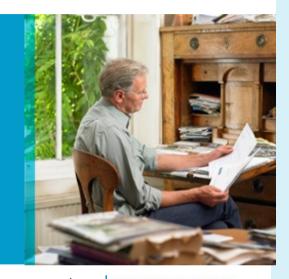
PLan IT retire ready toolkit

FRONT PAGE | ARTICLE: REASSESS YOUR RETIREMENT

Reassess your Retirement

by Carrie Anton



Today's preretirees face a different retirement landscape when compared with that of generations before.

While the economic downturn is often the first reason cited for this transformation, a report from the Center for Retirement Research at Boston College, "The National Retirement Risk Index: After the Crash," points to a number of factors. The list includes:

- Longer life expectancy
- Poor planning
- Lower Social Security benefits
- The program cost increases associated with the sheer volume of retirees

Regardless of the reason, envisioning retirement as an extended leisurely life could be more the expectation of a generation reared primarily on post World War II wealth rather than the reality for today's preretirees.

It doesn't mean the dream is over—it just requires reassessing what retirement means to you and establishing a plan to get you where you want to go. by most likely will

The money you save and when you save it

spending & Credit

Get Started With **Budget Blueprint Here!**

related items

Calculator: How to Calculate Your Retirement Needs

Retirement: Plan With Your Partner

Avoid Retirement Mistakes

Since there's no one-size-fits-all retirement plan, customize yours using this checklist:

dictate when you retire.

When Will You Retire?

Many people use guidelines set by Social Security retirement benefits, but consider more options depending on your financial situation. There are essentially three time frames in which to retire: early, on time, or late.

Retiring early is for a small group of people who've had the opportunity to earn or inherit enough money to live on comfortably for an extended time. The upside is having more free time to really get out and live life; the downside is having less time to save the money you need to do that kind of living.

On-time, or traditional, retirees retire between ages 62 and their full retirement age based on eligibility for Social Security and Medicare. On-time retirees get the best of both worlds—working long enough to receive benefits and save money while also having time for leisure activities.

Late retirees retire after reaching full retirement age. Members of this group might continue working because they love what they do or simply because they don't have enough retirement income. The advantage is having access to money and immediately qualifying for all Social Security and Medicare benefits. The disadvantage is having a shorter time to enjoy retirement.

The money you save—and when you save it by—most likely will dictate when you retire. "People need to have a combination of Social Security and some other form of guaranteed income plan," says D.J. Boike, senior retirement planning specialist and senior partner of Retirement Resources, Flint, Mich. "And it can't just be 'stick the money into a mutual fund and hope for the best' anymore."

Will You Keep Working?

A lifetime of Saturdays may sound like heaven to some, but others need the busy-ness of day-to-day activity. "The New Retirement Survey" from Merrill Lynch says, "While 76% of boomers intend to keep working and earning in retirement, on average they expect to 'retire' from their current job/career at around 64 and then launch into an entirely new job or career."

Sixty-seven percent of those who plan to keep working say they'll stay on the job for mental stimulation and to be challenged, rather than for the paycheck. The rest who plan to rely on the extra income can expect that keeping a job or finding future employment may be difficult due to an all-time low in hiring.











When Will You Take Social Security?

You can claim Social Security benefits as early as age 62. But just because your benefits are available doesn't mean you should take them.

If you wait until full-retirement age, your benefit will increase by 8% a year until you are 70. "Some people will have enough assets to live on to not take Social Security until full retirement age," says Jim Sloan, a financial adviser in Houston and author

If you're not taking advantage of an employer-matched 401(k), do so now.

of "The Financially Informed Boomer." "It's a substantial increase, but there is also a big, big difference between getting to 62 and waiting until age 70."

Do You Have Debt?

If you have debt you might pay off the smallest debts first so you can gain more momentum on the big ones. Or you might start paying down higher-interest debts first, since these are the bills that are most expensive over time.

Whatever tactic you choose, in most cases it's wise to eliminate debt before you retire. "Once you move into retirement, you're moving toward limited income," Boike says. "So if you reduce the monthly debt that you are paying, you're actually increasing your overall income."

Have You Created Lifetime Income?

One of the biggest concerns about retirement is how to make the money last. Today's preretirees are living longer than earlier retiring generations, while public- and private-sector jobs providing pensions have decreased.

In a 2012 Retirement Savings Assessment conducted by <u>Fidelity Investments</u>, working American households could experience a 28% retirement-income drop. Nearly four of 10 households don't have sufficient income to cover their retiree expenses.

To avoid falling victim to those circumstances, consider:

If you wait until fullretirement age, your benefit will increase by 8% a year until age 70

- Adding an annuity: An annuity is an insurance product that offers a steady retirement income stream. You can save large amounts of tax-deferred cash without an annual cap, but there can be a lot of fees associated with annuities, so do your research.
- Going for guaranteed: Sloan says today's "new normal" for retirement



planning includes a guaranteed income stream in the form of a fixed annuity with a lifetime income rider. "What that means is you'll add a chunk of money to a bucket with a 6% to 8% growth rate a year," Sloan says. "At some future point, you'll turn that income stream on. Once you turn it on, it's guaranteed for the rest of your life and/or your spouse's life." Like an annuity, there's a fee for those riders, ranging from 0.5% to 1%. Despite the fee, your money is growing at a guaranteed rate until you turn income on.

- Putting your house to work for you: If you own a home and have little or no mortgage, consider a <u>reverse mortgage</u>. You also can generate income or reduce expenses by taking in a housemate or downsizing your home.
- Claiming free money: If you're not taking advantage of an employermatched 401(k), do so now. Invest at least what your employer matches—it's free money and it's tax-deferred.

What If Your Health Fails?

If you, or your spouse, fall ill during retirement, hefty health expenses could crack your nest egg. Because you don't know if large medical bills will be part of your future, it's best to have a plan in place.

Protect your savings by investing in a long-term care policy. Long-term care gets more expensive the longer you wait to enroll, but the alternative is paying emergency health-care costs out-of-pocket, which can wipe out your assets in a flash.

Published September 21, 2012

