

Some important considerations for retirement

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As we baby boomers enter retirement, a number of financial concerns emerge. Most of us are not prepared for what's coming and the decisions that need to be made. Let's look at just some of them.

The biggest stress we see in client families is the decision on how much money to spend from a pool of investment savings. Sure, there are formulas out there as to what percentage to use ("the four percent rule" for example), but little depth of information as to how to adjust withdrawals from different asset classes, pre-tax vs after tax accounts, how to adjust for market volatility, and how to adjust for longer term market actions (up and down.)

We find often that it is a financial stress to change from living on a regular paycheck to instead depend on steady withdrawals from an initially fixed pool of savings. It is important to have a well-designed plan and set of actions on how to live on retirement savings to avoid taking either too much or ultimately too little from them. It is also vital to understand that retirement can last decades and that your savings must retain purchasing power against the relentless erosion of inflation and taxes. A good retirement portfolio usually looks much like it should have looked before retirement, with a few modifications related to no longer having a paycheck.

We often see unexpected expenses crop up-especially related to illness. Often, estate planning documents that would make coping with illness are not in place (power of attorney forms and more), adding to financial and emotional stress. Often, one spouse is the "money" person-the one who knows where all the accounts are and has at least a plan for how to withdraw and spend money over the retirement years. If it is this spouse that dies or is incapacitated prematurely, the other spouse may be left dangling. There are many issues related to health care coverage and long-term care expenses that are "missed" when entering retirement. These issues may become jarringly important without warning.

Single individuals in retirement have to cope with the additional risks of protecting their assets from creditors, as losing retirement savings in a lawsuit usually can't be replaced. Single individuals also need more intense consideration for incapacity planning and general estate planning.

So, it is vital to prepare for retirement. This preparation involves a determination of how to invest one's savings and how to make withdrawals in both a sustainable and tax efficient manner. Preparation needs to be made to deal with possible incapacity or early death by a single individual as well as one or both spouses. Asset protection needs to be (or stay) in place to protect the benefits of a lifetime of savings and investing. Careful consideration and planning for all of the above issues (and more) will probably make a huge difference in the quality of your retirement years.

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