

## How Much Do I Need To Retire?

Building and preserving your nest egg

provided by Jude Wilson RFC, MBA

Market conditions over the past several months have most investors jittery about their retirement accounts, wondering if and when they'll be able to retire. The current recessionary financial environment requires that we all take stock of just where we are with our retirement planning and take control of our finances to stay on track to reach our goals. Those who are closer to retirement years may need to consider some plan B options for making cash last longer. Those who have a longer time horizon before reaching retirement may need to re-evaluate just how much they are putting away for those golden years.

Calculating just how much you'll need for retirement involves careful consideration of several different factors. If you have many years left until you retire, the rising cost of living means that you may need to plan on annual retirement income that is substantially higher than what you spend now. A popular rule of thumb suggests that you'll need 60-80% of what you earn in your final working years. You may incur higher expenses in some areas, such as medical care, and potentially lower expenses in other areas, such as transportation costs. Ideally, your retirement income will

come from a variety of sources: personal savings and investments, Social Security benefits, pension or other employer contribution plans and/or income from part-time work. As your financial consultant, I can help you to determine just how much money you'll need to retire and then build a portfolio that may help get you there.

The first step in determining just how much you'll need for retirement is evaluating and taking control of your current expenses. Once you understand your current spending needs, I can help you estimate how these needs will change in your retirement years. Categorizing your expenses into nondiscretionary (essential expenses such as housing, food, transportation) and discretionary (optional expenses such as travel and entertainment) will help you find places where you can reduce your expenses.

Once you have a handle on your current spending and can estimate how many years you have until retirement, I can help you to determine just how much you'll need, based on those spending habits and future plans. I'll put together a strategic investment plan that

factors in your needs, the rate of inflation, taxes and estimated return on the portfolio I build for you. If I already have a plan in place for you, then re-evaluating this plan every so often, particularly in the face of current market conditions will be essential to making sure that plan still is on track to meet your needs as your plan will incorporate a host of factors.

Factoring in how taxes will affect your retirement savings is an important component in your overall retirement plan. Taking advantage of tax deferred investment vehicles will help you reach your goals. And planning for how taxes will change in your retirement years will also affect the estimates of how much you'll need. Some taxes will decrease in your retirement years while others may rise. For example, you'll no longer pay Social Security or other payroll taxes, and your state and federal income taxes may drop. However, your income taxes could rise when you begin taking withdrawals on your retirement accounts. Your property taxes may also increase.

During retirement, the amount of money you keep liquid for emergencies should substantially increase. Most advisors recommend keeping three to six months of living expenses

liquid during working years, yet in retirement this figure needs to cushion against unforeseen expenses that could last throughout the length of your retirement. Major medical expenses or major home or car repairs can take a significant bite out of your hard earned dollars.

As your financial consultant, my ultimate goal is to make sure that you are financially prepared for your retirement. I can help you to identify and bridge any income gaps I discover in the process of determining just how much you'll need. My recommendations may include trimming your spending, maybe buying a less expensive car or taking fewer vacations. Downsizing your home may be an option as you will likely need less space and could benefit from not having a mortgage payment. I may even recommend you take a part-time job in your retirement years, a decision that is becoming more popular amongst today's increasingly active seniors. As your financial consultant, I'd like to help make sure that your unique financial situation and needs are met with a strategic retirement plan that takes all considerations into account. Call our office today for more information on how we can help ensure you are ready to enjoy your golden years.

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