10 STEPS to a SUCCESSFUL RETIREMENT

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Are you approaching retirement? You've probably been planning for retirement in some way, shape, or form for many years. Maybe you participate in your company's 401(k) plan. Maybe you contribute to a traditional or Roth IRA. Maybe you're fortunate enough to work for an employer that offers a pension plan. Those are all important retirement income planning actions.

As you get closer to retirement, it's important to plan your retirement in more specific detail. How much money will you have coming in the door every month? Is that money guaranteed or could it fluctuate? How will you spend your time? How will you spend your money?

Asking yourself these questions will help you nail down the answers to more important questions: Will you have enough income to cover your expenses in retirement? And, if not, what can you do to resolve the issue?

The sooner you answer these questions, the more effectively you can plan to cover any shortfalls. A financial professional could review your assets and expenses and develop a comprehensive financial plan for you. That plan could break down in detail the strength of your retirement income plan and whether you may face a shortfall.

You can also do quite a bit of planning yourself. Ask yourself the following 10 questions. They'll help you identify areas for concern and develop action plans to resolve those issues.

How much *guaranteed income* do you have?

Problem: It's always best to start your planning with those things you are certain about. There are some forms of income that are fixed and guaranteed. You know that you'll receive the income and you know generally what the amount will be. The income doesn't fluctuate based on things like stock market volatility or interest rate changes.

Knowing your base of guaranteed income will give you an idea of whether you have enough money to cover your most urgent expenses. If you're fortunate enough to have a significant amount of guaranteed income, you may have a nice foundation from which to build. If not, you may need to do some extra planning.

The three most common sources of guaranteed income are pensions, Social Security and fixed annuities. Pension benefits are partially protected by the Pension Benefit Guaranty Corp., a federal government agency. Guarantees provided by annuities are the responsibility of the issuing insurance carrier.

Social Security faces some financial challenges, but it's likely to still be a reliable source of income for those who are approaching retirement. The Social Security retirement trust fund is projected to run out in 2033, but even after that point, it still should offer benefits. Younger generations may face cuts, but your benefits should still be available.

Solution: Organize all of your statements from your sources of guaranteed income. Those could include your pension at your current or past employers. It should also include your Social Security statements and statements for any annuities that you may own.

Estimate the guaranteed income from those sources and add it all up. If that information isn't easy to find, contact a financail professional. We can review your statements and help you collect this important information.

Annuities are insurance products backed by the claims-paying ability of the issuing company; they are not FDIC insured; are not obligations or deposits of, and are not guaranteed or underwritten by any bank, savings and loan or credit union or its affiliates; are unrelated to and not a condition of the provision or term of any banking service or activity. Guaranteed lifetime income available through annuitization or the purchase of an optional lifetime income rider, a benefit for which an annual premium is charged. Annuities are long-term, tax-deferred vehicles designed for retirement and contain some limitations.

Which *pension payout* should you select?

Problem: When it comes time to choose your pension benefit, you'll be offered several payout option. It may be tempting to take the highest paying one, but that may not be the best choice.

In addition to the amount of the payout, you also need to consider what happens to the payout when you pass away. Most pensions offer joint-and-survivor options. Under this plan, your spouse would continue receiving a portion or even all of your pension payment after you pass away. Selecting a joint-life option over a single-life payout will likely lower your benefit amount, however, your spouse may need that income to live if you pass away first.

Pension plans may also offer "period certain" options. For example, a payout with a 10-year period certain option would mean that you would receive a lower payment, but that payment would be made for a minimum of 10 years, even if you pass away within those 10 years. You designate a beneficiary to receive any leftover payments.

Solution: Get all of your options from your company's human resources department well in advance of your retirement. That will give you plenty of time to review your choices. You can also contact your financial professional to review your options with you, discuss your needs, and help you decide which option is right for you.

When will you *receive* your *guaranteed income?*

Problem: Once you've totaled up the annual amounts of guaranteed income you'll receive, you need to nail down when you will actually receive the payments. This is especially true if you don't have much in savings and you're operating on a tight budget. Not getting a payment when you expect it could send you into a cash flow crisis.

Make sure you know when you'll receive income so you can plan your income and expenses on a monthly basis. Social Security usually pays benefits monthly, and the exact day of the month depends on your date of birth. Pensions could pay quarterly, monthly or even bi-weekly. The payment frequency for an annuity could also vary.

Solution: Contact Social Security, your pension provider and your annuity agent or insurer to find out when you'll receive benefits. Once you have that information, put it on a calendar to see how and when income will flow into your bank account each month.

How much *will you spend?*

Problem: Many people underestimate how much they'll spend in retirement. They assume they can get by on a percentage of their current income, like 70 or 80 percent. However, having free time can lead to heavy spending. Once you're retired, your schedule will be free to dine out, go shopping and take up costly hobbies. You may want to travel more in retirement than you did when you were working.

Many people also fail to consider medical expenses in retirement. You may feel healthy now, but you're likely to face health issues as you age. If you need in-home care or treatment in a facility, you can expect to pay a significant amount.

