A Retirement Planning Checklist, *The Concord Journal*, May 10, 2012
By David Chwalek

With so many Americans approaching their retirement years, retirement planning has become a big business. It's no wonder. We see various studies showing that an overwhelming majority of workers may not have enough money saved to actually retire when they hoped. Even if you may have been late to the party, for many people, there's still time to make some positive changes that can improve your retirement outlook. If you're within five or ten years of retirement, the following tips are for you:

Start boosting your savings. On the day you retire, what you have saved is all that you'll have for the rest of your life. This is your last chance to add to your savings or investments while you still have earned income. The IRS recognizes this and has given Americans over 50 years old a "catch up" provision in most retirement plans. You can add an additional $5,500 to your 401(k) plan this year and an additional $1,000 to IRAs. Look for ways to increase your savings rate in the years leading up to retirement, whether it is in a retirement plan, an emergency fund or other type of investment.

Check your Social Security estimates. While social security retirement benefits were never intended to provide for your entire retirement income, they can offer a significant and reliable source of income once you stop working. To find out what you can expect to receive, go to www.ssa.gov and get a customized estimate based on your age and earnings history. You will see estimates based on taking benefits at age 62, your "normal" retirement age (generally 65 or 66) and age 70.

Calculate your projected retirement income and expenses. Start with your social security and other guaranteed sources of income such as pensions and fixed annuities. Then total your non-guaranteed investments including 401(k)'s and taxable accounts. A traditional rule of thumb is to use a 4% annual withdrawal rate from your non-guaranteed investments. While this is usually considered a safe way to ensure that you never run out of money, it is not fool-proof. If you retire in the midst of an extended bear market, there is a higher likelihood that you could run out of money someday, and you may need to adjust your withdrawals for a few years until markets improve. Ideally, you would like your guaranteed income to cover all your necessity expenses during retirement- things like housing, healthcare, food, etc. Plan on using your non-guaranteed income sources for items like travel and golf. When projecting your retirement expenses, remember that you'll have more free time on your hands. This could mean eating out more and additional travel and recreation opportunities. Don't forget to consider healthcare expenses as well. As we get older, we tend to need more medical attention and these out-of-pocket costs can add up. If you find that you have a potential shortfall in income, determine what you can do now to increase your future retirement income.

Pay down debt if possible. While you're working, you may find it easy to make your regular debt payments on the mortgage, car loans and credit cards. If you can reduce or pay off debt while you're still earning money, you should do it. If you have the ability to pay off your mortgage and wonder if you should, talk to your accountant or financial professional. Retiring without a mortgage can add to your peace of mind, but, for some people, keeping the mortgage- and the interest deduction- could make sense too.

Conduct an insurance audit. Start with a basic coverage review of your home, auto and liability policies. Next, take a look at your life insurance. You may consider adding coverage to protect a surviving spouse or you may find that you have insurance that you no longer need. I would strongly recommend taking a look at long term insurance if you haven't already. Many clients complain that the premiums are expensive; however the cost of paying for extended healthcare out-of-pocket can devastate your financial situation. If you have a sizeable estate, ask an attorney how a combination of long term care insurance and proper estate planning can protect you.

Keep an eye on the asset allocation of your investments. People typically make their portfolios more conservative as they approach retirement to avoid big losses if the market goes down. If your accounts decrease in value by 40-50% while you're still young and working, they may still have time to recover. That may not be the case if you're only a year or two from your retirement date. You need to expect the unexpected and prepare for it. You never know when the next big crisis or meltdown will occur.

Consider the tax implications of your investments. Remember that all the money in your IRAs and 401(k) will be taxed as ordinary income as you withdraw it. So if you're planning on withdrawing $20,000 a year from an IRA, keep in mind that what you actually get to spend may be significantly less. And don't forget about capital gains taxes. In your taxable accounts, selling stocks or funds that you've held for a long time could also trigger more taxes. Don't just sell indiscriminately; sell strategically- trying to offset gains with any losses you may have.

Check and update your legal documents. When was the last time you updated your will? A lot has changed over the years and it's essential to have certain legal documents executed and in place as you get older. Start with your will and at least have a health care proxy and durable power of attorney. Again, if you have a sizeable estate, you should contact a qualified estate planning attorney to discuss the possible use of trusts.

If you haven't taken the above steps yet, I hope you'll do them now. I've never met anyone who retired with too much money.

David Chwalek is a partner with Senes & Chwalek Financial Advisors and a Registered Representative of Investors Capital Corporation, Member FINRA, SIPC, 57 Main Street, Concord, MA 01742. His website is www.senesandchwalek.com and he can be reached at (978) 369-2255.