

# How to Retire Well

Conventional wisdom suggests we should save about 10 to 12 times our current income; however, many people approach retirement having saved much less.<sup>1</sup>

So, how much is enough? The amount of money you should have saved before you retire depends on many personal factors and considerations, including:

- **Your lifestyle:** If you live well within your means and have prudently saved for retirement, you may not need to adjust your lifestyle much. It is better to have the choice to downsize your lifestyle and spending habits than it is to be forced to due to lack of adequate planning.
- **Your retirement plans:** Although it's wise for both you and your spouse/partner to save for retirement, there are other considerations that may impact your total savings target:
  - At what age do you plan to retire?
  - If you have a spouse/partner, will you retire at the same time?
  - Will you receive a pension from your employer?
  - Do you plan to continue working part time?
- **Your health:** If you are healthy, and have longevity on your side (e.g., your parents lived past the average life expectancy of 81 years for women and 76 years for men), consider saving more money.

Source: 1. AARP



- **Other income sources:** If you will receive a pension from your employer, Social Security Insurance or dividends from investments, include them in your overall retirement plan.
- **Financial obligations and expenses:** These may include a mortgage, car payments, credit card debt, health care expenses and financial support for children or grandchildren.

Keep in mind that nothing is set in stone and your circumstances may change at anytime. Changes in your health or that of a family member, or changes in your family status, may affect your financial situation.

For any circumstance changes that may impact your retirement plans, be sure to connect with a financial advisor who can help you update your plan and stay on track to reach your retirement goals.

If you do not have a financial advisor, I would be happy to refer you.

# Retirement Catch-Up: Get Your Retirement Savings Back on Track

**Pay yourself first.** The key to building wealth is keeping a portion of what you earn. Many people participate in a 401(k) or other retirement plan offered by their employer. The employer may incentivize participation by matching a portion of the percentage the employee contributes into the account each paycheck. Contributions are taken from pretax earnings, thus reducing your taxable income. Basic employee contributions are capped at \$18,500. If you're over the age of 50, the IRS allows you to catch-up on contributions to your 401(k), increasing the maximum contribution limit to \$24,500, an increase of \$6,000.

If you are self-employed or you wish to save additional money for retirement, contact your financial professional for other retirement options. If you don't have one, give me a call.

**Reduce monthly expenses.** If you haven't created a budget, now is a great time to start. List all of your income and expenses to determine where you can be more diligent with your target savings goals. Once you have an overview of your finances, look for ways to reduce spending, starting with non-essential spending. Then, create a budget and be sure to follow it. Track your expenses to hold yourself accountable to your budget.

## 3 Ways to Have More Income in Retirement



Another way to reduce your overall monthly expenses before you retire is to pay off any existing debts, such as a mortgage, car loans, etc. Retiring debt-free will liberate your income for savings or living expenses.

**Downsize before retiring.** Many retirees choose to downsize after they've retired to reduce their living expenses. However, doing so before retirement may increase your cashflow in the short-term, while allowing you to become accustomed to your new space. If moving isn't possible before retirement, look for ways to reduce your monthly housing costs instead.

- 1. Consider delaying your Social Security benefit.** Claiming at your full retirement age (70 years old) will ensure you receive your full monthly benefit. Claiming it sooner may reduce the monthly amount.\*
- 2. Become a landlord.** Consider purchasing a rental property or leasing extra space in your home through publicly hosted sites such as Airbnb.com or VRBO.com. These sites provide the necessary infrastructure for you to market your location, collect payment and have renters only when it is convenient for you.
- 3. Why retire?** More Americans are continuing to work part time or in a consultant capacity after retiring from their full-time careers or businesses. Many people feel their jobs will keep them active and their minds sharp. Continuing to work, either full- or part-time jobs, may allow you to save more of what you earn until you reach a point where you either can't or don't wish to work anymore.