



5 Challenges to Retirement Planning



5 Challenges to Retirement Planning is a publication of Security Financial Management.



Orlando, Florida
2420 S. Lakemont Ave, Suite 120
Orlando, FL 32814
(407) 740-6553

Viera, Florida
5466 Village Drive, Suite C1
Viera, FL 32955
(321) 383-8815



by Mike Allen, Managing Partner & Financial Advisor

Over the years, I have had the pleasure of guiding many clients through retirement planning exercises and how to leverage a full financial plan to live with comfort and dignity throughout all of life's transitions. Through this work, I have discovered 5 common challenges that are constant for individuals working in a multitude of careers and companies. I hope they help you think differently about your own planning process.



Challenge #1: Do you know exactly how much money you will need to live comfortably in retirement?

There are many rules of thumb to help determine your needs in retirement and if you haven't calculated it out, the sooner you do, the better you can plan. Beyond a guesstimate that considers just your current savings, social security and anticipated lifestyle remember that everyone's situation is different and will require organization and customization. Key factors to financial comfort may include consolidating accounts and credit cards; a budget you can adhere to that incorporates in

everyday expenses, discretionary expenses and unexpected expenses and, of course, a customized financial plan that considers your needs, wants and wishes and keeps you focused and on track. Some main items to consider when thinking through how much will be enough include:

- Lifestyle
- How long will you live
- Where will you live
- How much healthcare will cost
- Your legacy

Once you have assessed your current situation you may find that there are gaps in meeting your goals, but there are always options and adjustments you can make today to impact your future. Can you:

Save More: Are you able to pare back and save any additional money? Take a close look at your budget and cash-flow.

Take less: Can you adjust your retirement lifestyle to make the money last longer? Consider six rounds of golf each month rather than eight or one vacation per year rather than three...

Earn More: Do you want to supplement your income in retirement through part time work or can you retire from your full time job in stages?

Wait: While many of us have a target retirement age in mind, what age is realistic for you? We are living longer than ever. Will delaying retirement for a few years help?

Only you know how much income you will need to retire and what sacrifices, if any, you are willing to make to have a particular lifestyle. By taking control now, you significantly improve your chances of not outliving your money.

Challenge #2: Do you know how you want to spend your time in retirement?

What is your vision of how you will spend your time in retirement? Rather than taking a 50,000 foot view, get specific! Think of an average day and how the hours you used to spend working will be redistributed. Also factor in that for many, retirement may span 20-30 years. For a more concise vision, you may want to think about retirement in 3 phases with each phase representing between 5-15 years.

Phase 2: Early retirement is generally characterized as the most active phase, early retirement is often an extension of your pre-retirement lifestyle but with extra time for spending and extra-curricular activities.

Phase 2: Middle retirement is when health and energy may begin to decline a bit so some of those extracurricular activities may fall away which also slows spending. More time is spent on quality activities with the people you enjoy the most and making sure your money will last.

Phase 3: Late retirement is when activities wind down and the focus shifts to maintaining your household, quality of life, spending time with those closest to you and leaving a legacy.

Spending, social activities, interests, hobbies and a potential bucket list items will shift and evolve in these 3 categories so the bottom line is to deter-

mine what is most important to you, how life may change over time and customize your lifestyle plan. After all, there are only so many rounds of golf you can play and only so many cruises to take!

Challenge #3: Have you estimated how long you are going to live?

This is a heavy and uncomfortable question that seems impossible to answer at first. While no one has a crystal ball that predicts the future, there are leading indicators that can help you come up with an estimate. Thanks to medical advances and healthier lifestyles, we already know that we are living longer than ever before but there are several other pieces of information you need to consider for this important approximation such as:

1. Have you fully researched your family's medical history?
2. How well have you taken care of yourself up to this point?
3. Are you diligent about healthy habits?



By just considering these 3 items, you've got a great start on your estimation and that will help you plan. There are so many elements we have influence over that can help us live a longer, healthier life. Focus on what you can control!

