



FINANCIAL LITERACY

Getting Ready for Retirement

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As you spend decades in the workforce, you dream about retirement. As it gets closer, you think about how to bring your dream to life. Each person's idea of retirement differs based on their goals, desire or need to continue working, as well as other considerations. Regardless of your idea of retirement, you need to consider some specific things and take preliminary steps to get ready for retirement. Financial and life goals, as well as feelings about working and planning for healthcare needs are some of the most crucial factors to evaluate when you are getting ready for retirement.

What Are Your Retirement Goals?

Everyone thinks about how they would like to spend their days during retirement. You might want to travel, attend classes for things that interest you, volunteer for organizations and causes you are passionate about, and/or participate in other hobbies. You also need to consider the location where you want to live and type of housing you want in retirement. If you've spent decades maintaining a house and yard and paying down or even paying off a home mortgage, you might not want that responsibility anymore. Maybe you want to downsize and buy a condo or townhome, maybe you want to be in a retirement community, or maybe you want to buy an RV and

travel around the country. In any case, as you are getting ready for retirement, many of your choices will hinge how and where you want to live.

To Work or Not to Work

Those who have spent their life punching a time clock, working long hours, or running their own business often fantasize about having all the time in the world during retirement. Yet, leaving the workforce can be a traumatic experience for some. You might not be emotionally ready to retire, and that is perfectly okay. Each person is different; and, unless you are a commercial pilot or have another profession with a mandatory retirement age, you don't have to call it

quits until you feel ready. Financial needs might dictate if, or how much you need to work during retirement. For others, too much time on their hands results in boredom and sometimes, even depression. When you are planning your retirement, you need to evaluate if you want and need to work, and how much time per week or how much income you need or want to make.

Living the Good Life by Eliminating Debt

When you near retirement, you might choose to work, but it's ideal if you aren't forced to. Eliminating your debt prior to retirement will help reduce your monthly income need. Start with any credit card debt, outstanding loans for cars, boats, and other toys, and any other money you owe. If you still owe money on real estate, you should work on paying down or paying off any mortgages on your primary residence and any vacation properties you own. You will still have monthly expenses such as utilities and insurance premiums, but you can live a higher quality of life when you aren't paying debt once you choose to quit working.

Determine a Preliminary Monthly Budget

Once you have an idea of your retirement goals, where you want to live, and whether you want to work, you need to determine how much your monthly expenses will be and how much income you need to support them when you retire. These numbers won't be exact but having some idea will help you make decisions about housing and the extent to which you need to work. Calculating a preliminary monthly budget requires examining your retirement income streams, which can include:

- Pension benefit
- Social Security benefits
- Traditional IRA accounts, Roth IRAs, and SEPs
- One or more of several types of annuities

Your monthly income amount from all of these sources can vary based on the age you choose to retire. In fact, if you choose to take withdrawals from some retirement accounts prior to age 59 1/2, you



might face a 10 percent penalty on top of regular income tax. Similarly, each year you wait beyond your Full Retirement Age, up to age 70 to collect Social Security benefits, your monthly benefits will increase by eight percent. No additional benefits exist to start collecting Social Security benefits beyond age 70.

Aside from evaluating your monthly income and expenses, you also need to consider any family obligations you might have. Do you have adult children with special needs or other dependents for which you need to provide? Will you continue any support you provide after retirement? Do you want to help grandchildren pay for college?

Plan for Healthcare

Once you reach age 65, you are eligible for Medicare. You have the option to choose Original Medicare or Medicare Advantage, as well as the Prescription Drug Plan. While some Medicare options cost less than others, you still need to plan for premiums, deductibles, co-payments, and services not covered by your plan. If you plan to retire before age 65, you will need to determine how you plan on covering health care costs until Medicare kicks in.

Other healthcare things you need to plan for include vision and dental services not covered by Medicare, as well as long-term care. Medicare only pays for medically necessary nursing home expenses, and you have to meet a very strict criteria to be approved. There are a number of long-term care insurance plans which exist to help provide a host of services that aren't covered by regular health



insurance. This coverage is designed to include assistance with your routine daily activities, like bathing, dressing or getting in and out of bed. A long-term care insurance policy helps cover the costs of those routine daily activities when you have a chronic medical condition, a disability or a disorder such as Alzheimer's disease. Most long-term care policies will reimburse you for care given in a variety of locations, such as:

- Your home.
- A nursing home.
- An assisted living facility.
- An adult day care center.

Using your personal savings and investments, as well as home equity also could provide a solution for long-term care expenses. Planning for long-term care expenses is especially important when someone loses a spouse or doesn't have anyone to help with daily care.

Contact Hoopis Performance Network to Learn More About Planning for Retirement

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