Solution: Analyze what you spend today so you can better plan for spending in retirement. Break your spending down between required and discretionary expenses. Required expenses are those that you must cover in order to live. They include things like housing, food and utilities. Discretionary expenses are optional things like travel and dining out. A financial professional can help you set up a retirement budget based on your past spending.

Do you have ***enough*** *guaranteed income* to cover your ***required spending?***

Problem: This is the big question. It will help determine how much additional planning you may need to do. If your guaranteed income exceeds your required spending every month, then you at least know that you have enough money coming in to cover basic expenses and maintain a comfortable lifestyle.

However, if your guaranteed income is less than your required expenses, you could have some difficulty maintaining your quality of life. That's especially true if you don't have a nest egg in non-guaranteed sources, like your 401(k) or IRA. You may need to implement strategies to help you cover the shortfall.

Solution: Sit down with a financial professional and compare your guaranteed income to your required expenses. They can identify areas where you may be short or where you could face a cash crunch.

What do you do *if you're short?*

Problem: In an ideal world, your guaranteed income would exceed or at least match your required expenses. You could then tap into your nest egg for discretionary expenses and for unpredictable expenses, like medical treatment.

However, if your guaranteed income doesn't exceed your required expenses, you do have options. You need to either find a way to reduce your required expenses or increase your guaranteed income.

Many people reduce their expenses by downsizing their home. They get out from underneath their mortgage payment and cut down on household maintenance expenses. You could also look at going down to one car or trying to cut your utility and cable expenses. Consider refinancing or paying off high-interest debt.

Solution: Talk over your options with your financial professional. He or she can also help you identify costs that you can cut to bring down your required expenses.

What if *cutting expenses* doesn't do the trick?

Problem: It would be great if you could cut your expenses enough to get under your guaranteed income level. That's not always reality, though. There are some minimum expenses you just have to pay. So, what do you do if you can't cut your expenses enough?

One option is to increase your guaranteed income. You could get a part-time job to bring in more money, but that may not be conducive to your schedule, desires or health.

There are a variety of investment and insurance vehicles that can generate guaranteed income. They come with their own benefits, costs and risks, so it's important to consider your options carefully before committing to anything.

Solution: Meet with a financial professional. He can review your entire financial picture and recommend solutions. He may recommend a fixed indexed annuity, which can help you grow your nest egg in a tax-deferred, low-risk way until you reach retirement. At retirement, you can then turn that annuity into lifetime guaranteed income.

What do you do with the **rest** of your ***nest egg?***

Problem: Once you've balanced your guaranteed income and required expenses, you can start planning on how best to use and invest the rest of your nest egg.

However, you also need to keep saving for the future. You could be retired for several decades. You'll see prices go up during that time due to inflation. You may need to tap into additional savings to help pay for medical expenses in the future.

Retiring doesn't mean you stop saving and investing. On the contrary, it may be more important than ever to have a well thought out investment strategy. You have to strike a careful balance between funding today's discretionary expenses and saving for unplanned expenses down the road.

Solution: Talk to an experienced and knowledgeable financial professional. They can help you determine your appropriate risk level and then design an allocation that meets that risk tolerance. They can also set up a distribution schedule to help you tap into your nest egg in a responsible and disciplined manner.

What happens when *you **pass away?***

Problem: When you're planning for retirement, you're usually not just planning for yourself. You may have a spouse who will need financial support after you're gone. You may wish to leave money to children or grandchildren. What's the most effective way to do that?

Leaving a financial legacy starts with early planning. You need to prioritize your wishes. If supporting your spouse is your primary concern and all other goals are secondary, you need to put that on paper. It's easier to make estate planning decisions when all goals are clearly stated.

The problem is that many people don't address this because they don't like thinking about their own demise. That's normal, but you have to get past it to accomplish your goals.

Solution: Schedule a time to talk with a financial professional about your legacy goals. He can recommend solutions to make those goals a reality and to take care of your loved ones long after you're gone.

What happens if *you* ***can't make decisions*** *for* **yourself?**

Problem: This may not be pleasant to think about, but it's a reality for many people. Dementia, Alzheimer's and other diseases can rob you of your ability to make and communicate your decisions late in life. Although you may not be able to stop the disease, you can take steps to protect your assets, income and legacy.

Problems often arise when there are no clear goals or wishes stated in writing. Various family members may try to make decisions, often with only the best of intentions. However, those decisions could go against your wishes.

The best steps you can take are to put as much information as possible in writing. Various powers of attorney documents can designate who can act on your behalf if you're unable to make decisions for yourself.

Solution: Talk to your financial professional and attorney to make sure you have the appropriate documents in place. The professional could also recommend financial solutions that provide additional protection and limit the number of people who can access them.

A happy and successful retirement starts with sufficient planning. By planning early, you give yourself the opportunity to take action and correct potential issues before they become reality.

Respond and learn how various financial products including insurance and annuities can positively impact your retirement. By responding you may be contacted by a licensed insurance professional.

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