



# Retirement: Will it be all you want it to be?

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One of the biggest financial transitions a person will make in their lifetime is retirement. Today fewer and fewer people leave their careers with a pension to provide for post-retirement income. Moving from earning money and saving, to using hard-earned investments to provide for living expenses can be frightening. The best way to prepare for this new life-stage is to address the following questions, well before your actual retirement date.

**What is enough?** People often ask “Do I have enough money saved to provide for a secure retirement?” The answer will depend in part on how much your retirement lifestyle will cost. Don’t believe in the “rule of thumb” that states you will need 85% of your pre-retirement income. What you will need may be more or less than what you are currently spending. Although your mortgage may be paid off and you will spend less for commuting and clothes, you may replace these expenses with costly leisure activities such as travel, recreation or classes. According to Steve Zaleznick at Longevity Alliance, 32% of pre-retirees estimated that they would spend significantly less in retirement, but in actuality only 10% reduced their spending. In addition, medical costs in retirement may take up a bigger and bigger percentage of your income. Fidelity Investments recently estimated that the average couple retiring at age 65 will spend \$215,000 in medical related costs after they stop working. One of the best ways to estimate what you will need to cover your costs after you retire is to carefully assess what you are

currently spending. You will also need to know how much you will receive from Social Security and any pensions. This information along with a total of your investment assets will enable you to calculate if you have enough to meet your retirement goal. To actually run the projections you can hire a financial advisor or try to project this on your own utilizing a retirement calculator found on a variety of web sites.

**Are my investments allocated properly?** Your current investment portfolio might need adjusting as you move from growing your assets to drawing them down. The percentage of your portfolio you will be using to cover expenses will affect the allocation to different types of investments. Typically this is a time for less volatility in your portfolio. Often people experience a decreased ability to handle risk in their portfolio; when it doesn’t seem as easy to add to “the pot” the fear of loss can be increased. Setting up a systematic way to provide for retirement income can help to reduce concerns by maintaining that feeling of having a paycheck and may also prove to be more tax efficient.

**Do I need to continue some type of employment?** Early retirement may be a dream that you are working toward, but it might not be financially practical. If you do not receive retiree medical benefits from your employer, are not yet eligible for Medicare or do not have the ability to be covered under your spouse’s or partner’s plan, you might need to work to get medical coverage. In addition, if your lifestyle will need to be reduced more than you would like, you may choose

to supplement your income with some type of earnings.

**What will I do with my time?** Retirement planning is not just about the money. Often people would like to continue to do something such as volunteer work, a part-time job or even a second career, but they don’t know what they should do. All they know is that they don’t want to do the same type of work that they are leaving! In the book *Don’t Retire, Rewire!* Jeri Sedlar and Rick Miners discuss how to plan for a fulfilling life after work. They suggest it’s never too early to start planning by asking yourself the following questions: Have I begun to plan the lifestyle side of my retirement? What do I get from work (not including money)? What aspects of work will I miss (not including money)? How will I replace the things I’ll miss? How strong is my personal network? How you decide to spend your time can provide meaning and purpose to your life.

Your retirement can be a time to enjoy fewer responsibilities, not to worry about your money. Careful planning can help you ensure retirement is all you want it to be.

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