

Plan For A Comfortable Retirement

Planning for retirement is perhaps the most pressing financial issue facing most Americans in their 40s, 50s, and 60s today. Although most people believe that realizing a secure retirement is their most important financial priority, few have actually taken the steps necessary to reach this goal. Perhaps they are intimidated by the process itself, including sorting out what is useful from the vast amount of conflicting information available, or the prospect of facing an unpleasant reality.

It is true; planning for retirement involves many variables and unknowns. When do we want to retire? What kind of a retirement do we expect? What sources of income will we receive? The answers to these basic questions will have important financial implications, and will serve as the starting point for developing an effective plan.

Over the next several weeks, we will discuss the important elements of a sound retirement plan including the following topics:

1. How much money will I need each year to enjoy a comfortable retirement? In other words, how much income will I need at retirement to maintain the standard of living that I want? Is there a simple formula that I can depend on, or do I need to make projections based on my particular circumstances? What risks do I face with regard to my retirement expenses, and how do I account for them?
2. How large will my investment fund have to be to support my needs, and how much can I afford to spend from these investments during retirement without running out of money? How do I factor in my other sources of income such as Social Security or my employer's pension plan? How do I account for the effects of inflation?

3. How much do I need to save each year so that I will have a large enough portfolio when I am ready to retire? What is the most effective way to save and invest toward building an adequate portfolio? How should I allocate my savings between my employer retirement plan, IRAs, and taxable investments? What are the advantages and disadvantages of Roth accounts? Do they make sense for me?

4. How should my portfolio be invested to permit me to withdraw the maximum possible amount, while providing me with a high degree of confidence that I will not outlive my money? How important is my asset allocation? How much risk should I take? Which kinds of investments should I put in my taxable accounts, traditional retirement accounts, and Roth accounts?

5. Since I have taxable accounts, employer retirement plans, traditional IRAs, and Roth IRAs, what is the most sensible and tax-efficient withdrawal strategy that will allow me to get the most out of my portfolio, while still complying with IRS rules for required minimum withdrawals?

6. What are some effective strategies for optimizing my (and my spouse's) Social Security benefits?

7. Should I consider using annuities? If so, what kinds should I consider and which should I avoid?

Being able to retire on your own terms and live comfortably is a fundamental part of the American dream. The goal of these articles will be to address in simple, straightforward language, the sensible steps you can take to make that dream a reality.

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