

5 Steps Toward Becoming Retirement Ready

By Kevin Snow



Fewer retirees today have traditional pension plans and are often left to fend for themselves. But they don't have to. Advisors who serve those in or near retirement have a passion and a desire to inform, educate, and help you become retirement ready.

After years of working with hundreds of retirees, I've noticed a few common mistakes:

- Using the same investment techniques you've always used.
- Looking at average returns to dictate your retirement strategy.
- Not asking the right questions.

To avoid these common mistakes, I recommend following five simple steps toward creating a dependable, sustainable income stream.

Re-examine your investment strategy.

Many retirees use the same strategy and have the same attitude toward investing that they had while working. When working, you're adding to your portfolio, but once you retire, you start taking distributions from that portfolio. If the monies in your account are pre-tax, you have to begin taking required minimum distributions at age 70 ½.

This should change the way you invest. If you have an aggressive stance in your portfolio, you may want to consider looking at more conservative strategies, because any loss in your portfolio could drastically reduce the distributions you can take in retirement.

Ask the right questions.

It's important to ask questions when planning for retirement. Consider the following:

- Do I have enough money to retire?
- How long will my incomes last? This is especially critical for women since they have longer life expectancies.
- How do I manage the risk in today's markets and still keep pace with inflation and historic, low interest rates?
- Are my beneficiaries up to date?

Define your success.

Not everyone has the same goals. A good retirement plan should prioritize what's important to you. For some, success is traveling. For others, it might be time with grandchildren or leaving loved ones well provided for. What matters to you?

Remember that time is no longer on your side; it is a risk you have to manage.

You must take into account the effects of withdrawing income from your portfolio versus reinvesting it like you did when you were making contributions to your plan.

For example, if you retired in 2008, when the market was down 35%, and began taking 5% out of your portfolio for distributions, you're actually down 40%! Timing matters. We call it the sequence of returns risk. If you look at the average returns of a good portfolio but don't take into account the timing of when you make withdrawals, your money could run out much sooner than you planned.

For those fortunate to retire at the right time, when their portfolios are up, if they take out 5% to live on, they're in good shape. However, they weren't necessarily any smarter than the person who retired in 2008. Do you know what the markets will give us next year? No one does, so it's imperative to plan accordingly.

Start with your goal and then work your way backward to the implementation of that goal.

Ask yourself what your needs are, including housing, food, and transportation, the basics. Then, ask yourself what your wants are: What you want to do with your spare time? Which hobbies do you want to enjoy? Which social events and vacations do you want to take part in? And, finally: What are your legacy wishes?

From there, you can decide who your beneficiaries are and how you want to ensure your wishes are carried out. Too often, we start with the allocation of our portfolio in a traditional sense of stocks and bonds instead of a wider perspective of which assets are going to be spent and in which order. Your asset *location* can be just as important as your asset allocation in your plan.

Just like our health needs change over the years, so does our need for financial advice. Keeping up with our financial health is an ongoing process. Find a financial advisor that you connect with, that you're able to communicate with, and who listens to you instead of just placing you in the same portfolio as everyone else. Seek an advisor who works well with other members of your team, like your CPA, attorney, and trustees.

All of us are one of a kind. Your plan should be, too.

If you need help with your Retirement Income Planning and want to avoid the common mistakes I highlight in this article, please contact me today. It's my passion to partner with you and talk through your goals to ensure your future.

Thank you,

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