



A MOMENT OF CLARITY

The Complexity of Retirement Planning

BY MARIELLA FOLEY

After graduating college, typically you begin a career and (hopefully) start saving for a rainy day. Years quickly pass and before you know it you might be married with children. Soon after the children arrive, you begin planning for their college. Next, you hear relatives and friends discussing retirement, and somewhere there is a distant thought about life when you will stop working. You think you have accumulated significant assets, but how do you know if there are enough? This is where retirement planning comes into play.

What exactly is Retirement Planning?

Retirement planning involves the process of reviewing the necessary decisions and overall financial needs you will have once you stop working, and ensuring you have sufficient funds to meet those needs. It consists of numerous factors including, but not limited to, your expected lifestyle, available income sources, asset level, your overall health, as well as portfolio returns. This calculation is a very personal one, as everyone's needs and circumstances are different.

*THE QUESTION
ISN'T WHO'S
GOING TO
LET ME*

*IT'S WHO'S
GOING TO
STOP ME*

— Ayn Rynd

Round Table Wealth Management. ("Round Table") is an SEC registered investment advisor with locations in New York, New York and Westfield, New Jersey. Round Table and its representatives are in compliance with the current filing requirements imposed upon SEC registered investment advisors by those states in which Round Table maintains clients. ©2018 Round Table Wealth Management

Why plan for retirement

Decades ago, people would enter the workforce and they would often depart with a pension after 30 years of service, which along with Social Security satisfied most if not all of their financial needs. This was likely all the financial security they needed for retirement. Nowadays, very few companies offer pensions, but instead provide 401(k)-like (defined contribution) plans where the employee is permitted to save a portion of their annual earnings, subject to an annual limit, to a tax-deferred plan.

The new way of saving for retirement is largely self-directed and requires both knowledge and discipline: knowledge in determining how much you will need at retirement, how to reach those goals, how much to save, and the discipline to start early and stick with the plan. Younger professionals often feel there is plenty of time to save, but when they do finally begin, most wish they had started sooner. But how do you know that magic number you should be saving annually? If you started later in your career, how can you catch up? What ways are available to you to save? When is the earliest you can consider retiring?

Retirement planning requires a detailed assessment that answers these various questions and more. This is not as simple as it sounds.

Where to begin

Assume you decide to retire at 60 because it seems like the right age. You worked hard for decades and now have decided to benefit from your years of hard work and saving. The kids have graduated college, launched their careers and now the “tough part” is behind you. You just need to provide for you and your spouse for your remaining lives. Simple, right?... Not so fast.

To make sure you're financially ready to retire, it's important to first assess the basics: your projected income and expenses in retirement. A good place to start is to ask yourself some important questions:

Sources of income

What are your projected sources of income at retirement? Do you expect to have a pension? Do you have a 401(k) that has grown significantly over the years? How does Social Security fit in and when should you claim your benefits? How much have you accumulated in other assets over the years? How aggressively (or conservatively) are these assets invested, and what income do you expect to receive from them? Maybe you were sold an annuity years ago—what is it worth and what does it pay at your retirement? How does your rental property fit into the retirement picture?

Living Expenses

Where do you plan to retire? Do you presently live in the northeast with dreams of relocating to the south for warmer weather and a lower cost of living? Are you considering your tax bracket today and expected tax bracket at retirement? What is your current (pre-retirement) lifestyle like? Are your expectations of leisure spending unrealistic (i.e., traveling around the world)? What are health insurance and overall health care costs currently, and what do you anticipate that they will be in retirement? What health issues run in your family? Does longevity run in your family? Are you considering paying for an advanced degree for your children? What is a realistic plan for retirement—are your answers to these lifestyle goals sustainable given your assets, investment portfolio, and target retirement date? And will they allow you to reach your legacy goals, like charitable gifting and leaving assets to your children?

There are numerous factors to consider with all the above, including investment risk, tax efficiency, liquidity, and most importantly ensuring that your assets last your lifetime. A comprehensive, professional analysis can help you plan for the many future variables that play into your financial picture in retirement.

Don't underestimate the complexity of retirement planning

The analysis of determining whether you are financially prepared to retire is not straightforward. While on paper it may appear that you have sufficient assets to retire, it is highly recommended that you sit down with a Financial Advisor to give it a much closer look. An Advisor can consider how a sudden downturn in the markets or a few consistent years of low returns would alter your plan. Or, if you are still far off from having enough, they can suggest adjustments you can make now to help you reach your most important retirement goals. The number of variables to consider in a retirement plan makes it extremely difficult to estimate. The sooner you have a detailed plan in place, the more you can do to reach your goals and have financial peace of mind in retirement.

Contact a Round Table Wealth Advisor today to discuss how they can assist you in determining whether you are on the right path to a comfortable retirement or how to make the necessary changes to ensure that you are.



Mariella Foley
CFP®, ADPA, CDFP
Wealth Advisor

connect



email

