



— THE — **6-STEPS** TO A **SECURE RETIREMENT** — ★ ★ ★ ★ —



**A STEP BY
STEP GUIDE TO
A SUCCESSFUL
RETIREMENT**



Secure Estate Solutions
WHERE PLANNING COMES BEFORE INVESTING

★ ★ **ENSURE YOUR MONEY LASTS!** ★ ★



THE 6-STEPS TO A SECURE RETIREMENT

If you're considering retirement in the near future, or already retired, there's no shortage of things to keep up with. And with thousands of new articles being posted every week, sifting through all of the information available can become a job in itself.

In this **6-Steps To A Secure Retirement**, we'll walk you through the basics, but also the most critical components of a sound retirement income plan.

6

STEPS TO A SECURE RETIREMENT:





1 Determine Your Retirement Income Need

While it may seem obvious at first glance, the reality is that the majority of Americans contemplating retirement UNDERESTIMATE how much income they'll actually need each year to maintain their standard of living.

In fact, many underestimate their retirement income needs by as much as 30%! The first step to a secure income plan is to take the time to create a cash flow or spending plan and make sure you know how much you'll need. While many retirees mistakenly think that 50-70% of their pre-retirement income will be enough, the reality is closer to 80%!

“The number 1 mistake reported by retirees was underestimating how much income they actually needed in retirement”



2 Calculate Your Guaranteed Income Sources

Once you're confident that you know how much income you'll need in retirement, the next step is to calculate the guaranteed income you'll be able to count on from sources like Social Security and pensions. These guaranteed income sources are the foundation of every sustainable retirement plan.

Taking the time to carefully weigh your options when making these elections is critical to maximizing the amount of income you receive over your lifetime from each source. Take the time to calculate how much income you'll receive each year from these guaranteed income sources.

A photograph of an elderly couple walking through a grassy field with trees in the background. The man is wearing a blue shirt and a cap, and the woman is wearing a pink shirt and a white jacket. They are both smiling and looking at each other.

3 Determine Your Retirement Income Gap

Once you have identified your guaranteed income sources and amounts you expect to receive, subtract these amounts from your TOTAL income needs identified in step 1.

What remains is known as your “Retirement Income Gap”. This is the amount of income your nest egg, or portfolio will have to generate each year to meet your retirement income needs.

Just to draw \$60,000 per year over a 30 year retirement, assuming a 2% increase each year for inflation requires \$1,060,751 in retirement savings.



Calculate the Withdrawal Rate Needed to Meet Your Income Needs

Now that you know how much income you'll need to make up from your portfolio each year, divide your income needed (Retirement Income Gap) from step 3 above, into the total value of your portfolio. This will give you a percentage. This percentage is often referred to as your withdrawal rate.

This is the percentage you'll need from your portfolio each year to cover your Retirement Income Gap. As a general rule of thumb, 4% is considered a "safe" spend down percentage, while anything over 4% is considered "risky". The reason for this is simply because if you spend down your portfolio faster than you replace it with investment returns, you run a higher risk of running out of money in retirement.

(Note: While 4% is considered a general financial planning rule of thumb, YOUR specific spend-down rate should take in to account your unique needs and lifestyle.)



5 Determine What Percentage of Your Assets are at Risk vs. Guaranteed Against Loss

Now that you know the income amount and percentage you will need your portfolio to produce each year in retirement, it is critical that you assess the risk in your portfolio.

An otherwise sound retirement income plan that suggests you need only 4% per year from your investments could be quickly turned on its head with another market crash such as many experienced in 2008. During 2008 many lost as much as 50% of their portfolio values, meaning that if they needed 4% per year from their portfolios before the crash, now they would need 8%. And again, a withdrawal rate above 4%, but especially around 8% or more would be considered by almost all professional planners to be unsustainable.



A simple way to determine the amount of risk you currently carry in your portfolio would be to list out each retirement account and asset you own, and then in a separate column note which of your accounts are “At Risk” of market volatility, and which are “Safe” or “Guaranteed” against market losses.

