5 Steps to a Written Retirement Plan

223 E. Blackstock Road
Spartanburg, SC 29301

p. 864- 582- 7766
1-800-277-0025

asknoel@theprovestperspective.com
www.TheProvestPerspective.com
www.ProVestWealth.com

Table of Contents

223 E. Blackstock Road
Spartanburg, SC 29301

p. 864- 582- 7766
1-800-277-0025

asknoel@theprovestperspective.com
www.TheProvestPerspective.com
www.ProVestWealth.com

According to a 2018 JP Morgan Asset Management and US Census Bureau study, 74% of Americans are behind on their retirement planning. If the average person has to plan for 20+ years in retirement or longer, retirement planning and savings needs to be a lot more substantial.

Statistically people aren't saving enough. A huge amount of people have some savings, but they don't even know if they have enough. Many people have a quarter million, half a million dollars, or maybe even $1 million or more. But is that enough for your retirement? Especially, if you're married and there are two life expectancies to live off of that money for 20+ years, in retirement.

This report is going to discuss one of the most basic fundamental retirement planning topics, a Written Retirement Plan. It details the…..5 Steps to a Written Retirement Plan.

Step 1. Determine Your Direction.

The first step is to figure out what is your dream for your retirement. And then, is it achievable? It just can't be a dream. It needs to be an achievable dream. What do you want to accomplish between now and the end of your life? How do you want your life to be in the retirement stages of your life, once you give up that job and stop working? Do you want to travel? Do you have hobbies? Are you interested in philanthropy? Are you interested in sports and activities?

Then you have to put a dollar figure to it. What are the costs associated with what you want to do? For instance, if you're going to be travelling the world, what's the cost of having a place back home? How much will it cost to play golf three days a week, five days a week? How much will it cost to travel?

What about your spouse? If you are married, are you on the same page as your spouse? You have to have dual objectives. And then you have to put a dollar figure to that too.

Also, be realistic about the many things in retirement that are not so fun, like inflation. The cost of everything will go up…..Your cost of living, cost of utilities, cost of buying a new car, cost of gasoline, and cost of food. All of these things are going to cost more every single year down the road.

Healthcare costs. Long-term care costs. What about those? If you're self-insured for long-term care, it's worth look into it. With healthcare costs, it's estimated that Medicare only covers about 60-70% of your out-of-pocket expenses. So you have to look at your cost of healthcare; and if you live a long time, which we all desire longevity, then it's going to cost even more.

Step 2. Check Your Resources.

The second step is to get a realistic view of where you stand. John Steinbeck once said, "To find where you are going, you must know where you are." So you have to have a realistic view of where you are today, check your resources. Such as, how much money do you have saved to live your dream retirement? You need to take a full inventory of all your assets and all your money. How much value do you have in your house? Do you have a 401k? 403B? 457? Are you going to get a pension?

But you can start with the guarantees, like Social Security. How much are you going to get from that? Are you going to get a pension? Do you have any other guaranteed monies coming in? Then you have to start looking at how am I going to supplement the gap between Social Security and what you need to spend to have your dream retirement?

A lot of people may not realize that with Social Security, the number they give you on that sheet, that's just a number. What you want to do to maximize your Social Security, especially if you're married, or if you're widowed or divorced. There are things that the Social Security Department is not showing you.

Now, pensions can be tricky business, if you're married or if you have children. Because you want that pension to not go away if you pass, if you're married or if you have children.

And you want to look at your outside resources. Do you have any business interests? Do you have real estate? Are you getting any settlements? Do you have any chance to get an inheritance?

Step 3. Create the Written Plan.

Then, you are ready to create the written plan. Ben Franklin had this ‘T’ – and you put on one side Income, you put Expenses on the other side, and on the bottom you have Savings. You want to see what your draw-down rate is for that. You want to review multiple ‘What ifs’ scenarios based on your draw-down rate and you want to set realistic and achievable goals.

Yogi Berra once said, “If you don’t know where you’re going, you will end up someplace else.” That’s why you need to have a written plan. Once you document your personal and financial goals, then you, or with the help of an engaged advisor, develop strategies and tactics that provide the highest probability in achieving them.

So if you have a plan in your head, it’s a wish. If you write down, it’s a goal. Then at that point you can create an executive summary, your personal success criteria, where you can do cash flow projections. You look at now, at early retirement and 10-15 years through retirement. You need to take into account things like best and worst case scenarios with the source of future income. What is the cost of inflation? What’s the risk analysis on your retirement investments?

You want to have a strategy to pay for long-term care. What’s the final disposition of your assets? Is insurance involved in any of that? You will need an implication schedule, as well as a monitoring schedule.

Step 4. Pick Your Investment Products.

The next step is to determine what investment tools you want to use to reach your goals. A lot of people have a lot of investments but they haven’t done the first three parts. They just buy a bunch of stuff that have no correlation with each other. If that’s you, it’s time to reverse that and figure out the goals, then the tools later. What do you want? What are your resources? And what’s the plan?

So what you need to do is match the products to the need. Should you invest in stocks? Bonds? Annuities? Mutual funds? What investment product will help you reach your goal the best?

