have substantial credit card and/or automobile debt.

2. You are supporting other family members.

It is a fact that more parents/grandparents are supporting their children/grandchildren than in previous years. Face it. Retirement is difficult enough just supporting yourself, especially if you live a long time. If you choose to support other family members, you are taking money away from yourself and making it more likely that you will run out of money. As author and economist Tom Sowell says, "*You cannot subsidize irresponsibility and expect people to become responsible.*" The more money you give to family members, the more they will expect. That means less money for your own retirement . . . and a greater possibility that you could run out of money. Ask yourself "Will they support me if I use up all my money on them?" You probably already know the answer.

3. You haven't saved very much money for retirement.

A financially secure retirement doesn't happen by accident. It takes planning and discipline. It means forgoing certain luxuries. Spending that money while you are working, as much fun as it may be, can jeopardize a secure retirement.

4. You are unprepared when an emergency happens.

Once you retire, it's more important than ever to have an emergency savings account. Otherwise, you will be dipping into your investments more frequently than you would like, or, you will have to go into debt. Set aside a sum each month for home and car maintenance, as well as to cover unexpected medical expenses.

5. You and your spouse disagree on spending and saving.

This creates a very stressful situation. You want to spend, and your spouse doesn't. Or, you want to save, and your spouse wants to spend. Either way, you are in conflict and not focused on the same goals.

6. Your spouse opts out of survivor benefits.

We meet with a lot of widows whose spouses expected to live a long time but didn't. Because they expected to live a long time, they did not apply for survivor benefits when taking their pension. Now, the surviving spouse is living on one stream of income (the higher of the two Social Security checks), instead of living on three streams of income (two Social Security checks and a pension).

7. You ignore the chance that you could need long-term care.

The longer we live, the greater the chance we will need some care. Long-term care insurance pays for care you receive in your home, in an assisted living facility, or in a skilled nursing facility. Medicare only pays for 30 days of care in a skilled nursing facility, under certain circumstances, then they pay for part of this care for the next 60 days.

8. You take financial advice from friends and co-workers

Personal coach Tony Robbins says it's easy to be successful: just find someone who's successful and do the same thing they are doing. Unfortunately, too many people end up taking advice from people who are broke and in debt. Sure, they may be living "the good life" today, but they will suffer the consequences later.

So why do they ask a broke person for advice? Why do they do it? Because they will hear the answer they want. Now I'm sure these people are filled with good intentions, but most of them are not in any position to give financial advice. These folks are living paycheck to paycheck. They have accumulated little in the way of investment or retirement funds. They are up to their eyeballs in debt. Yet they are giving *you* financial advice? And you are actually listening? You are the one who will suffer. Pay attention to what successful people do! And find a good financial advisor.

Spending Tracker – Where Does Your Money Go?

You can't just guess as to how much income you will need each month. You need to actually track your spending to see where your money goes. So do it for 30 days. Place this sheet somewhere you will see it every day, and keep a pencil handy. Jot down every dime you spend, every day. You might be tempted to do it on your computer, but there is a benefit to physically writing this down. Writing what you've spent creates a new habit of awareness in your brain.

This new awareness gives you a better shot at changing habits—if you find there are some you need to change. And, you may be surprised when you see where your money is actually going. Once you've tracked your spending for 30 days, evaluate your choices. Should you spend less in one category, and more in another (to pay off credit cards faster, for example).

It's possible, and probable, that you might not have some of these expenses once you retire. You probably won't spend as much money on clothes, lunches out, or gas. However, you will have other expenses. For example, your medical expenses will probably go up. So might travel expenses. It might be a good idea to do this twice: once for now, and once for after you retire.

A sample Spending Tracker can be found on the last pages of this Special Report. We have also attached a Pre-Retirement checklist which asks 15 key questions about your pending retirement. The checklist is titled "Getting Your House in Order"

If you would like to speak with one of our Certified Financial Planner™ Professionals about your retirement we are always happy to provide a one-hour complementary consultation. Just call us at 478-922-8100.

Spending Tracker

Groceries	Meals Out	Snacks	Fuel	Day Care
$	$	$	$	$
$	$	$	$	$
$	$	$	$	$
$	$	$	$	$
$	$	$	$	$
$	$	$	$	$
$	$	$	$	$
$	$	$	$	$
$	$	$	$	$
$	$	$	$	$
Credit Card Pmt	**Charity**	**Recreation**	**Pet Expense**	**Other**
$	$	$	$	$
$	$	$	$	$
$	$	$	$	$
$	$	$	$	$
$	$	$	$	$
$	$	$	$	$
$	$	$	$	$
$	$	$	$	$
$	$	$	$	$
$	$	$	$	$
$	$	$	$	$
Mortgage/Rent	**Home Maintenance**	**Life Insurance**	**Auto Insurance**	**Auto Maintenance**
$	$	$	$	$
$	$	$	$	$
$	$	$	$	$
$	$	$	$	$
Clothing	**Medications**	**Dry Cleaning**	**Gifts**	**Hair Cuts**
$	$	$	$	$
$	$	$	$	$
$	$	$	$	$
$	$	$	$	$

Getting Your House In Order

~ Pre-Retirement Checklist ~

Have You…	Yes	No	Do It!
Determined how much income you will have ?			
Estimated a realistic retirement budget?			
Does your budget include increases in expenses inflation?			
Paid off mortgage?			
Investigated health care cost after retirement?			
Created a plan to pay off debt?			
Decided when to apply for Social Security?			
Looked at Medicare and prescription drug options?			
Reviewed your pension options regarding what to do with			
Determined shortfall between income and expenses?			
Considered part time jobs?			
Thought about how to invest your retirement money?			
Talked with a Certified Financial Planner™ Professional?			
Created an emergency cash fund?			
Considered the cost of long-term care?			

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FTC Identity Theft—A Recovery Plan

For The Instantly Wealthy

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