

Retirement – A Journey, Not a Destination

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When helping clients plan for retirement, we encourage them to think of it as a journey into the next phase of life rather than a destination. There are decisions to think through and ways to prepare prior to implementing your retirement plan. First, are you sure you want to retire? Revisit your retirement date and determine if working an extra year or two enables you to accumulate more in savings through your company's 401(k) match, or if delaying Social Security to maximize monthly payouts makes sense. Keep in mind, while you have worked long and hard, at age 65 many people could possibly enjoy 30 years in retirement!

What will retirement be like?

If you currently have some flexibility with your time, try out some options. Set up your life prior to retirement and test things out. Visit the places of your retirement dreams, and stay for a while. Familiarize yourself with the area and see if it really is as dreamy as you thought.

Also, do your research. Ask other retirees what their experience has been. Check into various types of interesting employment or volunteer opportunities now so you know what you'd like in the future. It will be important to keep yourself active through retirement.

How can financial planning help?

Update your financial plan and focus on your future cash flow, or spending, needs. If you plan to relocate, check into the cost of living for small items in a new city or the cost of leisure activities. Always plan for the cost of housing and medical expenses, trying your best to plan for the unknown in terms of when you may need assistance and how you envision the delivery of that care. New retirees can expect a U-shaped expense pattern in retirement with the possibility of increased expenses as they settle in to retirement and again as medical expenses increase later in life. Medical expenses for older adults are often unpredictable and it can be difficult to arrive at an exact number for planning. These expenses are dependent on two relatively unknown variables — your future health and the future of health care coverage.

Stress test your financial plan against different scenarios of expenses and investment returns. Determining whether you want to live by a set distribution standard, an annual available spend model, or some other type of model can help you emotionally prepare for the years of spending your savings versus all the years of accumulation you have become accustomed to. The consistent and sensible approach is to remain flexible and remember that financial planning is dynamic and evolves as your life changes over time.

It is important to feel certain your portfolio is designed around the rest of your life and not just hitting the retirement date. Your focus on accumulation and the growth of your assets will shift toward seeking income, managing cash flow and preserving capital.

Two-era planning

For couples, there are often two eras in retirement for which to plan; when both are living and when either one is the survivor. This two-era planning can help prepare for variations in expenses and help with decisions concerning IRA withdrawals as well as pension strategies. Whether married or not, everyone should do estate planning early on to properly prepare you and your family. The primary focus should be on Wills, Power of Attorney, Medical Directives, Estate Plan and organizing. Creating a complete information folder so your family can quickly locate all of your important documents, such as your personal notes and passwords, is a great way to get started.

Two-era planning

If you haven't always dreamed of moving, it's important to consider where will you live. Again, revisit your housing options once you are retired keeping in mind that aging will affect your housing needs. Factor in costs with your options to balance what matters most and understand that this can be the most difficult conversation to have with your family. Planning ahead prevents problems in the future and helps you know that your wishes will be fulfilled.

Preparing for your retirement journey

So, you're retired, what's next? Once the excitement wears off, how will you fill your days? Identify the things you've always wanted to do and how you will get started. Whether you plan to launch a new business, build deeper community involvement or develop new skills, finding your new purpose after retirement can add fulfillment and excitement to your retirement planning process. Don't forget that retirement can be a tremendous opportunity to give back and reconnect.

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