Graystone Consulting

Your Financial Future

Tips and insights to help you reach your goals

FALL 2018

Getting real: Retirement Planning in Your 50s or Later

This is the first of a series on retirement issues specific to different age groups. Next issue: ***Halfway home: Mid-career retirement planning.***

If you're in your 50s or later, the prospect of retirement is now more real and your planning starts to look very different. Time may no longer be quite the ally it was, but you can begin to sketch out retirement costs with a little more certainty. Even youngsters of 50 should start assessing, clarifying, and adjusting their plans—and continue refining them up to and through their retirement date.

Taking stock

Rather than focus on your account balance, it's time now to add up all your assets. That includes workplace plans, any plans with former employers, IRAs, and the value of any defined benefit pensions. Include any funds you may have in taxable (nonretirement) accounts. Get as complete a picture as you can of your total investments.

At the same time, calculate expected Social Security benefits. The Social Security Administration has several calculators at https://www.ssa.gov/planners/calculators/ to help you, given assumptions you supply (such as life expectancy and the age you begin drawing benefits).

Don't forget to include any equity you've accumulated in your home. You may relocate or just downsize, so your nest may be a significant part of your nest egg.

For income, assume an annual withdrawal of 4% of your assets each year. That's simplistic, but it's a good benchmarking number.

Clarify your goals and expenses

It's time to start putting a price tag on your dreams. Be as detailed as you can, but begin with your best guesses for the categories below. And remember retirements can last 30+ years. Specific expenses will vary over that time.

- Hobbies and recreation
- Taxes
- Healthcare
- Housing
- Transportation
- Insurance
- Gifts
- Entertainment
- Food/household expenses

Course corrections

If your anticipated expenses are covered by your projected income—fantastic! You're on track (but continue to refine your numbers). If not, don't panic. There are steps you can take:

Adjust your goals: Can you dial down your dreams? Perhaps move to a less expensive location, retire later, live more modestly, or consider part-time work during early retirement?

Lean into funding: Cut costs now to maximize your retirement contributions. Those age 50 or older can sock away $6,000 beyond the maximum $18,500 contribution for 401(k)s in 2018. That may seem ambitious, but finding the money will be easier today than in retirement.

Avoid the "quick fix": It's tempting to invest more aggressively. But a stock market crash could set you back years, with little time to make it up. Your retirement plan may offer target date funds, managed accounts, or similar vehicles that seek to provide a mix of investments appropriate for your age and risk tolerance. Ask your employer if you're not sure.

Don't let up now!

The accumulation years are winding down, but the best is yet to come—if you start planning now. A Financial Advisor can answer many of your questions, and you can also explore some of the many online calculators that model different retirement spending and income scenarios.

How's your financial literacy?

A little knowledge goes a long way toward managing your retirement future. A recent Federal Reserve study, though, found that Americans have a lot to learn—fewer than 20% could answer all five questions below correctly.[1]

See how you stack up. If you miss any, visit your plan website to explore the educational materials available there. *(Answers at bottom.)*

1. **Housing prices in the United States can never go down.**

   ❑ True ❑ False ❑ Don't know

2. **Buying a single company's stock usually provides a safer return than a stock mutual fund.**

   ❑ True ❑ False ❑ Don't know

3. **Considering a long time period (for example, 10 or 20 years), which asset described below normally gives the highest returns?**

   ❑ Stocks ❑ Bonds ❑ Savings accounts ❑ Precious metals

4. **Imagine that the interest rate on your savings account is 1% per year and inflation is 2% per year. After one year, how much would you be able to buy with the money in this account?**

   ❑ More than today ❑ Exactly the same ❑ Less than today

5. **Suppose you have $100 in a savings account and the interest rate is 2% per year. After five years, how much do you think you would have in the account if you left the money to grow?**

   ❑ More than $102 ❑ Exactly $102 ❑ Less than $102

	Answer	% correct	% incorrect	% didn't know (or no answer)
1	False	60%	19%	22%
2	False	46%	4%	50%
3	Stocks	42%	20%	37%
4	Less than today	62%	12%	25%
5	More than $102	71%	12%	16%

[1]Source: The Federal Reserve, Report on the Economic Well-Being of U.S. Households in 2017, May 2018, www.federalreserve.gov/publications/files/2017-report-economicwell-being-us-households-201805.pdf. Totals may not equal 100% due to rounding.

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09/18
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