



# What Do I Need To Do To Plan For My Secure Retirement?

A Registered Investment Advisor

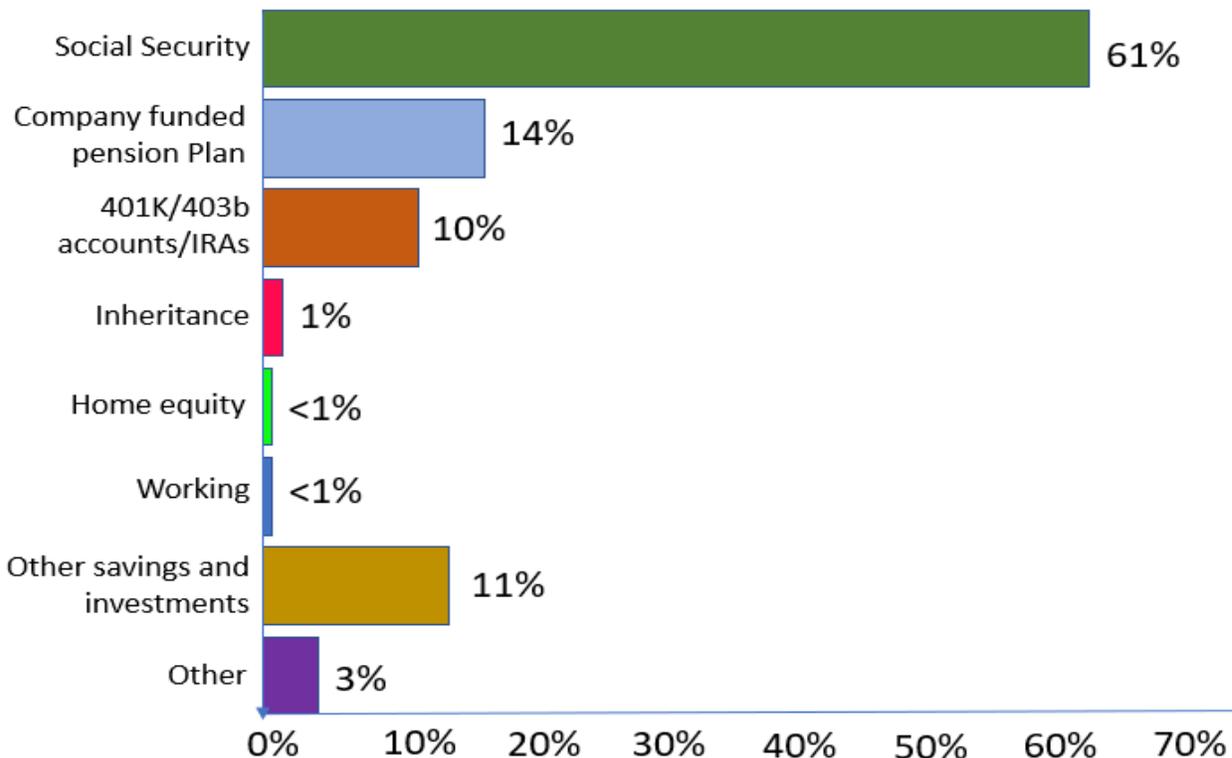
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If you're planning to retire, and you probably have lots of questions. And although we'd love to answer those questions, we don't know the specific information you want. So instead of making this a long report, we are instead providing links to reports that will give you more detail on the topics you are interested in.

But first, let's take a brief look of the economics of retirement. Ultimately, your secure retirement will be a function of the decisions you have made in the past and will make in the future.

## Where do Retirees say their income is coming from?

Percentage of polled retirees who rely mainly on the following income streams for the duration of retirement:



Source: The Current State of Retirement: A Compendium of Findings About American Retirees (April 2016) . Transamerica Center for Retirement Studies.



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Because Social Security is such an important part of your retirement plan, the first thing you need to do is visit the Social Security website, [ssa.gov](http://ssa.gov), and log in to look at your statement. Your Social Security income is based on your highest 35 years of earnings, so the more you earn, and the longer you work, the more your benefit increases. If you are married, and your spouse has not worked, it's important to understand how spousal benefits work. For information on that and more about how Social Security works, click on the hyperlink to that Special Report on our website.

The next largest source of retirement income comes from pensions. If you will have a pension, ask for a projection of what this income will be so that you can use this figure in your planning.

