

Will I ever be able to retire?

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As an investment advisor, the question I most frequently get from clients is, “When can I retire?” The answer to this question has become more complicated due to the stability of the U.S. economy, the volatility of the stock market, and the unpredictability of future living expenses. By carefully planning for your future, you can ensure that you have enough income to live on into your later years of life.

Here are some issues to consider as you plan for retirement:

- 1. Where will your retirement income come from** - While social security can be a part of your retirement income, you will need other sources of income. Rental property, stocks and bonds, pensions, savings accounts or retirement accounts can all be good sources of income with the right financial strategy that is balanced for risk.
- 2. How will your investments grow over time** - It helps to start saving for retirement early in life since the gains on your investments can be reinvested. Start by putting from 5-20% of your income into a savings account, mutual fund or investment account. If your company has a 401K plan, make sure you maximize your personal investment, especially if your company matches your investment. Every time you get a raise, add the percentage you get to your 401K or Investment Retirement Account (IRA). Learn about the differences between a traditional IRA and a ROTH IRA and the tax implications of each.
- 3. Retirement lifestyle** - Many retirees plan to work part-time in retirement which can impact monthly income needs. Other retirees plan to travel or purchase a vacation home. Think about what you envision for your retirement and how these choices may impact your financial needs.
- 4. Future living expenses** - Your living expenses in retirement may be less than your current living expenses are now; in fact, a rule of thumb is that your retirement income might be about 70% of your income before retirement. It helps to put together a list of living expenses expected during your retirement years. For instance, if you own your home when you retire, you won't be paying a mortgage. On the other hand, you may have higher medical costs after you retire.
- 6. Where to invest** - Stocks have traditionally achieved higher returns over longer periods of time than bonds. Talk to a financial planner about what types of investments make sense for your tolerance for risk, your age and your long-term investment strategy.
- 7. What age will you retire at** - Medicare, a national healthcare plan, starts at age 65. If you need healthcare coverage before age 65, you may need to shell out as much as \$1000 a month for coverage. You'll also want to consider the difference in payouts from social security or pensions if you start collecting them early.

Talking to an investment advisor is the best way to get a thorough assessment of your financial situation.