Financial Planning* Asset Management* Investment Planning* Retirement Planning

COMMON ¢ENTS PLANNING

1-800-647-0762

239 Baltimore Pike Glen Mills, PA • 6606 Central Ave. N. Sea Isle City, NJ

fdunbar@commoncentsplanning.com • www.commoncentsplanning.com

*Securities offered through Commonwealth Financial Network, Member FINRA/SIPC. *Advisory services offered through Planning Directions Inc., a Registered Investment Adviser, are separate and unrelated to Commonwealth.*

RETIRE IN STYLE

This is a goal.

Maybe as you approach retirement you should focus on income instead of how much money you've accumulated. Over the years most prospects that are referred to our office talk about asset gathering. It is an excellent start but there is comfort knowing that you can meet your basic expenses when you retire.

Over the past couple of months we've had several people referred to our office who decided to do their retirement plan as their end date rapidly approached. One client, close to age 70, came into our office wanting to retire within 6 weeks. They earned a good salary and had already started receiving their social security. They loved spending money on their children and grandchildren. Unfortunately, this person was focused on how much money they had saved but it certainly was not enough to cover their current expenses for long. With such a short time until retirement there was absolutely no flexibility.

We just completed another retirement plan for an individual who gave us more time. They gave us 5 months until they wanted to retire. Again, this may be just a little too late to start the retirement process. This person did a great job accumulating assets but also had a large amount of debt. When we discussed working longer they said "I don't think so, as I truly enjoy not working at all".

Retirement is built on your dreams. "Every man dies, but not every man really lives" is an accurate statement, which was uttered by Mel Gibson, who portrayed William Wallace in the 1995 film Braveheart. If you haven't retired yet, you want to make sure that you're one of those who will truly live, especially in your retirement years.

As we grow older life passes by at warp speed. From the time you graduate until you collect your last earned paycheck, it will seem like a blink of an eye when you look back. But when you are going through the throes of life, raising a family, toiling in a job you may not love; it may seem like an eternity. It is during this segment of life that you have to slow down and start to dream about your retirement. As you dream, list your goals; write down these goals and then work to make them a reality.

Don't just focus on an amount of assets that you have accumulated with no game plan. Think about this a little differently.

Income
Focus on how much income you will need in retirement. In order to know this you have to sit down and figure out what your expenses will be during retirement. Hopefully, you will strive to be debt free by then. If so a major part of the battle is won.

You will have certain fixed costs that you pay each month. Figure out what you spend on food, utilities, clothes, healthcare, charities, taxes, etc. In addition do not forget to add gifts. It's amazing that many people forget that they give birthday gifts throughout the year, not just at Christmas. Also, once you start having grandchildren remember not to go crazy. What you do for the first one you'll want to do for all. Think about these expenses in today's dollars. Don't forget the maintenance and insurance on your car. How often do you buy a new car? Although your home may be paid for there is the ongoing maintenance and repairs.

The easiest way to figure out what your expenses is to review the last 12 months of your checkbook. If you use a credit card to purchase many of your monthly expenses, go online or contact your credit card company and request an annual spending statement. This will break broken how you spent your money the past year. Once you calculated an approximate dollar amount you spend we can then think about income.

How will you receive income in the future?

Social Security
Certainly you should have an income from all of the years you paid into Social Security. Review your social security income projections, which are based on retirement age. There are many strategies to consider when selecting your benefit. Choosing the wrong Social Security benefit option could be a costly mistake. For example, if you're married, you may want to consider Social Security at your full retirement age and then suspend your benefit. This will allow your spouse to receive ½ of your monthly benefit. This may allow your benefits to continue to grow to age 70 providing you with the maximum monthly payment. We see many times where individuals elected Social Security at age 62 for no other reason than they could. Make sure you work with somebody knowledgeable when deciding when to elect benefits. At the very least, use a social security calculator and review all of your options.

Pension
For many this is a foreign word. If you are a teacher, union tradesman or government employee, chances are you will receive a pension. A pension is simply a stream of income guaranteed for your life. Look at all of your options because if you choose wrong it will haunt you the rest of your life. The easy way, and many will be tempted to choose this, is the life only option, which pays the highest amount. That's great if you're single. If you're married and you die prematurely; your spouse gets zero. Many times it is worth taking the joint and 100% to survivor benefit, since this protects each of you and guarantees income for both of your lives.

Retirement Plans
Chances are you have either a 401(k) or a 403(b) plan. This simply means you have to save for your own retirement and hopefully your employer is matching a percentage of what you contribute. When you are within a year of retirement, check with your HR department about converting part of your retirement plan to a guaranteed stream of income, similar to the pension mentioned above. The company that handles your retirement plan or your personal financial advisor can provide this information to you. A

pension is nothing more than an immediate annuity guaranteeing a stream of income for your lifetime.

The idea is to match your fixed expenses to income. This will allow you to have confidence. As you listen to all of the financial noise today (market fluctuation, Fed raising rates, bond prices falling, etc.) you will sleep comfortably knowing you can meet your basic monthly expenses.

After receiving your pension or annuity payment supplemented by your Social Security, chances are you will have to supplement your guaranteed income. This will come from the balance of your existing investments. Plan to consolidate your retirement plans into one IRA which makes it easier to keep an eye on. Also, do the same for your taxable investments. This money may be invested in a brokerage account into various investments domestically and internationally. It should be balanced between stocks, bonds and cash. This money should be invested based on your risk tolerance.

With plans to pay your basic expenses covered, grab your book, chair, sun screen and favorite beverage and head to the beach.

Fred Dunbar, CLU, ChFC, RFC, AIF®, is President of Planning Directions, Inc., a registered investment adviser, and Common Cents Planning, Inc. He is also a registered representative of and offers securities through Commonwealth Financial Network, member FINRA/SIPC. Advisory services offered through Planning Directions, and fixed insurance products and services offered by Common Cents Planning, are separate and unrelated to Commonwealth. Fred may be contacted at 800-647-0762, by e-mail at fdunbar@commoncentsplanning.com or by mail at 239 Baltimore Pike, Glen Mills, PA, 19342. He's always happy to meet with you 'down the shore' at 6606 Central Avenue N. Sea Isle City, NJ. 08243.