Some Examples of at Risk Investments Would Include:

- Stocks
- Bonds
- Mutual Funds
- Variable Annuities
- Etc.

Some Examples of Safe or Guaranteed Investments Would Include:

- CDs
- Fixed or Indexed Annuities
- Etc.

“Suffering a large market loss during the five years leading up to retirement or the five years immediately following retirement can be the difference between enjoying a comfortable retirement, or having to go back to work”

A man with glasses and a beard, wearing a light blue shirt and yellow shorts, stands on the deck of a sailboat. He is holding onto the mast. The background shows a sunset over a body of water with mountains in the distance.

6 Addressing the 5 Retirement Plan Killers

A final and very important step in your planning process is to ensure you've accounted for the five retirement killers... These are threats that many retirees forget to account for, but that can spell disaster for retirement plans.

1) MEDICAL EXPENSES

More than dying, medical expenses in retirement have taken the top spot on the list of things retirees worry about most. And rightly so, as a married couple today, entering retirement, you are expected to spend on average \$270,000 on medical expenses that AREN'T covered by Medicare.

2) TAXES IN RETIREMENT

While many people falsely believe that their taxes will go down in retirement, the truth is, for many, taxes will be one of their largest line item expenses.

With the national debt now surpassing \$21.4 TRILLION dollars, an obvious target for additional tax revenue would have to be the retirement demographic. And it's obvious why... With \$28 trillion dollars sitting in U.S. retirement assets where else might the government look to increase tax revenue?

In addition to income taxes, and taxes on Social Security benefits, there are the "Stealth Taxes", and 3 in particular worth addressing:

- 1) The Alternative Minimum Tax (AMT)
- 2) The Pease Tax (the itemized deduction reduction)
- 3) The Personal Exemption Phaseout (PEP)

3) MARKET VOLATILITY

As stated above, even the best retirement income plan doesn't stand a chance if during the 5 years before or 5 years after retiring your portfolio sustains heavy losses such as many experienced in 2008. This 10 year period is the most crucial for every retiree.

4) INFLATION

Often considered a silent killer of retirement income plans, most retirees fail to plan for inflation. Inflation is simply the cost of goods going up over time.

Think back, 20 years ago how much did you spend when buying a house, a car, or filling up your car with gas? Quite a difference to today isn't it? Now think 20 years into your retirement future. How much are you likely to need 20 years from now to pay for your basic living expenses?

Even a low 3% inflation rate cuts your income's purchasing power in half over a 24 year period. This means if you do not plan to give yourself a raise each year to keep up with inflation, the rising costs of goods could begin to put quite a squeeze on your lifestyle just 5-10 years into retirement.

5) LONG-TERM CARE

While still topping the charts as the most likely and largest expense incurred in retirement, Long Term Care remains one of the most un-addressed and undiscussed issues facing re-tirees today. And it's easy to understand why. No one wants to think about what will happen should he or she need long term care of some kind.

However, NOT thinking about and planning for this potential expense could mean draining your portfolio in later years, and for retired couples, could mean leaving a spouse with little or nothing left to live on.

6) LONGEVITY

While retirement used to last only 5-10 years, with the advances in medicine and more American's taking proactive steps to manage their health, many are living well past the average age most retirement plans are based upon, age 85. In fact, a married couple today, age 55, has a 43% chance of one of them living to 95!

If your income plan does not meet your needs up to age 95 or even 100 you may be setting yourself up to run out of money at the end of your retirement years.

While we hope that this **6-Steps To A Secure Retirement** has helped you begin to think about each of the important aspects of retirement planning covered above, we encourage you to seek professional help. Nothing can replace a team of qualified professional advisors. Specifically in the area of tax, investment, income, and estate planning.

Secure Estate Solutions

WHERE PLANNING COMES BEFORE INVESTING

Contact Us Today: 800.345.3155

www.SESweb.net

Our Secure Estate Solutions Family: Insurance Services are offered through SES Services. Investment advisory services offered through Andorra Capital, Member FINRA/SIPC, and a Registered Investment Advisor. Tax planning and preparation provided by Senior Tax Network.