



WEALTH MANAGEMENT[®], INC.

What do I Need to do to Plan for
My Secure Retirement?

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If you're planning to retire, you probably have lots of questions. And although we'd love to answer those questions, we don't know the specific information you want. So instead of making this a long report, we are instead providing links to reports that will give you more detail on the topics you are interested in.

But first, let's take a brief look of the economics of retirement. Ultimately, your secure retirement will be a function of the decisions you have made in the past and will make in the future. If you've made good decisions in the past, and continue to do so, you should have a comfortable retirement. If not, then you are going to have to make some adjustments.

SafeMoney.com reports that retirees say their major sources of income are:

- Social Security
- 401(k)s, 403(b)s, and IRAs
- Other savings and investments
- Working
- Company-funded pension plan
- Home equity

- Inheritance
- Other sources

Since company investment plans are the number one source of retirement income, it is critical that you understand the investment options in your plan, and what you are invested in. A recent trend is for employees to choose “Target Retirement Funds” that correlate with the year in which you plan to retire. Here’s the problem. Let’s say you plan to retire at age 60, in 2025, so you sign up for the 2025 fund. **This is very important.** You need to look at how that fund is invested, and how it becomes more conservative over time.

For example, the Thrift Savings Plan (for military and government employees) has a 2025 fund, and it is almost 70% in government funds, which are safe, but one of the funds, the F fund, can actually lose money in an inflationary environment. Most people are really not interested (nor do they have the time) to watch the stock market every day and understand what is going on. Please call the Financial Advisor over your plan and ask for help with choosing your investment options. If they cannot help you, please call us and make an appointment so we can help you.

Because Social Security is such an important part of your retirement plan, the first thing you need to do is visit the Social Security website, ssa.gov, and log in to look at your statement. Your Social Security income is based on your highest 35 years of earnings, so the more you earn, and the longer you work, the more your benefit increases. If you are married, and your spouse has not worked, it’s important to understand how spousal benefits work. For information on that and more about how Social Security works, click on the hyperlink to that Special Report on our website.

Another possible source of retirement income comes from pensions. If you will have a pension, ask for a projection of what this income will be so that you can use this figure in your planning, and consider the spousal option if you are married.

The next issue is inflation. How much will your income need to increase to keep up with the cost of living? The Consumer Price Index measures changes in prices year over year. It is the average price change on a basket of goods and services, such as food, gas, rent, drugs, etc. Over the past 30 years, the annual CPI has ranged anywhere from less than 0 in 2009 to 13.5% in 1980. That means your income needs to increase over time to cover those higher

expenses. Many financial planners recommend that retirees prepare for 4% to 6% inflation, assuming a 20 to 30-year retirement.

Let's look at what inflation can do to your financial situation. If inflation averages 5%, how much will you need in the future?

Let's assume you retire at age 60 and need **\$3,000** per month to cover your expenses. Here's the effect 5% average annual inflation could have on your living expenses:

By age 65, you will need **\$3,828** per month to buy those same goods and services. When you are 70, this amount will rise to **\$4,887** per month.

And, by age 75, you will need **\$6,237** per month to maintain the same purchasing power that \$3,000 had 15 years earlier.

The next retirement planning issue is life expectancy. One of the myths about retirement is you only have to worry about planning for a short period of time. However, with the advances in medicine, that's not necessarily true. You need to plan for a long life, especially if you want to have any money by the time you're in your 80s and 90s.

The following table is from the National Vital Statistics Report (2020):

Current Age	Life Expectancy	Current Age	Life Expectancy
55	83.3	70	86.5
60	84.1	75	88
65	85.2	80	89.2

There are several things to take into consideration when looking at this table:

1. Life expectancy has been increasing over the years;
2. Women live longer than men; and
3. If you're married, it changes the story.

So if you're married, it doesn't matter how long you live on average – it only matters how long one of you outlives the other. This is very important. Your money has to last until the second of you die and, of course, we don't know how long that person will live. The life expectancy of a 60-year-old couple (as

a couple) is longer than the life expectancy of two 60-year-old individuals. So you need to plan to live longer than the above table indicates.

One final point – and this is HUGE! Because women tend to live longer than men, they are the ones who generally suffer most from running out of money. That's why it is vital that women get actively involved in the retirement planning process!

So this obviously means that you really need to spend time thinking about when you want to retire. And a good reason is not “I'm tired of working,” or “I hate my job,” or “I've worked all my life and I deserve to retire,” or “I might not live very long and I want to travel.” The best reason is “I've looked over my finances and I have sufficient income to support myself during a long retirement.”

The American Society of Pension Actuaries recommends that you have income of 73% to 85% of your last year's earnings as a rule of thumb. That means that most people have to adjust to a 15% to 27% drop in their income.

We recommend that as you near retirement, you make a monthly “needs” budget and combine that with a “wants” budget – items like travel, golf, entertainment, gifts, etc. – so that you have a carefully considered income goal, rather than just an estimate based on your final year's salary.

Also, if you plan to retire before age 65, seriously research health insurance options. This is typically the most difficult issue that people face since it has become so expensive. One possible option is a high-deductible policy with a health savings account (HSA). The benefit of this type of plan is that you fund the HSA with the amount you'll need to pay co-payments and the deductible and at the end of the year you can keep the leftover funds in the account for the next year. An insurance broker can help you look at all of your options.

As we previously stated, your secure retirement will be a function of the decisions you have made in the past and will make in the future. Don't wait for the future to happen to you, make plans today to best position yourself for those retirement years.

Visit our website www.retirerelax.com and click the Special Reports tab at the top of the page. Then download "Can I Afford To Retire?" It will walk you through all of these steps.

What Does Lifespan Wealth Management, Inc. Do?

We believe that most investors want a specialist. They want to call and talk to a person that understands them and can provide for their needs. They don't want a person who represents a company that is trying to push more of their products through their sales system.

Lifespan Wealth Management, Inc. has created the ***RetireRelax Solution™*** that assists us in managing our clients' money. This disciplined investment approach for retirees and pre-retirees includes an exit strategy when we feel that risk is high. Keeping an eye on the investment landscape for our clients is something we do each and every day.

To learn more about us, go to www.retirerelax.com, click on the "Special Reports" link in the top right corner and download the report: ***About Lifespan Financial Services, Inc.***"

To learn about our complimentary consultations, download the report: ***"What To Expect During Your Complementary Consultation"*** from our website.

We offer complementary consultations to help you through any financial decisions, including retirement planning.

Additional Special reports on Our Website:

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[How to Maximize Social Security Benefits?](#)

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We are available to speak to your group at no charge on a number of financial topics. If You need a guest speaker, call our office and let us know how we can be a resource for you.

In our culture, the only thing we avoid talking about more than death, is money. That is why Sherri Goss, CFP® created My Life Book, and it is free on our website. Print the pages, place them in a binder, and work through the process of documenting where things are, and how you want thing to go in the event even of your death or incapacity. Your family will greatly appreciate that you’ve planned ahead. So, please, check out My Life Book today

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