

Retirement Seen Through Your Eyes

After you leave work, what will your life look like?

Provided by Glazer Financial Network

How do you picture your future? If you are like many baby boomers, your view of retirement is likely pragmatic compared to that of your parents. That doesn't mean you have to have a "plain vanilla" tomorrow. Even if your retirement savings are not as great as you would prefer, you still have great potential to design the life you want.

With that in mind, here are some things to think about.

What do you absolutely need to accomplish? If you could only get four or five things done in retirement, what would they be? Answering this question might lead you to compile a "short list" of life goals, and while they may have nothing to do with money, the financial decisions you make may be integral to achieving them. (This may be the most exciting aspect of retirement planning.)

What would revitalize you? Some people retire with no particular goals at all, and others retire burnt out. After weeks or months of respite, ambition inevitably returns. They start to think about what pursuits or adventures they could embark on to make these years special. Others have known for decades what dreams they will follow ... and yet, when the time to follow them arrives, those dreams may unfold differently than anticipated and may even be supplanted by new ones.

In retirement, time is really your most valuable asset. With more free time and opportunity for reflection, you might find your old dreams giving way to new ones. You may find yourself called to volunteer as never before, or motivated to work again but in a new context.

Who should you share your time with? Here is another profound choice you get to make in retirement. The quick answer to this question for many retirees would be "family". Today, we have nuclear families, blended families, extended families; some people think of their friends or their employees as family. You may define it as you wish and allocate more or less of your time to your family as you wish (some people do want less family time when they retire).

Regardless of how you define "family" or whether or not you want more "family time" in retirement, you probably don't want to spend your time around "dream stealers". They do exist. If you have a grand dream in mind for retirement, you may meet people who try to thwart it and urge you not to pursue it. (Hopefully, they are not in close proximity to you.) Reducing their psychological impact on your retirement may increase your happiness.

How much will you spend? We can't control all retirement expenses, but we can control some of them. The thought of downsizing may have crossed your mind. While only about 10% of

people older than 60 sell homes and move following retirement, it can potentially bring you a substantial lump sum or lead to smaller mortgage payments. You could also lose one or more cars (and the insurance that goes with them) and live in a neighborhood with extensive, efficient public transit. Ditching land lines and premium cable TV (or maybe all cable TV) can bring more savings. Garage sales and donations can have financial benefits as well as helping you get rid of clutter, with either cash or a federal tax deduction that may be as great as 30-50% of your adjusted gross income provided you carefully itemize and donate the goods to a 501(c)(3) non-profit.¹

Could you leave a legacy? Many of us would like to give our kids or grandkids a good start in life, or help charities or schools – but given the economic realities of retiring today, there is no shame in putting your priorities first.

Consider a baby boomer couple with, for example, \$285,000 in retirement savings. If that couple follows the 4% rule, the old maxim that you should withdraw about 4% of your retirement savings per year, subsequently adjusted for inflation – then you are talking about \$11,400 withdrawn to start. When you combine that \$11,400 with Social Security and assorted investment income, that couple isn't exactly rich. Sustaining and enhancing income becomes the priority, and legacy planning may have to take a backseat. In Merrill Lynch's 2012 Affluent Insights Survey, just 26% of households polled (all with investable assets of \$250,000 or more) felt assured that they could leave their children an inheritance; not too surprising given what the economy and the stock market have been through these past several years.²

How are you planning for retirement? This is the most important question of all. If you feel you need to prepare more for the future or reexamine your existing plan in light of changes in your life, then confer with a financial professional experienced in retirement planning.

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Citations.

1 – www.bankrate.com/finance/financial-literacy/ways-to-downsize-during-retirement.aspx [2/28/13]

2 – wealthmanagement.ml.com/Publish/Content/application/pdf/GWMOL/Report_ML-Affluent-Insights-Survey_0912.pdf [9/12]