- Include physical activity in your daily routine
- Eat a healthy, balanced diet
- Understand and take advantage of your medical benefits



- Get regular check-ups
- Don't smoke
- Manage stress
- Stay mentally active
- Manage your emotional well being

Most retirees today can look forward to many years of happy retirement as long as they pay attention to these basic principles so stay educated and on top of your well-being in every stage.

Challenge #4: Have you properly planned for the cost of healthcare?

The rising cost of healthcare impacts everyone whether you're current working and have a rich benefits program or you are retired and utilizing Medicare. Even still, planning for the cost of healthcare in retirement is often vastly underestimated. Considering average inflation of healthcare is approximately 3% higher than normal inflation, just imagine the impact major health related issues could have on your finances if you don't plan for them.

When evaluating your coverage, consider Challenge #3 along with premiums and out of pocket expenses, but don't forget about the cost of long-term care and if long-term care insurance is appropriate for your situation. For perspective, note that in Florida, the average cost for 3 years of Nursing Home Care is \$91,615 annually (Source: Money Guide Pro). If that isn't a cost you planned for, imagine the effect it would have on your emo-

tional and financial well-being.

Ensure you have a comprehensive understanding of the benefits you have access to, how to take advantage of all of the elements and what you need to supplement. Break the costs out based on different scenarios to gain a thorough understanding of how you need to plan.

Challenge #5: Have you formalized a dynamic financial plan?

Your life is unique, so your financial plan should be too. It should help you gain greater clarity around your goals and challenges and create a path for you to follow. There are 3 simple steps to creating a financial plan with many details behind each important component.

1. Designing your plan (priorities, goals, needs, wants and wishes)
2. Building your plan (putting all the financial, lifestyle and legacy pieces together)
3. Protecting your plan (managing risk and taxes, regular reviews and adjustments)

Once you have your plan organized on paper including expenses, budgeting and an appropriate investment and income strategy to supplement other sources of retirement income, this is when true management of your life savings really comes into play. How do you maintain your standard of living, manage life's transitions and create a legacy? Well, your investments drive a lot of those outcomes.

A retirement portfolio should be diversified and fairly liquid. Moreover, a portfolio needs to be well designed with a consistent game plan. It isn't about beating the markets, it is about harnessing the various markets or indexes in a manner that you can comfortably reach your goals. It is not a competition.

One major obstacle for many individuals working for large companies is their ownership of large amounts of company stock and how to properly manage that portion of their portfolio, with a tax strategy and to assure they aren't taking unnecessary risks.

When you have over 10% of your portfolio invested in single securities (i.e. stocks, including restricted stock and stock options, or bonds), it is considered to be a Concentrated Position.

Holding a Concentrated Position subjects you to investment risk that is not reflected in the volatility assumptions used in a plan. While the returns for a well-diversified portfolio will usually move up and down with the economy and market in general, your investment in any single stock or bond could suddenly lose most, or even all, of its value.

What would it mean to your plan if a security in which you have a Concentrated Position suddenly lost 50% or 100% of its value? Could you still attain your goals, or are you putting your future at risk?

Truth be told, unless you have more money than you can possibly spend, investing in retirement really shouldn't be "exciting". It is a long-term strategy that supports your needs, wants and wishes. Regularly review and rely on your plan, educate yourself, employ a laser focus on achieving your goals and manage the areas in your life that you can control.

Whether retirement is near or far, there is a lot to consider and even more to look forward to when it comes to your retirement. So tackle these challenges head on! You'll be glad you did.



Let us help you develop a long term strategy.

If you would like to schedule free consultation to talk with us about solving any of these challenges, please call the office below that best corresponds with your location to set up an appointment with a financial advisor.

Orlando, Florida

2420 S. Lakemont Ave, Suite 120
Orlando, FL 32814
(407) 740-6553

Viera, Florida

5466 Village Drive, Suite C1
Viera, FL 32955
(321) 383-8815

Investment Advisor Representative, Investment Advisors, A Division of ProEquities, Inc. A Registered Investment Advisor, and A Registered Broker-Dealer, Member FINRA & SIPC Security Financial Management is independent of ProEquities, Inc.