Rochester Wealth Strategies

439 S Main St, Suite 250
Rochester, MI 48307
(248) 434-6550

# Considering Retirement?

## By Xenia Woltmann

Given the current state of our economy, many are contemplating whether it makes sense to retire early. For others, they may fear that their careers are at risk or perhaps they are already laid off and want to determine if they should bother looking for a new job. When it comes to retirement, it is important to evaluate your options by looking at your numbers on a comprehensive level.

A good start is to review your income sources. Keep in mind that every day is Saturday in retirement. If you are not working, you are spending. It is best to assume that your expenses in retirement will be at least 100% of what they were right before you retire. Your spending may slow down as your health declines, however then you must factor in the cost of medical.

You may be one of the few individuals fortunate enough to have a pension. It is important to review the **pension estimates** and disbursement options available to you. If you are concerned about control of the assets or ensuring your spouse receives the same benefit, you may have the ability to rollover your pension instead of taking a fixed income stream. Otherwise, if the internal rate of return is high and you feel you have a longer life expectancy, it may be more appropriate to maintain the income stream.

A detailed Social Security analysis is a must before you decide to draw. This will help determine the most ideal time to start taking Social Security by looking at tax rates, cost of living adjustments, life expectancy, and market conditions. As a reminder, the Social Security Administration is only there to give you benefit estimates. They are not there to give you advice on how to draw; hence the importance of working with a financial professional to run various assumptions. One consideration is to utilize your savings and investments to live off as long as possible prior to drawing social security.

Other considerations are current and future expenses. If you have **debt**, run an analysis on the efficiency of your payoff plan and if it is on pace with your retirement goals. For example, if you have a mortgage or other debt, how quickly can and should you pay them off? Should you forego additional principal payments to increase retirement savings? What type of additional purchases do you plan to make in retirement? Will you buy or lease vehicles? Are you thinking of purchasing a second home or taking annual vacations? Should you consider life insurance? Another major expense is health care. Currently, Medicare begins at age 65 but you will still average approximately $500 per month per individual in retirement. An underutilized strategy is to contribute to a **Health Savings Account**. You can contribute now to help ease the cost of health care later.

Depending on your situation, Roth conversions may also be an appropriate consideration to help your tax liability in retirement.

You should also consider any additional sources of income. Is the internal rate of return on your rental properties high enough to justify maintaining them? Are your investments stable enough to offer peace of mind throughout your retirement years?

We must also understand that if you are comfortable just living off your pension and social security today, that does not necessarily mean that you will be okay in the future. For example, if your current expenses are $75,000, inflation could increase this number to around $150,000 in 20 years. Since most pensions do not inflate and since social security tends not to keep up with inflation, where will the extra $75,000 come from? This is where investing appropriately becomes so important and why it is crucial to make sure that even your safe money is earning enough to keep up with inflation.

Understanding your options will help you create the best strategy and provide a step-by-step roadmap to help you succeed. It is not as scary as you think and there are many resources available to help you.

**Contact us:** info@RochesterWealthStrategies.com *www.RochesterWealthStrategies.com*

*Xenia Woltmann is Vice President of Rochester Wealth Strategies LLC, an Independent Registered Investment Adviser located in Downtown Rochester. RWS is a Fiduciary and Fee-Only financial advisory firm. (248) 434-6550*