

# Herald-Journal

## Noel Swain: Start Your Retirement Plan Now

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A recent study by LIMRA reports that only 1 in 6 people have a written plan for retirement. Most folks have a Last Will and Testament,

which means they have a plan to distribute their assets after they die. But few have a plan to distribute their assets during retirement. So to start a retirement plan, one should start with the two stages of retirement planning, inventory and budget.

Inventory is the list of all your sources of retirement income, such as pensions, Social Security, 401-k's and IRA's. You figure up what income each one will produce for you without using it up.

Budgeting is writing down all your expenses after retirement so you know how much monthly income you'll need to pay your bills. If the inventory number is bigger than the budget number, you're okay.

But, could there be any unforeseen financial obligations lurking in your retirement? Many retirees are helping support their elderly parents, or their children, or both. It can be tough telling family "NO." So if helping a family member could be in your future, it would be smart to figure it in.

Next, how's your health? The biggest cause of bankruptcy today is the expense of healthcare. When someone has huge medical expenses or long-term care obligations it can wipe out the best laid plans. An Employee Benefits Research Institute study reports that the average couple will spend almost a quarter

million dollars in out-of-pocket healthcare costs between retirement and death. So this may be where a long-term care policy or a trust can come in handy.

Social Security is a big topic right now. Nationally, it comprises about 36 percent of the average retiree's income. According to a report by Transamerica, 74 percent of current Social Security recipients receive less than their Primary Insurance Amount (PIA). The biggest reason is that they filed for their benefits before their Full Retirement Age (FRA). For someone who was born before 1955, that age today is 66. So a question that many people who have recently turned 62 ask their financial advisors about Social Security is; should I file or should I wait? And the answer to that question is the same Aunt Shirley's underwear, Depends! Have you taken inventory of your retirement income sources? Will you want to phase into retirement by working fewer hours rather than retiring all at once? If you do want to continue to work reduced hours, you can only make a little over \$15,000 in a calendar year before you start to lose Social Security benefits. If you want to fully retire, have you figured your retirement living expenses? If you have, and everything is okay there, you may want to see if you could live without your reduced Social Security benefits until FRA. If you can, it may be well worth doing because the amount one receives at 66 vs. 62 is about a 33 percent increase.

But all this is part of the retirement discussion you should have with your financial advisor.