Saving is only half the battle

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When you think of retirement, what comes to mind? Perhaps you imagine spending time with loved ones, traveling, or pursuing a hobby. From relaxing beach vacations to sunny days on the golf course, your ideal retirement days may look idyllic.

You may have other thoughts, however, once the reality of paying for your retirement sets in. Then, you may begin to wonder if you'll even have enough money to last your lifetime.

Currently, you may be five, 10 or 15 years away from when you plan to retire. Chances are you've been disciplined about saving for retirement, diligently socking away money in your IRA or employer-sponsored plan, such as a 401(k).

Arm yourself with a retirement income strategy

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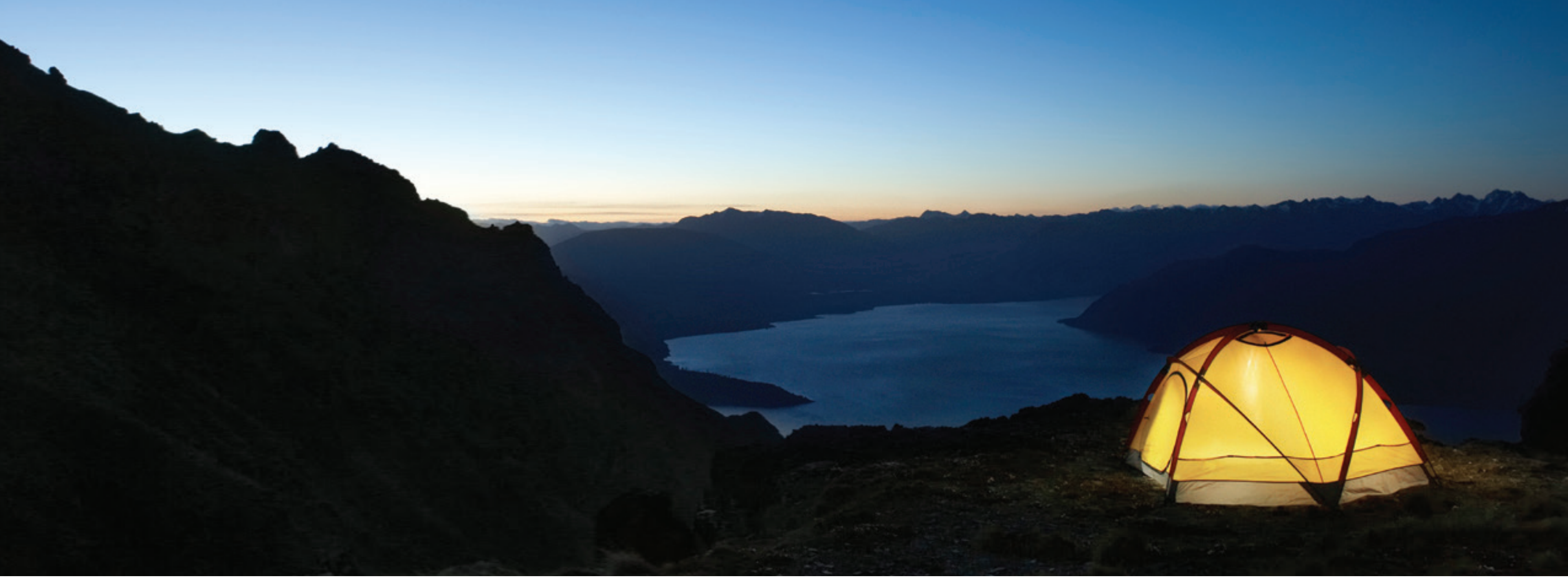

Saving is important, but it's only half the battle when it comes to turning your retirement dreams into financial reality. A plan for taking income, otherwise known as "de-accumulation" or "distribution," can be just as crucial for your golden years. While taking income sounds simple, you want to ensure that you have a plan that will help you live the retirement you want – and you don't wind up a "day long and a dollar short."

From accumulation to income

Creating a retirement income strategy that addresses when and how to convert your savings into a regular "retirement paycheck" can help guide you through the transition. After all, you've probably come to rely on a steady paycheck. You may know exactly how much each paycheck is and what expenses it covers – from housing, groceries, transportation and general bills to dining out, traveling and entertainment.

Now, consider how this income/expense dynamic will play out once you retire. Have you thought about the kind of expenses you'll have in your golden years? Or about how much income you'll need, and where it will come from?

Steps to get started

Let's face it. Retirement can be expensive. That's why it's so important to save as much as you can now so you can build your own personal income plan. Here are some steps to help you get started in developing a more "holistic" retirement income strategy:

1. Identify your retirement needs. Work with your financial professional to estimate the expenses you expect to have once you retire. Be sure to include essential expenses (food, housing and medical expenses) as well as lifestyle expenses (things you want but don't actually need to survive).

2. Estimate how much of your pre-retirement income you'll need to replace in order to meet your needs. This step will help you understand the true cost of the retirement lifestyle you'd like to have. For instance, you may opt for a more modest lifestyle in order to leave more money to your heirs.

3. Create a "buffer" for potential retirement risks. Retirement can include a number of gray areas that you may need to address. From unexpected health care-related expenses to caring for aging parents, there are many uncertainties. Other key risks to consider are:

    - Longevity risk – You look forward to a long, happy and healthy retirement. But you also want to ensure you don't outlive your assets.

    - Withdrawal rate risk – Draw down your assets too quickly, and you'll be unable to meet future needs.

    - Sequence of returns risk – An unfavorable market environment can have a big impact on your retirement savings. If you experience a high proportion of negative returns early in retirement it will reduce the amount of income you can withdraw later.

    - Inflation risk – This involves potential loss in purchasing power due to rising costs of good and services.

4. Identify retirement income sources. When you transition from full-time employment to retirement, you'll no longer receive the regular paycheck you've come to depend on. Retirement income sources, such as Social Security, company pensions and annuities can help give you a regular, guaranteed stream of income that may last your lifetime.
5. Develop a retirement income timeline. Map out how and when you'll take payments from your retirement income sources. Again, work with your finanical professional to help you through this essential step.

The numbers

31%
Of the workforce lack savings specifically allocated for retirement.[1]

$1,360
Average monthly Social Security benefit for retired workers.[1]

20 YEARS
Average time an American spends in retirement.[2]

9 OUT OF 10
Individuals age 65 and older receive Social Security benefits.[1]

$153.82
Cost, in today's dollars, of an item that would have cost $100 in 1997.[3]

34%
Percentage of overall income Social Security benefits make up for the elderly.[1]

$38,515
Median household income for those 65 or older.[4]

51%
Of the workforce, in private industry, has no private pension coverage.[1]

[1]Social Security Basic Facts, 2017, https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf

[2]Department of Labor, "Top 10 Ways to Prepare for Retirement," September 2015, http://www.dol.gov/ebsa/publications/10_ways_to_prepare.html

[3]U.S. Bureau of Labor Statistics, CPI Inflation Calculator based on report published May 2017, http://www.bls.gov/data/inflation_calculator.htm

[4]DeNavas-Walt, Carmen and Bernadette D. Proctor, "Income and Poverty in the United States: 2015," Current Population Survey Annual Social and Economic Supplement, U.S. Census Bureau, 2015, p. 6. https://www.census.gov/content/dam/Census/library/publications/2016/demo/p60-256.pdf

The time is now

Your retirement may be one of the longest chapters of your life. Why not plan ahead so you can achieve the future you want? Be proactive and take control of your financial future by contacting your financial professional today.

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