Retirement and Retirement Income Planning

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I am too Late……

No, you are never too late to discover how to invest your money for retirement savings and make the savings last, as well as provide yourself with the best possible retirement income plan for yourself. Life is a process of always learning new things, and so is true for retirement investments. Not a criticism, but what you have done to date appears, from our view, like a purchase that is in the past. What we advocate, (now or in the near future), is an income plan to truly establish a retirement cash flow plan and logically determine what investment approach will provide you with the best opportunity for success.

Some people may ask 'why go through the plan'. Well, regrettably, many people spend far more time and money on a vacation than how to best structure their retirement assets. That kind of thinking does not serve your best interest and exposes you to risk and uncertainty; one risk being to blindly approach retirement in a couple years without a defined investment structure. There is a better way.

Everything we do is based upon a sound planning foundation first. Then, and only then, are investments' asset choices, as risk management tools are applied, to arrive at sustainable outcomes. We do not believe in a product approach, and If clients proceed with us, they will see this.

Anytime is a good time to start planning for your retirement in the way we describe. Often, people have been accumulating money for many years toward retirement; however, as one gets closer to an actual retirement date, is the time most start to seriously think about ones' retirement income and cash flow strategy. "The Investment and Tax Strategies used to accumulate assets are different than those used to distribute assets and make them last." Preparing a detailed plan for your overall assets at this point and withdrawing income in a manner that makes the most sense, is where we come in.

What is Retirement Distribution Planning?

It is a process on how to take income during retirement, as well as how to properly manage your money to provide the appropriate balance of safety and growth.

David Cyrs is founder and senior partner at CYRS Wealth Advisors in Rockford, Illinois. Securities and Investment Advisory Services offered through Commonwealth Financial Network®, Member FINRA/SIPC, a Registered Investment Adviser. Fixed Insurance and services through CYRS Wealth Advisors LLC or CES Agency. CYRS Wealth Advisors is located at 1111 South Alpine Rd., Suite 701, Rockford, Illinois 61108, 815-316-1111.

What should you know?

As there is no guarantee that any strategy is best, many “traditional” methods of retirement distribution planning are riskier and have often failed in the past.

For example, putting all your assets into fixed accounts runs the risk of not keeping pace with inflation, earning low interest rates and, thus, potentially having to access your principal to maintain your income needs. On the other hand, putting all your assets in variable accounts (i.e. stocks/mutual funds) runs the risk of having to take withdrawals for income when the markets are down or when there is a lot of volatility. Plus, too high a withdrawal rate can be unsustainable and, therefore, increases the chance of depleting your retirement assets. If you have no retirement assets, they cannot generate retirement income.

When should you get started?

Anytime is a good time to start planning for your retirement. You may have been accumulating money for many years toward your retirement goal; however, as you get closer to an actual retirement date, is the time when you should start to seriously think about your retirement distribution strategies. That’s because:

“The Investment and Tax Strategies used to accumulate wealth are

different than those used to distribute wealth.”

What should I be thinking about as I approach retirement?

- Preparing a detailed plan for withdrawing income in a manner that is not directly affected by the volatility of the stock market, yet not limited to low interest earnings offered in traditional fixed account options.
- Understand which accounts you should draw from first, for how long, and the appropriate timing of these income withdrawals.
- How taxes can affect your retirement. You need to consider the impact of not only income taxes but potentially taxes on social security income and the possibility of estate taxes.
- Understanding all your options to provide income to last for your lifetime, as well as understanding the most appropriate strategies to help your retirement income keep pace with inflation.

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What “risks” will I potentially need to understand and prepare for?

There is always likely to be purchasing power (inflation) risk, principal and interest rate risk, as well as market and volatility risk. You will also need to be concerned with taxes, medical costs and potential long-term healthcare costs.

Equally important is the “new” retirement risk…*Longevity* or the risk of outliving your assets and income during retirement. People are not only retiring early, they are living longer as well. That is the good news. The bad news is that there is a much higher chance of running out of money, especially when you consider a retirement that can last for 30 to 40 years or more.

Remember…the first phase of your life is considered your accumulation phase. The second phase, when you retire, is considered your distribution phase. Most planning and financial advice has been focused on the accumulation phase with little emphasis on the distribution phase. That trend has only recently begun to change as the Baby Boomers have been retiring and will continue to do so.

An important question to ask yourself is “What’s my distribution strategy?”. ***Remember:***

“The Investment and Tax Strategies used to accumulate wealth are

vastly different than those used to distribute wealth.”

If you make a “mistake” during the accumulation phase, typically you have chances to make it up (change investment strategies, work longer, save or invest more, etc.). If you make a mistake during the distribution phase, you may be in more trouble. You do not want to have to cut expenses, invest more aggressively (to try and make up the difference), or go back to work (being hired in your 70’s or 80’s may prove to be very difficult). You very likely only have one chance to make this work, which is why it is so important to seek our assistance, advisors who specialize in retirement.

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