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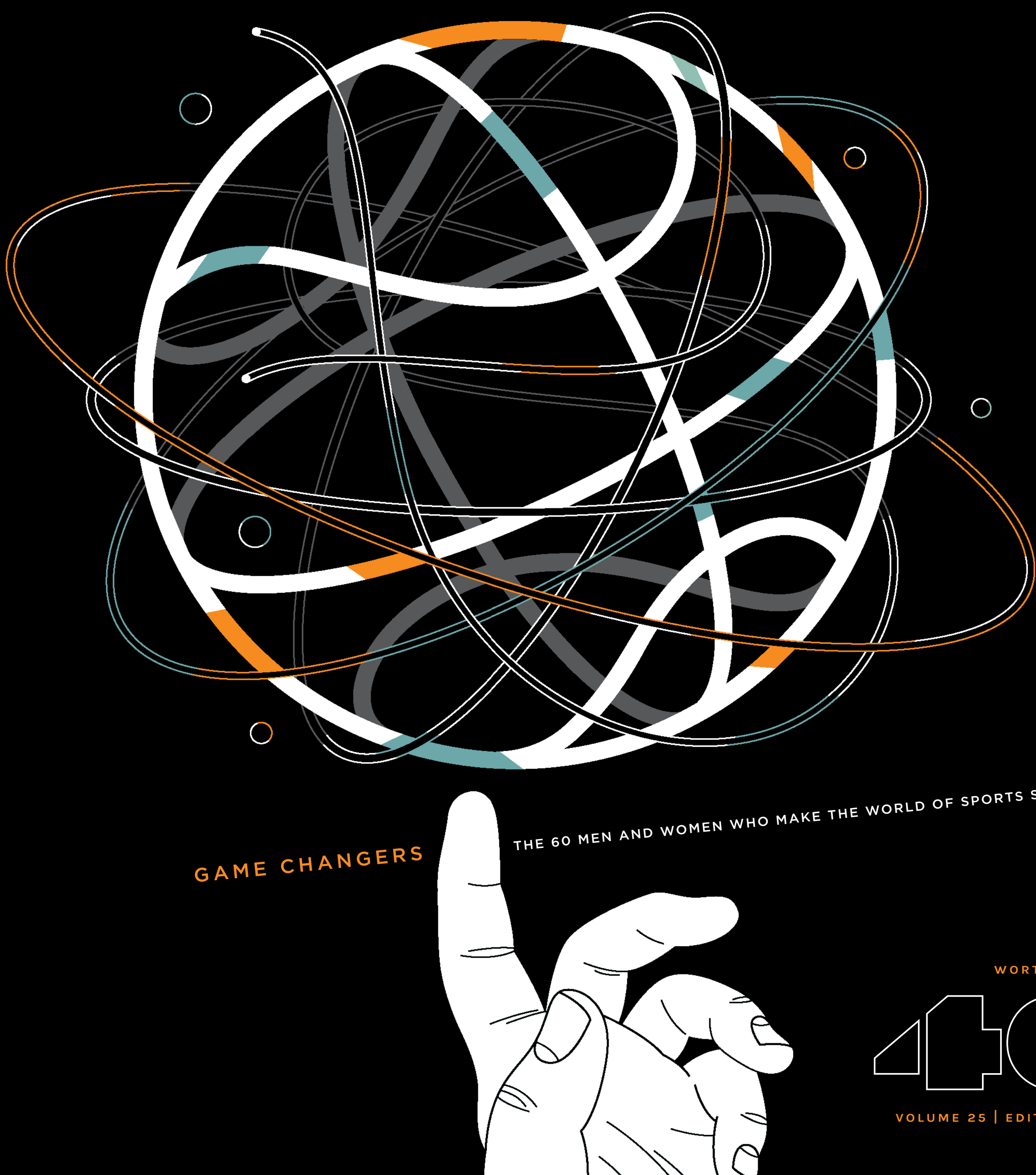

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How will I know if I'm ready to retire?

BY KEVIN R. LUCHETTA, CFP®, AEP®

Seated, left to right: *Michael S. Schwartz, James L. DiNardo;* standing, left to right: *Kevin R. Luchetta, Paul D. Tortorella, Stephen A. Schwartz*

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As with any endeavor into uncharted territory, entering into retirement can be a nerve-racking experience. I like to remind clients that worrying about retirement is completely natural—they are not alone. And a good financial planner will help clients understand the risks involved in their retirement years and build a plan to help them approach those years with confidence.

Here are six of the most common risks that a retiree may face:

Healthcare risk: With fewer employer-sponsored retiree benefits and limitations to Medicare, how will I handle rising medical and prescription drug costs?

Inflation and taxes: How will inflation impact my purchasing power and my ability to generate income for the lifestyle I'd like to lead during retirement?

Longevity risk: How long will my retirement savings last? How can I make sure I don't run out of money?

Legacy risk: How do I leave a legacy while making sure I provide for my own needs during retirement?

Long-term care risk: How will my retirement plan be affected by an unexpected event or long-term illness not covered by medical insurance or Medicare?

Market risk: How will the volatility of equity markets factor into my overall retirement plan? Can I afford to take income from my portfolio if the markets have a few bad years?

Clearly, there is a lot to think about when planning for a 30-plus-year retirement. As in other areas of financial planning, the most important factor to a successful retirement plan is awareness. Knowing what your risks are and coming up with a strategic plan to mitigate those risks will put you in the best position for success. Here are some steps you can take, to make sure you're prepared:

> “Clearly, there is a lot to think about when planning for a 30-plus-year retirement.”

Assess your current financial situation: The first step to coming up with a successful long-term retirement plan is to understand where you are today. Take a look at your current balance sheet and keep your various qualified and nonqualified accounts organized. Stay up-to-date with your insurance policies, making sure you know how much you are covered for, and when your policies expire.

Understand monthly cash flow: Keep a detailed log of how much income you receive and how much you're spending. Your cash flow will determine how long your retirement savings will last, and whether you need to increase your savings to achieve your retirement goals. During retirement, consider utilizing pension or annuity income payments to create an "income floor," a fixed amount of guaranteed lifetime income payments you can rely on.

Factor in taxes: How you utilize various tax-advantaged savings vehicles can make a big difference to the effectiveness of your retirement plan. Make sure to take advantage of tax deductions and tax-deferred savings opportunities during your accumulation years. Then consult with your CPA and financial planner as you approach your retirement years, so you know which accounts make the most sense to draw income from first, depending on how they're taxed.

Understanding the primary risks we all face in retirement, and coming up with a solid plan to address these risks, will put you well on your way to achieving the retirement you've always dreamed of. ●

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