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Essential Retirement Tips for Boomers

by Casey Dowd

Published August 28, 2014 | FOXBusiness

We all have different ideas of our perfect retirement.

Some of us want to travel. Some want to spend it on the links or beach. And others will volunteer or go back to school. But no matter the expectations, proper retirement planning is the key to making these dreams a reality.

Retirement planning is the process of determining your long-term income, deciding on your intended lifestyle and creating and executing a savings and spending plan to reach your goals, a process that can be a little overwhelming.

Carl Edwards, owner of C.E. Wealth Group reviewed the following essential points with me that every boomer should know about retirement planning:

Boomer: What are the most tax efficient investments?

Edwards: Tax efficient investing is not about finding the single most tax efficient investment. Each investment has its own tax benefits. Tax efficient investing is more about the manner in which you use your investments in coordination with an overall effective plan.

For example, you will want to consider the implications of how investment income is treated when taking Social Security. Some investments, such as municipal bonds, may cause a big surprise on whether or not your Social Security income is taxed. Municipal bonds may offer tax-free income, but at the same time may cause you to pay ordinary income tax rates on up to 50% or even 85% of your Social Security income. Proper tax planning, as in many other planning areas, will likely require a licensed tax planner who works alongside of a credentialed financial planner and a licensed attorney.

Boomer: Why should boomers avoid trying to time the market for retirement funding?

Edwards: By attempting to time the market, investors often increase their losses rather than avoid them. Market timing is not the same as investing in a well-managed corporation. Market timing is more speculative in nature and brings on additional risks that may be greater than those it is attempting to avoid.

I believe a more proper way of handling risk is to simply not place extra risk where it is not needed. If you know you need money from a particular asset in the next five years, you shouldn't have that investment in stocks. Allocate your investments based on their time horizon. If you have a long-term horizon on a portion of your investable assets, this money may be suitable for investing in stocks. Proper allocation can allow you to take advantage of one of the most powerful parts of long-term investing, dividends and dividend growth.

Boomer: How does one complete a cash flow analysis?

Edwards: This is best accomplished by working with a credentialed financial planner. These individuals have spent years being educated to understand the numerous pitfalls that may occur during retirement. By analyzing incomes and expenses along with their expected changes throughout your retirement, a financial planner can assist you with avoiding many common oversights.

There are numerous factors which may impact your household retirement such as, growth rates, taxes, inflation, medical costs, death, and social security. This is far from a complete list that should be addressed.

Boomer: With inflation one of the biggest issues facing retirees, how do we include its effects in our financial plan?

Edwards: Inflation can be accounted for by purchasing assets that generally move up with inflation. Numerous investments exist to help account for the effects of inflation such as, stocks, TIPs, REITs, commodities and gold. Other investments exist such as annuities that have income linked to the Consumer Price Index (CPI). Each of these are possible solutions to assist with addressing inflation.

Additionally, proper use of Social Security in your retirement plan will likely be of great assistance since your Social Security income has automatic cost of living adjustments built in. The important thing here goes back to completing a cash flow analysis with a financial planner. By doing so you can plan for varying rates of inflation and their potential impact on your long awaited retirement.

Boomer: What tips would you offer for boomers to utilize longevity planning?

Edwards: The main thing to understand with longevity planning is that with the many medical advances being made every day, we are living longer, and no one wants to run out of money late in retirement.

This may be an area where a portion of an individual's assets may be best used by transferring these risks to insurance companies. Vehicles like annuities and long-term care insurance can be great for this area. However, like most anything in life, too much of a good thing can be bad. A balanced approach can assist a retiree with getting the best of a variety of investment vehicles, such as annuities.

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