Simplifying Retirement

Brought to you by Andrew Seaborg in conjunction with Lincoln Financial Advisors

Retirement planning can seem complex and intimidating, which explains why some people delay doing it. However, with the appropriate help from a knowledgeable financial advisor, preparation can be a straightforward process that produces a sound strategy and a sense of security. To simplify your planning, consider pursuing these 10 steps:

1. Shift your viewpoint.
In retirement, you must go from accumulating wealth to providing a lifetime income stream while preserving wealth. If you accept this focus early in the retirement planning process, then you can go from being a great saver to being a great saver with a rational retirement income security plan.

2. Review your anticipated incomes needs.
Calculate all the necessary expenditures required in retirement as well as the unnecessary but desirable ones. Be inclusive so that you can gauge the scope of expenditures accurately. This is the most critical step in the process because it provides the foundation for all other financial planning.

3. Conduct a comprehensive revenue review.
Start by collecting information on any pensions you may receive. That includes pensions paid by corporations, governments or other organizations. Know the amounts due to you and the methods of payment – and especially at what age you can begin drawing benefits. Do the same thing for other accounts, whether they are savings or defined contribution plans, like an IRA, a 401(k), a SEP or an annuity.

4. Know your Social Security benefits.
Social Security could be an income source in retirement, so it should be included in a revenue review. Because of its complexities, Social Security calls for a level of diligence and understanding beyond that required with other revenue sources. The Social Security Administration can provide information on what you've paid into the system and what you can expect to receive. It is important to know what your spouse's benefits will be as well. Also, make sure you understand the impact that divorce or remarriage may have on benefits.

5. Factor in inflation's impact.
It's important to understand the impact long-term inflation will have on retirement investments. Unfortunately, many people fail to include calculations for inflation in their retirement planning preparations. Even low levels of inflation can erode the buying power of the dollar. For example, 3% inflation over a 24-year period will double your income needs. So, you need to create a retirement plan that has the potential to increase your income over time.

6. Prepare for health care costs.
Good medical care is vital in retirement, and figuring the costs now ensures it will be available when needed. Those costs could amount to as much as $1,000 monthly. A comprehensive study of medical benefits and costs should include consideration of long-term care insurance, supplemental health care insurance and a review of any medical benefits for which you may be eligible. For the latter, be sure that you understand coverage and co-payments.

7. Develop a tax management strategy.
Retirees need to convert the appropriate assets to income. Every conversion choice carries a tax implication. Wise choices can minimize taxes thus boosting income. It is important to compare your current tax bracket with the one you probably will occupy during retirement.

8. Understand market volatility.

All markets, including those for stocks and bonds, rise and fall due to a variety of circumstances. An individual's ability to tolerate these changes will have a huge impact on the composition of his or her retirement portfolio. Recognizing the inevitability of market fluctuations (and knowing your tolerance level) allows you to create a strategically balanced portfolio. That means you can tolerate the changes as they occur. Financial planners know of many strategies that can help meet your needs and ensure a sense of security.

9. Get important documents organized.
Everybody should have some basic documents prepared, including a will, a living trust, a health care power of attorney and a financial power of attorney. These basic legal tools can ensure that inheritance matters are handled in an orderly and timely fashion. They also help loved ones make important decisions and gain access to needed funds if you become incapacitated.

10. Review your retirement plan.
Regular meetings with your financial planner give both of you the opportunity to check that your retirement plan's goals are being reflected in its performance. They also allow timely refinements to the plan required by major changes in your life. Annual reviews can be devoted to strategic issues, while quarterly meetings can cover tactical matters, like rebalancing portfolios.