Retirement Estate Assets Protection Planning

# 10 Financial Tips to Live Your Best Retirement Life

If you're approaching or have recently entered retirement, it's time to enjoy your retirement as much as possible, but it's important to know if your savings will last as long as you do. Here are some financial tips to help make the most of your assets and live the retired life you've always wanted.

**1. Understand Your Lifestyle Expenses**

Track your spending for a few years prior to retirement to know what it really takes to financially fund your lifestyle. Often your take-home pay minus any savings or investments is a good indicator of what you spend. Don't forget those non-monthly expenses like real estate taxes or insurance premiums.

**2. Be Aware of Financial Costs That Will Change in Retirement**

In retirement, some costs can decrease, like health insurance for those over age 65, or vehicle expenses since you may no longer be making a daily commute. Just as often, other expenses can increase, such as travel, dental expenses, or the cost of those home improvements you now have the time to do.

**3. Understand How Taxes Impact Your Money**

Retirees often scale down their work lives from full-time to part-time to not working at all. Once you start reducing your income, your tax profile will change each year as you scale back. This can create planning opportunities, like lower tax brackets. Continuing to work even part-time instead of retiring completely can increase Medicare insurance premiums due to continued income and impact how much of your Social Security benefits will be taxed.

**4. Create Your Retirement Paycheck**

Many retirees have multiple investment accounts such as IRAs, Roth IRAs, and joint or individual accounts. How you take money from each account to provide your needed income may impact your taxes differently. By planning out which accounts to tap into each year, you can potentially reduce your overall tax cost.

**5. Decide When to Start Social Security**

You become eligible to start your Social Security benefit at age 62, and if you delay, your benefits continue to increase through age 70. Understand your options and how much money you may be leaving on the table if you decide to start early.

In general, the longer you think you will live, the more it can make sense to delay taking your benefit. The Social Security calculation is based on the assumption you will die at an average age. According to the Centers for Disease Control and Prevention, the average life expectancy in the U.S. is 78.8 years.

If you are healthy, or if your family typically lives much longer than average, you may want to consider delaying your benefit

**6. Consider Your Spouse's Retirement Income After Your Death**

If you are married, you will also want to evaluate how your Social Security strategy may impact your spouse's retirement income after your death. Delaying the highest earning spouse's benefit or leveraging a spousal benefit before switching to your own benefit may make sense for you.

**7. Understand How Your Investments Support Your Income Needs**

Stock and bond markets go up and down, which needs to be taken into consideration when you determine how much you will need from your investments to support your lifestyle.

There are numerous studies available that try to identify the amount that can sustainably be taken from a portfolio and have the money last your lifetime. Consider working with a financial planning professional to determine your best approach to creating lifetime income.

**8. Budget for Unexpected Expenses**

Use savings buckets to set aside money in savings accounts for a variety of needs, including an emergency fund. How much you should keep in the account is a factor of mainly two variables:

- Risk capacity: How much can you reduce your spending if needed? If you need every penny you are taking from your investments to just pay the bills, you have very low risk capacity and you may need a higher emergency account balance.
- Sleep-at-night factor: How much do you need to keep in cash to be able to comfortably sleep at night when markets are down? This amount varies greatly from person to person, and both spouses' needs should be considered since they may have very different perspectives.

**9. Required Minimum Distributions**

At age 70.5, you are required to take a certain amount of money from your tax deferred accounts such as IRAs and 401(k)s.

The IRS calls this a required minimum distribution (RMD) and has determined the percentage based on your age. Each year the percentage increases slightly and is based on the prior year's ending balance in those accounts.

You are required to withdraw the minimum amount and pay taxes on this money, but you can always take more. For those retirees who, prior to age 70.5, haven't been taking any distributions from their retirement accounts or have been taking less than the starting RMD percentage of 3.65%, they may see an increase to their taxable income.

If you don't need the excess amount, you can pay the taxes on the withdrawal and invest any or all of it back into a non-retirement account.

### 10. Be Aware of How Expenses Change Over Time

As you work through your retirement plan, consider the likelihood that your expenses will change over time. We often segment retirement into go-go, slow-go and go-go phases.

- Go-go usually involves a fairly active stage, where you are still healthy enough to do items on your bucket list you may not have had the time to do when you were working. This can be a more expensive stage.
- Slow-go usually involves staying closer to home, minor health issues and is slightly less expensive than the go-go stage. Some expenses may decrease, such as going from two cars to one.
- No-go happens when health issues require you to either move into a facility that provides some assistance, or you bring assistance into your home. Since these costs tend to increase over the slow-go stage, you may want to consider purchasing long-term care insurance in advance to help with the costs at this stage.

The retirement journey is unique to each person. By paying attention and planning for the potential financial issues in retirement, you can make the most of your retired life.

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