RETIRING MINDS WANT TO KNOW

By Jacob Ansel

WHEN IT COMES TO RETIREMENT planning, many of us are afraid and worried and have the same questions: Will I have enough money to retire? When the bull market ends, what will happen to my investments? Will my money last? How can I prepare for the unexpected? The biggest concern you should have is if you have enough money to retire. The sooner you start taking retirement seriously, the greater the chance you will have enough money to last through a prolonged retirement period. Retirement can be an exceptionally rewarding time, but if you're not prepared it will be financially stressful. Planning for the future ensures you have enough savings to retire. But exactly how much do you need? That depends on your expenses and lifestyle goals, which is why it pays to put considerable thought into retirement rather than jumping in blindly.

Make a chart with what you need monthly for expenses. Add all expected incomes and savings; use a professional retirement calculator to determine your monthly income once you stop working. My guess is you'll discover your expenses will be far greater than your income, which is the case for most Americans. The good news is that time is still on your side because it's never too late to start saving for retirement.

But it's time to get your retirement house in order. Your biggest asset in retirement could be a paid-off home which allows you to age in place. Not having a mortgage allows you to withdraw less from your retirement accounts which could make them last longer, and your equity could be a source of income later through a reverse mortgage.

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Many of us can't afford to stop working; 40% of boomers say they plan to work until they die. Nearly half of us have less than $10,000 saved for retirement. Even those who've saved a lot may find that won't be enough. A couple retiring this year with $1 million invested face a 72% probability they'll exhaust that money before they die.

If you've already started saving for retirement, take an overall look at what's going on in your portfolio. See where your money is invested, check performance, scrutinize contributions. Online tools – such as Bankrate's best retirement calculator or retirement income calculator – can help you gauge if you're on track to accumulate enough money to meet your expenses and live the life you want in retirement.

Going into retirement totally invested in the stock market is a bad idea. There's no coming back from a plummeting market when you're on the edge of retirement. Buffer against a bear market by having two years' worth of liquid savings, so you can meet expenses and not have to sell investments at the worst possible time. A few years before you plan to retire, redirect your contributions for retirement into cash investment options, such as money market funds or CDs, instead of mutual funds. Hedge your bets by diversifying and keeping some of your retirement money tax-deferred and some in a Roth account. When you mix things up across the categories, you'll have more flexibility when it comes time to pull the money out.

Pay down all debt. It's easier to save for retirement when you don't have student debt hanging over your head. More than half of all workers (51%) with outstanding student loans contribute no more than 5% of their salary to retirement savings. And it's not just younger workers who carry student debt. Though millennials are likeliest to have student loans, 26% of Generation X and 13% of baby boomers still have student loan obligations. When you're about to enter your retirement years, credit card debt, and any student debt, should be paid down.

Financial experts recommend saving as much as 15% of your salary for retirement. To do that increase the amount you save by one or two percentage points at a time. Some workplace retirement plans have an auto-increase feature. If yours doesn't, raise your contribution yourself on your birthday, after New Year's, or any other significant day. Set a reminder on your calendar. If you get a raise, boost your savings by that amount, or at least by a portion of that raise. When it comes to retirement, it's best not to focus on short-term ups and downs you can't control. Two things you can control are how much you save and how much of your return you keep in your pocket. Planning to retire and deciding when to retire can be a long and complicated process, but one thing we can all agree on is the earlier you start the better off you will be. ❑