

Retirement Readiness

*Bring clarity and direction
to your plans for the future*

FINANCIAL DECISIONS **MADE SIMPLE**

Getting ready to retire. The next chapter in life.

For some, you may simply have always had it in your mind that at age 65 you were going to quit your job and retire. But for many people it's not quite that simple and there can be a lot of uncertainty over all the decisions ahead. Even just the thought of living off one's savings instead of the steady paycheck you may have had for many years can be a huge mental shift.

This guide is meant to serve as a starting point on bringing clarity and direction to your plans for the future. Let's dig in!

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Why Retire?

When contemplating the right time to retire, there is as much “psychonomics” as there is “economics” to consider. In fact, when it comes to the notion of retirement, the psychonomics – the feelings, attitudes and overall values associated with the transition into retirement - are perhaps even more important than the financial decisions ahead.

We have had clients retire with no real direction as to the purpose behind their retirement, other than that they had put in 30 years and felt that was enough. Coincidentally these same clients often end up working again or trying to find a purpose filled life in the remainder of their retirement.

We strongly encouraged you to give thought to what you’ll be doing in retirement... before actually retiring. Typically retirement isn’t endless weeks filled with golf. So what purpose will you serve in retirement? How will you be impacting others or having social engagement that enriches you or others?

Retirement can be a lonely place if you have little in the way of hobbies or social groups outside of your co-workers.

If you have some time before fully entering retirement, perhaps explore some of the hobbies you’ve neglected or ones you haven’t tried. Additionally, if you can marry your hobbies with volunteer work, you may find retirement even more enriching than you once thought possible. In any case, determine the reasons for wanting to retire, and explore as many options as you can as to what you’ll spend your time doing as you will no longer be tied to the 9-5 work environment.

What purpose will you serve in retirement?

Getting ORGANIZED

1

The first step, whether or not you are working with a financial planner, is getting organized. You have most likely gathered many different “buckets” of money of the years, and might need to track down all your accounts. Start by creating a balance sheet or net worth statement by listing all of your assets and liabilities. This can help to visualize all the different accounts you might have, and where you may want to look at consolidating or cleaning up loose ends.

2

Next, review all the beneficiary listings you have on your accounts, especially if you moved or consolidated accounts, to make sure everything is going where it should be going if something were to happen to you. It may have been some time since you last reviewed beneficiaries, so be sure everything is current.

3

Note any and all income benefits you might have. This includes looking up your most recent Social Security values, pension amounts, and any other future income or future benefit you might have.

Ensure a solid understanding of your insurance needs and current policies. Review these for accuracy and when they might end or increase in costs. Also, write down any anticipated cash flow changes you anticipate in the coming years, such as a mortgage or debt payoff, child support start/end, alimony or other financial change.

4

Determine what your monthly expenses include, and look at how these might change or stay the same when retired. If you’ve been commuting, perhaps your retirement budget will include less dollar allocated to fuel and vehicle maintenance. If you haven’t had time for a hobby but plan to devote more time in retirement, you might budget more for that hobby.

Making a Plan

Now that you are organized, you can begin to make a plan for how to transition into retirement. This includes making a plan for which monies you'll be using for your short term spending (or emergency funds) as well as what will be used to support the longevity of your retirement. You can match up which accounts and funds you'll use to support your budgeted expenses net of any covered expenses from Social Security and other income such as planned part-time work or other income.

Depending on the goals you determined earlier, you'll want to go year by year and time out each event so you are sure to have adequately budgeted for everything. If your goal was to replace the roof two years into retirement, then don't forget to budget for that expense a few years from now, and make sure the money you planned on using is easily accessible and not subject to too much market risk so you are sure to have the funds when needed.

TIP

Create a list or spreadsheet that includes the following for each year of retirement

- *Total expected expenses*
- *Which monies you'll be using to support you*
- *Estimated taxes*

After determining each year's income needs, you'll want to make sure you've accounted for the taxes on the estimated income you'll be taking out each year. You can't really be sure of the exact tax you'll owe on these withdrawals, but you'll want to at least budget for it so you don't run short on your plans.

If you are retiring before age 65, or don't have a spouse that has health insurance, you'll want to make sure you have these benefits accounted for so you don't end up having the start of your retirement cost you more than you anticipated.

ADJUST GOALS

After running your plan or at least taking a closer look at your anticipated future income and cash flow needs, consider adjusting things if you don't feel confident in what you initially planned.

This might mean delaying your retirement six months to a year if you have opportunities you don't think wise to pass up. Or you might have an opportunity to retire earlier than expected because of windfall due to an inheritance.

Be willing to adjust your goals and plans accordingly. Tax laws, government benefits, and markets are always changing. Be ready to adapt and be willing to change your plans should it make financial sense to do so.

Work with Professionals

If you've gotten this far, it means you are serious about making the most of your retirement, and for that, we applaud you. There is a lot to consider when it comes to transitioning into retirement. Seeking professional help isn't difficult, but does require time to vet and determine if the professionals you are looking to include on your team are a fit for you.

We encourage all people to seek the second opinion of financial professional to get a second set of eyes and ideas on the plans you've made for the future. There

could very well be things you've missed or perhaps simply getting your plans verified can add the peace of mind many are looking for. Be clear as to how the professional is paid for their time, and make sure they are someone who works in the retirement planning space. There are ways to approach retirement planning from a scientific and statistically analytical way, and then there's the *"just take money out when you need it"* way. Action Financial Strategies prefers to advocate for the scientific approach that hinges on as clear a plan as possible, not a plan that hinges on "hoping" things work out.

NEXT STEP | SECOND OPINION PROCESS

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