

Retirement To-Do List

How to Prepare as the Plane Comes in for Landing

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The year leading up to retirement is probably filled with thoughts of rest and relaxation: maybe you're going to travel the world, or spend every afternoon on the golf course – all sounds wonderful, doesn't it? While you are in the home stretch and can certainly look forward to those things, don't forget to check those final items off your retirement to-do list to make sure what you've worked so hard to plan comes to fruition.

The year before you retire is like an airplane coming in for a landing. It's not on the runway yet, but this is the ideal time to make sure your plane is flying straight, that your landing gear is ready and that your tray and seat are in the upright, locked position.

Your to-do list should look something like this:

Take a look at and understand your social security

Many people wait too long before spending time investigating what their social security history is and making sure their correct information is on file. You want to think about when and how to use your social security income during retirement. The decision to use it isn't always as simple as *I'm going to take it as soon as it's available* or *I'm going to wait as long as possible and defer it to max it out*. Each person's situation is unique. This is a major lifetime income decision that you've been contributing to throughout your entire work history. We encourage you to meet with your financial adviser to understand the options and alternatives available to you, and to help recognize and plan the right time to take social security income for you and your family.

Review ALL of your investments

You want to do a thorough review of all your investments inside *and* outside your retirement account to assess the relative risk in your total portfolios. When you're accumulating money, you can earn your rate of return with negatives and positives and end up in a good place as long as your investments have good total performance. However, you could have the same performance, but those negatives and positives that you were getting while you were accumulating money are very different when you're taking distributions. It's critically important to understand the risk because you may have a negative market event in retirement that you cannot recover from simply because you were taking money out of your retirement funds.

For example: You have a \$1 million portfolio at your retirement and you're taking out \$100,000 a year. Your portfolio will perform just fine as long as you end up earning 10% when you're taking out 10%. Your portfolio will then always maintain its \$1 million balance. However, when you're in retirement and you experience your

first minus 10% and take out \$100,000, your \$1 million portfolio all of a sudden falls to \$800,000. Then the next year you take out \$100,000. Even if your portfolio earns 10% as it did before, you're going to be \$20,000 short and your account is going to fall to \$780,000. It then just keeps falling from there. You also have to factor in inflation which can make all of these numbers even more difficult.

One negative market year can significantly impact your retirement income and account balances for life. It's not a small hiccup. When you're accumulating money, you're fine, but your total average rate of return matters every year, so you want to know your risk.

Have a plan

What are your needs in retirement? Too often we meet with new clients about to retire and critical decisions like *how much do we spend each year, how much risk should we take with our investments and what might our income look like in retirement* have never been properly addressed. In the years prior to your retirement knowing exactly how much you are going to need every year to maintain your lifestyle is the first and most critical step to establish so the foundation of your plan can be met.

Are you on the same page as your spouse? You need to sit with your spouse and answer other critical questions such as *what are the important things you want to do and achieve in retirement?* You want to be on the same page as your spouse. Start discussing these questions together so you can get these things lined up and planned for. You might be surprised to know that over the past 20 years, many couples wait to walk into my office to have these critical conversations about what life after work looks like.

Look at long-term insurance needs. Also, make sure as you transition away from your job that you have all of the right life insurance and health insurance. We often have people come to us who have depended on their company's group benefits without really thinking about how much these things cost when you don't have your work to pay for them anymore. Be sure to think long-term and big picture about your long-term insurance needs.

Write it all down. Put all of this information down somewhere in writing. Software can help you forecast your assets, income and insurance. You will see how all of these pieces fit together to make up the big picture and the software can help you analyze it from a broad perspective. The various charts and graphs should help answer the questions about what your future income looks like and how your assets vary over time.

You've worked a long career. No good retirement plan is complete without spending time figuring out how to prepare and plan for your long-term happiness. Sometimes you get so bogged down in the numbers and data you forget you just spent your entire career and financial life to get to this point, so make sure you strategize how you're going to enjoy it.

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