

5 QUESTIONS TO ASK YOURSELF BEFORE YOU RETIRE



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ARE YOU READY TO RETIRE?

Retirement planning takes on an added urgency the closer you get to leaving your job. Imagine your future by looking at the major factors: housing, activities, lifestyle, life expectancy, and unexpected events. The first step in any retirement income plan is to envision your retirement and make some decisions about how you will live. This will inform your budget and your retirement income plan. If the numbers don't support the life you have in mind, now is the time to find out. Adjustments can always be made, whether it means working a little longer or scaling back your lifestyle in order to retire a little sooner. What you want to avoid, however, is the need to make major adjustments ten or twenty years from now. The more accurately you can answer these questions, the more likely you are to create a retirement income plan that will work for you.

WHERE WILL YOU LIVE?

The answer to this question affects not only housing costs but other living costs as well. Whether you choose to move or stay put, there are many factors to consider, such as proximity to children and grandchildren. If you live far away, you'll need to build travel costs into your budget and/or have extra space in your home for when the family comes to visit. You might also consider affordability; many people opt for more affordable living costs when they retire. Key factors in assessing a location's living costs are the price of housing, the cost of food, utilities, transportation, and state income, property, and sales taxes. You will also want to consider employment and business opportunities if you plan to work during retirement. Your travel plans should also be taken into consideration; if travel is expected to play a big role in your retirement plans, you might opt for an inexpensive condo near the airport. Finally, you'll want to think about the costs of general preferences, such as climate, cultural and recreational opportunities, access to medical care, and other lifestyle issues.

WHAT WILL YOU DO?

How you plan to spend your time in retirement will largely determine how much income you'll need. One way to look at this is to ask if your anticipated activities will add to the expense side or the income side of your retirement budget. Unless you plan to spend your days solely reading, walking, and visiting friends, you may face some expense-generating activities, such as costs associated with traveling, entertainment, and hobbies. Even low-cost activities, such as gardening, have associated expenses. While you should feel free to enjoy yourself during retirement, you will still have to account for consequent expenses. On the other hand, if you enjoy working, why not make that one of your retirement activities? It'll save money on hobbies and entertainment. Even volunteer work can pay off if it keeps you from engaging in expensive activities!

HOW WELL WILL YOU LIVE?

Living well is in the mind of the beholder. As you contemplate retirement, consider how you will live your life. Some retirees look forward to scaling back in retirement in order to reduce expenses and have what they would deem a very rich life. Whether the decision arises from lifestyle choice or financial need, the simple life holds appeal for many. On the other hand, some retirees may see retirement as their chance to live it up. Backed by a healthy retirement account and the income to support their chosen lifestyle, they may eat out more, take more vacations, and explore expensive hobbies. If you can afford the high life, more power to you!

HOW LONG DO YOU EXPECT TO LIVE?

This is the million-dollar question that, if answerable, would make retirement planning much easier. Unfortunately, people are often misled by tables that show the median life expectancy—the age at which half the population is already dead and the other half is alive and kicking (and requiring ongoing income to stay that way). It has virtually no bearing on any individual's true life expectancy. The safe route is to plan for retirement income to last to age 95 or 100. If you're afraid that will cause you to leave too much on the table, you can visit the life expectancy calculator at www.livingto100.com to get a more accurate idea of how long you might live.

WHAT SURPRISES DOES LIFE HOLD IN STORE?

What unexpected events might you anticipate as you move through life? Your genes, healthy history, and lifestyle may provide some details as to how your health will hold up as you grow older, but this is always a wild card in retirement planning. What about your family? You never know when a family member might need your help. Other factors to take into consideration are fluctuations in the economy and any potential natural disasters that could have an impact on your finances.