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Noel Swain: The Value of a Written Retirement Plan

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If you don't know where you're going, you might wind up someplace else."

Yogi Berra was a genius at turning clichés on their ears. But when it comes to making plans, he was spot on.

After 33 years of counseling people on their investments and retirement, I am sure most people don't plan out their retirement on paper.

They work very hard to get to retirement. Then they go into retirement hoping that what they have saved, along with their various retirement plans, Social Security, etc., will be enough to last them the rest of their lives.

A 2012 study by the global research and development firm LIMRA found that only one in six retirees enter retirement with a written plan. That's sort of like piling the family into the car for vacation with no place to go.

Why do we plan so many areas of our lives, but leave our retirement completely up to chance? First, it may be like planning your own funeral. You just don't want to think about it. Second, most folks just don't know how to go about making those plans. I tell people who attend my seminars that drawing a written retirement plan is simple but hard.

It's simple in the fact that there are only two moving parts to it, income and expenses. It's hard in the fact that it takes a lot of work to accurately portray them both.

If one receives income from multiple sources at retirement, and a couple of them

fluctuate, it'll be difficult coming up with the right income projection.

Then one must face the even harder side of the ledger, expenses. Because it's not just food, clothing and shelter, it's taxes, insurance, Christmas and birthdays for spouses, children and grandchildren. You know that you'll eventually need a new car. And what to do with the mortgage, pay it off or continue to make payments?

All these decisions to be thought of at one time leave most of us putting it off till later. And when we're doing it ourselves, who's to say if we covered all the bases?

This is where a good financial adviser comes in. If you are working with an adviser who deals mostly with retirement assets, it's not just about how the money is invested, but whether your plan is solid going into retirement.

The first question a written retirement plan should answer is, "Will my income be enough to cover my expenses?" The second question is, "Based on the inflation rate, how long will my money last until it runs out?"

The written plan should answer those and many other questions too numerous to fit in this column. But you get the idea. I believe that virtually no one should enter retirement without a written document explaining where their income will be coming from and going to.

Should you encounter a so-called financial adviser who seems more interested in selling you a product than making sure you have a written plan in place first, run!

Because heading into retirement not knowing where you're going will surely have you winding up some place else.