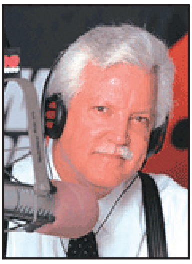
A Fresh Look on Finances

with Aubrey Morrow CFP®



Strategies for a Secured Retirement Income

You have saved for many years and now looking forward to a great retirement.

We financial planners constantly talk about the need to save for retirement. Max out all available retirement account & invest personally, and one day, when you are ready to retire, that portfolio will become income for you. Some pre-retirement points to consider:

1. What are your expenses today? How much money will you need in retirement each month to cover your essential expenses, and to also cover the fun things that you'd like to do in those golden years? Tracking this spending for the first few years of retirement is critical since expenses can run higher than expected.

2. Determine how much income you will need from your investments. The amount is your total estimated expenses minus your Social Security, pensions or real estate income. Once you know how much you need each year, you can then begin to formulate a distribution income strategy.

3. Review all you investment income opportunities. What investments can be rearranged to produce income? Choices like when to start taking Social Security can cut your retirement income by 25% or boost it by an additional 32%. Don't take Social Security early – unless you need the income. It grows at an 8% guaranteed amount – so, delay to age 70 if possible. Married couples can also use strategies like claiming spousal benefits to increase income substantially.

Do you own investment real estate? Tired of property management and tenants? Explore all the options of keeping your property, selling and paying taxes, charitable gifting for income and tax benefits or some form of a tax-deferred 1031 exchange.

4. Decide how much risk you are comfortable with. Your level of comfort with risk determines how you allocate your investment portfolio. In retirement, people usually don't want much risk. Yet the reality is that for a 30-to-40-year retirement with inflating expenses every year, some allocation to growth assets is helpful if not necessary.

5. Identify how much you want to leave to your heirs. For some people, this is a top priority; for others, they want to spend as much as possible while they can. If you plan to leave behind a substantial inheritance, just be aware that it might place limitations on your income.

These are the five simple but important steps that decide your ability to live the life you want in retirement.

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