The next issue is inflation. How much will your income need to increase to keep up with the cost of living? The Consumer Price Index measures changes in prices year over year. It is the average price change on a basket of goods and services, such as food, gas, rent, drugs, etc. Over the past 30 years, the annual CPI has ranged anywhere from less than 0 in 2009 to 13.5% in 1980. That means your income needs to increase over time to cover those higher expenses. Many financial planners recommend that retirees prepare for 4% to 6% inflation, assuming a 20 to 30-year retirement.

Let's look at what inflation can do to you. If inflation averages 5%, how much will you need in the future?

Let's assume you retire at age 60 and need **\$3,000** per month to cover your expenses. Here's the effect 5% average annual inflation could have on your living expenses:

By age 65, you will need **\$3,828** per month to buy those same goods and services.

When you are 70, this amount will rise to **\$4,887** per month.

And, by age 75, you will need **\$6,237** per month to maintain the same purchasing power that \$3,000 had 15 years earlier.

The next retirement planning issue is life expectancy. One of the myths about retirement is you only have to worry about planning for a short period of time. However, with the advances in medicine, that's not necessarily true. You need to plan for a long life, especially if you want to have any money by the time you're in your '80s and '90s.

The following table is from the National Vital Statistics Report (2020):

<b>Current Age</b>	<b>Life Expectancy</b>	<b>Current Age</b>	<b>Life Expectancy</b>
<b>55</b>	<b>83.3</b>	<b>70</b>	<b>86.5</b>
<b>60</b>	<b>84.1</b>	<b>75</b>	<b>88</b>
<b>65</b>	<b>85.2</b>	<b>80</b>	<b>89.2</b>





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There are several things to take into consideration when looking at this table:

- (1) Life expectancy has been increasing over the years;
- (2) Women live longer than men; and
- (3) If you're married, it changes the story.

So if you're married, it doesn't matter how long you live on average – it only matters how long one of you outlives the other. This is very important. Your money has to last until the second of you dies. And, of course, we don't know how long that person will live. And, the life expectancy of a 60-year old couple (as a couple) is longer than the life expectancy of two 60-year old individuals. So you need to plan to live longer than the above table indicates.

One final point – and this is HUGE! Because women tend to live longer than men, **THEY** are the ones who generally suffer most from running out of money. That's why it is vital that women get actively involved in the retirement planning process!

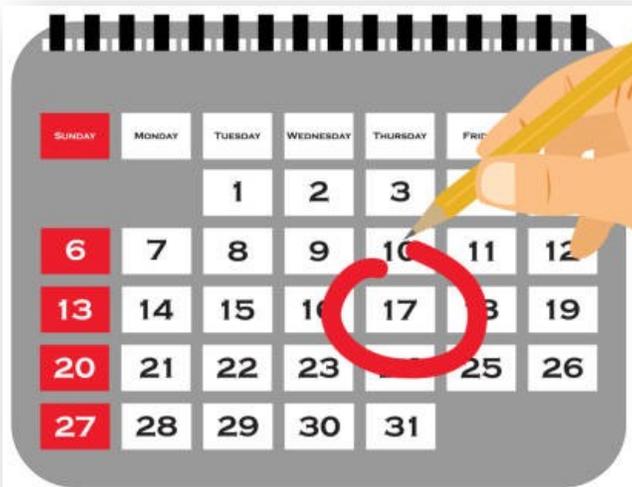
So this obviously means that you really need to spend time thinking about when you want to retire. And a good reason is not "I'm tired of working," or "I hate my job," or "I've worked all my life and I deserve to retire," or "I might not live very long and I want to travel." The best reason is "I've looked over my finances and I have sufficient income to support me during a long retirement."

**The American Society of Pension Actuaries recommends that you have income of 73% to 85% of your last year's work earnings as a rule of thumb. That means that most people have to adjust to a 15% to 27% drop in their income.**

We recommend that as you near retirement, you make a monthly "needs" budget and combine that with a "wants" budget – items like travel, golf, entertainment, gifts, etc. – so that you have a carefully considered income goal, rather than just an estimate based on your final year's salary.

Also, if you plan to retire before age 65, seriously research health insurance options. This is typically the most difficult issue that people face since it has become so expensive. One possible option is a high-deductible policy with a health savings account (HSA). The benefit of this type of plan is that you fund the HSA with the amount you'll need to pay co-payments and the deductible, and at the end of the year you can keep the leftover funds in the account for the following year. An insurance broker can help you look at all of your options

As we previously stated, your secure retirement will be a function of the decisions you have made in the past and will make in the future. Don't wait for the future to happen to you, make plans today to best position yourself for those retirement years.





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- Avoiding Internet Scams and Identity Theft
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