5 Things to Consider Before Retirement

American Cornerstone Group
INSURANCE & FINANCIAL SERVICES

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There are many different aspects of your retirement that should be planned out to help alleviate stress and set you up for a successful and relaxing future. When making decisions about when to retire, you should consider the following:

1 Retirement Income Streams.

Even though your career paycheck might stop coming in, your expenses do not. It is important to identify if your retirement income, in addition to your savings, can cover expenses for the rest of your life. For this reason, it is important to know where your income during retirement is going to be coming from. There are several options for retirement income, including pensions, Social Security benefits, annuities, and taxable investments such as stocks and bonds. For some of these options, time is money. It is important to know when to claim Social Security, for it literally pays to wait to take your benefit. Here is the retirement age breakdown for Social Security benefits:

- **Age 62** – qualified individuals are eligible to file for their Social Security benefit
- **Age 66 or 67** (depends on your birth year) – full retirement age; entire benefit is available to you
- **Age 70** – when delaying to file for your benefit past your full retirement age, your benefits grow by approximately 8% each year up until age 70, which could increase your benefit by 132%

2 Saving for Retirement.

Estimates indicate that as many as 80% of US pre-retiree households are financially unprepared for retirement. While Americans have big goals for retirement—surveys indicate most believe they will need a nest egg of around $1.25 million to ensure their lifestyle in their golden years—the sobering reality is that the typical U.S. retirement account holds less than $87,000. The difference between vague dreams and reality illustrates need for consultation with a financial advisor to determine the steps that need to be taken to prepare you for a secure and comfortable retirement. Planning is key.

3 A Sustainable Withdrawal Rate.

Adequate savings paired with a realistic and sustainable spending rate are vital when entering retirement. An individual's spending will most likely fluctuate based on uncontrollable factors, such as length of living, health concerns, inflation and market volatility. In addition, there are also expenditures that can be controlled, such as discretionary travel, eating out and golfing. While in the past a percentage such as a 4% withdrawal rate was used as a benchmark rule for retirement, today's economy often requires a different approach and diversification into asset classes beyond stocks and bonds in order to provide a reliable retirement income that won't run out. Retirement spending rates, typically, are not one-size-fits-all, and implementing a personalized retirement plan can help you understand what to expect.

4 Health Care Coverage.

Health care remains one of the largest retirement expenses, at an estimated average cost in retirement of $315,000 per couple age 65 for Medicare premiums, deductibles, co-pays and other out-of-pocket costs. It's important to explore various Medicare plans that become available to you at age 65 to try to offset as many health care expenses as possible. But you also need to plan for the fact that Medicare does not cover long-term care should you need it. Long-term care is very expensive; a semi-private room in a nursing care facility costs an average of almost $8,000 per month in America. You may want to consider new forms of hybrid life insurance that can cover long-term care expenses should you become incapacitated and provide a death benefit to your heirs if you don't.

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5 Emotional Preparation.
It's important to not only have a financial plan, but an emotional plan as well. Retirement is a series of transitions, and many people can find this life change to be very unsettling due to fear of the unknown. Working provides people with not only a sense of financial security, but a sense of purpose and self. Some people feel that their identity has been stripped along with their professional title when entering retirement. To relieve this unnerving feeling, it can help to create a "fun" plan with hobbies, travelling and activities to look forward to when determining how to spend your free time. For a complete retirement, proper planning, both financial and emotional, helps to set you up for a positive future that aims to reduce the anxieties that accompany retirement.

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