Good Hands℠ **Retirement**

Manage

Developing a Spending Plan for Retirement

Congratulations, you're planning your retirement! However you want to enjoy your retirement, you'll want to have a plan for how you're going to spend your money.

Taking It Slow

After many long years of work, new retirees often feel they deserve something special — a brand new car or a long-awaited trip, for example. But immediately splurging might not be a smart move. A better plan may be to step back and take some time to be comfortable with their new financial situation.

> "... get a head start on your planning and seek out assistance *before* you actually retire."

No False Assumptions

For example, it's important to review sources of income — investments, retirement plans, Social Security, and savings. Tapping into taxable accounts before using funds in tax-deferred accounts avoids tax payments on the tax-deferred funds for as long as possible. That way, a larger amount is available for investment.

Carefully calculating how much to withdraw from savings is also important. Retirees who rely only on general assumptions may take out too much — and risk running out of retirement funds down the road.

It's also risky to assume that retirement income won't be needed for very long and, therefore, there's no reason not to spend a lot of money right off the bat. Depending on a person's age at retirement and how healthy that person is, retirement could last for over 30 years. These days, many retirees live active lives well into their 80s.

Tracking Expenses

A review of anticipated retirement expenses can be very helpful. Work-related expenses will likely be greatly reduced. Depending on expected lifestyle, recreational and travel expenses may increase. If a move to a new location is anticipated, there will be costs associated with the move. And retirees who will have to pay for part or all of their health care should include those expenses, too.

Reviewing Investments

Projected investment returns are also a factor. The higher the return, the longer a person's retirement savings are likely to last.

People who are approaching their retirement years often shift more money into bonds and other fixed-income investments to help preserve the value of their principal. However, committing too much to fixed-income investments can increase the risk of running out of money. On the other hand, if too much is invested in stocks, a person may be taking on more risk than is advisable. Striking the right balance between growth and income potential is critical.

Anticipating Inflation

Inflation erodes the purchasing power of money. Unfortunately, inflation will continue to have an impact after retirement, especially if retirement lasts a long time. Over a 30-year retirement, even a low inflation rate can erode the value of a nest egg. So inflation is a consideration when deciding on a withdrawal rate.

Getting It Right

When it comes to spending your retirement savings, it's important to get it right. You may want help figuring out how much you can withdraw from your savings so that you can enjoy your retirement years and have enough money to last throughout your retirement. If possible, get a head start on your planning and seek out assistance *before* you actually retire.

Monitoring the Plan

Once you have a spending plan in place, try to have it reviewed periodically. Adjustments may be in order if investment returns are lower than anticipated, the rate of inflation increases, or your spending needs change significantly.

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