

Use your 401k for a Pittsburgh Retirement

Retirement packages have changed substantially over the last few decades. As agencies and companies changed from providing long-term solutions for their employees through pension plans to putting most of the retirement savings decisions onto the employees' shoulders, people were forced to start thinking about how to save their money. As you get closer to retirement though, your focus shifts from how can save for retirement to starting to think about how to make your savings go further.

Fortunately, there are many ways to make your retirement dollars go further. The best way to do that is to plan ahead and make sure that you know how much you will have available on a monthly basis. Over time, inflation is going to reduce how far your money goes. With the right planning, you won't have to consider taking on a part-time job to make ends meet – unless you miss working and do it for yourself.

Start with Your Current Lifestyle

The first place to start is to look at your current lifestyle, then to determine how you want to live after retirement. Too often people save money without fully considering the life they want to live once they are free of the regular work life. This can lead to not having enough money to live the way you want to live. To make your 401k go further once you retire, you need to know how much you will have available based on your current savings. If you want to keep your current lifestyle or want to travel, you will need a lot more than if you plan to scale back your lifestyle. Of course some costs will go down, as a result of children moving out and graduating college, no longer having to spend money on gas once the daily commute stops, and fewer take-out meals. However, there are costs that will definitely go up, such as your home bills (power will be more since you are home more often) and activities. Know what you want to do, so you can make sure that you have all of the bases covered for the retirement you want to live.

Complete Some Initial Calculations and Set a Budget

Knowing what kind of lifestyle you want is the first step. Next you will need to determine how much it will cost to live that lifestyle. If you want to travel, figure out how much that will cost because you will need to budget your retirement for room and board, transportation, food, health care and activities. This will require that you have a lot more saved in your 401k so that your monthly distribution is adequate to cover the costs. However, if you plan to sell your house and move to something smaller and simpler, your 401k won't need to be nearly as robust to go further every month.

Once you know about how much you will need each month, set up a budget to make sure that you will have the necessary funds. Start with your current budget to ensure that you don't miss any key bills that you will continue to pay after you retire. You don't want to find that your 401k is inadequate for regular bills. Your current budget is essentially your baseline for the minimum amount you will need once you retire – anything that you want to do beyond that will require that you save more before you retire so that you can cover the extras.

Having a budget well ahead of your retirement will ensure that you can stay on target for your retirement savings. If you know how much your monthly bills and activities will cost, your money will go a lot further because you won't have as many financial surprises eating into your monthly distribution.

Increase Your Savings Now

Even if your current estimates indicate that your set retirement budget will be adequate, there will always be costs that you had not considered. One of the reasons that people have to return to work after retirement is that they either didn't budget adequately for their retirement or they only covered a

minimum budget. Just as you have regular unexpected costs today, such as because of car trouble or health care, you are going to have them once you retire.

Whether your current 401k savings are not quite up to where they need to be based on your current retirement budget or your current retirement budget only covers the minimum expenses, you will want to save more now while you can. Having a little extra money every month can give you a way to save for those emergencies so that you have the money when you need it. The older you get, the more you are allowed to put into savings without penalty. This should help encourage you to put more away. Giving up a few things now means you can enjoy your retirement a little more later on.

Decrease Your Debt before Retirement

One of the best things you can do to make your retirement savings go further is to get rid of as much debt as possible while you are employed. If you need to take on a side gig or job to do this (there are many ways of doing this today, such as driving for a company like Lyft or offer help through a service like TaskRabbit), then it is worth it to work a little more now to pay off loans, your mortgage, and credit cards. These expenses will be a lot harder to shoulder once you are living on a fixed income. By eliminating them before you retire, your 401 disbursements will go a lot further. Paying off your debt now also means that you will end up paying less in interest, which is always a good thing.

Retire after You Are Vested

This is not an option for everyone, but if your 401k includes vested options, make sure that you are fully vested before you retire. While retiring can seem like a good idea once your savings goals are achieved, you end up losing a lot of money if you are not fully vested. This is something that you should definitely make use of because it will mean you have more to draw from after you retire. Most companies require an employee be with the company for five or six years before they are fully vested. Even if your company allows you to keep part of the matching funds for the time you were there, it is best to just stick it out and get the full matching amount. This will give you more income on a monthly basis. If you are not able to save as much as you had hoped, receiving the full amount of the 401k that your company offers can give you a little bit more to cover expenses.

Know If You Have a Required Minimum Annual Distribution

Once you retire, you will need to make sure you understand your minimum annual distribution. Traditional 401ks require that you take out a minimum amount every year. If you fail to take that amount out, you are penalized 50% of what you should have withdrawn. Typically, this minimum doesn't kick in until the retiree is 70.5 years old. You don't want to take out more than you need in the early years of retirement, so you may get accustomed to taking out less. Make sure you set up some sort of reminder to check your distribution when you reach 70 years old. If you have a minimum withdrawal amount, make sure you start taking it out by the time you reach 70.5 (getting started at 70 will help you avoid forgetting to change the amount you withdraw in six months).

If you have a minimum annual distribution requirement, you can turn that into additional savings that you can access in case of an emergency. Even better, you can turn that into savings for a trip that you have always wanted to take, such as a cruise or travel abroad. You can even use it to take classes or take on another hobby. Whatever you decide to do with the money, make sure that you take out the minimum to avoid fees.

Consult with a Financial Advisor

If there is anything you don't understand or if you want to make sure you get the most out of your savings, contact a financial advisor. Some companies have their own advisors, saving you money and time by



letting you talk to the advisor during a designated time. They will be able to tell you more about the 401k than a consultant.

With fewer and fewer companies offering a financial advisor, you may need to talk to a professional outside of the place where you work. You are much more likely to get the personal approach you want with a consultant than a company financial advisor. They will walk you through what you need to know and help you determine if your current savings will provide you with enough money on a monthly basis. They can also help you review your current lifestyle to see what you can reduce or eliminate so that you can save more through retirement investment strategies like a Roth IRA.

The best way to make your budget go further is to take out unnecessary costs. From debt to bad habits, you want to make sure that your costs are minimized once you live on a fixed income.

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