Step 5. Have a System for Monitoring Progress.

A system for meeting periodically with yourself, or your adviser, is important to make sure you are on track to achieve your goals. You need to track the progress and adjust based on actual results, or actual life changes. Sometimes goals have to be altered. So it’s important to regularly monitor where you are, with where you need to be, to make sure they stay aligned.

Conclusion

An astonishing number of retirees engage in an activity called reverse retirement. It's where a retired senior quit their lives of leisure and go back to work, either part-time or full-time. The exact percentages of people that find work after retirement depends on a lot of different factors. The highest rates of retirees going back to work are in the lowest income groups. That's no surprise there, as it is estimated 46% of baby boomers have no savings at all. But surprisingly, 35% of the retirees in the highest income group are also returning to work to supplement their lifestyle. That's because they generally have the highest spending rates and they want to continue that lifestyle.

These are the facts. These numbers continue to compound because life expectancy will be much longer for the current generation of baby boomer retirees. Bankruptcy is crushing the retirement dreams of an increasing number of older Americans. Since 1991 the rate of people 65 and older filing for bankruptcy has tripled, according to a study from the Consumer Bankruptcy Project. It's due to a compliment of economic factors, including the now delayed full Social Security benefits age.

There's also been an increase in the amount of out-of-pocket medical spending and a significant fall of the number of private sector pensions, which have mostly been replaced by self-funded 401k saving plans that depend on you as an individual to determine your investment fee.

Therefore, these higher costs and fewer guaranteed sources of savings have offloaded the responsibility of the cost of aging to our current generation, who have not yet retired. Many people have limited financial resources and even more people have limited financial education on this subject because this isn't something you ever learned about in school.

If you have to draw high income to supplement off of your guaranteed sources, like Social Security and pensions, out of your savings, then you're in a situation where you've got to be more aggressive. If you're in a situation where you've got plenty of income coming in from various sources between your pensions and Social Security and other sources – maybe you have real estate, etc. – then you can be less risky with your savings. There is purpose-based investing vs. performance-based investing. Sometimes people are still investing for growth when they don't need it. And some are investing too conservative when they need growth. Investing for income is much different then investing for growth. These have completely different strategies. You need to make sure you have the proper investment vehicles to cover inflation, to have safe growth for a portion of your money.

Sometimes, people try to give themselves a false comfort by saying, "If I have to go back to work, I will." or "I'll work part-time." or "I've got my own company." These are idealistic views, but what if you can't? What if it's a health issue that you have or there's a loved one that has a health issue that forces you to have your attention where you can't work?

And taxes consistently change. There’s new rules and new plans. Have you reviewed your strategy to put more money or keep more money in your pocket legally? It is important to sit down with a tax strategist.

Social Security….There are 560 ways to collect Social Security, but yet only 18% try to maximize their benefits. That’s an expensive mistake. For many of you these are in the hundreds of thousands.

You have to know where are you now and where do you want to be. Some people want a better lifestyle. But for most people, they want to lifestyle they have in their 50s and 60s to continue. So then you have to know how much time you have to work or even save more money. And then, what are you doing about it today? Are you saving enough? Have you worked enough money up to be able to continue the lifestyle that you have become accustomed to? So then you need to take inventory of your income vs. your expenses. How much income do you have today and how much income will you have if you stopped getting a paycheck vs. your expenses.

As you plan for retirement there will be critical choices, forks in the road. These decisions could be about when to start drawing your Social Security benefits. And is there a way to reduce taxes? Or increase your income? Or lower your risks? Or maybe it’s a question of whether your current adviser can help you transition from a growth style to an investment strategy to one that creates income to fill the gap between Social Security and pensions that you are going to need to live off of every month. And every one of these decisions will come with consequences. Some of these consequences will be good or bad. These specific strategies for every person are totally unique to you. Because small differences in your age and how much you saved and your proclivity towards risk will have a major shift in strategy and the style of investments.

So wouldn’t it be smarter to take appropriate action today so working through retirement is a choice. You do it only if you want to, not because you have to. The number one thing you can do for yourself today is put a written plan together that acts as a retirement road map for yourself.

Securities offered through Registered Representatives of Cambridge Investment Research, Inc., a broker-dealer, member FINRA/SIPC. Advisory services offered through Cambridge Investment Research Advisors, Inc., a Registered Investment Adviser. Cambridge is not affiliated with ProVest Wealth Advisors or The ProVest Perspective.

Indices mentioned are unmanaged and cannot be invested into directly. Diversification and asset allocation strategies do not assure profit or protect against loss. Past performance is no guarantee of future results. Investing involves risk. Depending on the types of investments, there may be varying degrees of risk. Investors should be prepared to bear loss, including loss of principal.
Examples are hypothetical and for illustrative purposes only. The rates of return do not represent any actual investment and cannot be guaranteed. Any investment involves potential loss of principal.
These are the opinions of [rep/author name] and not necessarily those of Cambridge, are for informational purposes only, and should not be construed or acted upon as individualized investment advice.

To get started on a plan today, give us a call at 800-277-0025 or send an email to asknoel@theprovestperspective.com.