



Financial Planning in Your Fifties and Sixties

By the time you're in your 50s, the kids have probably left the nest and are supporting themselves. It is likely that you are enjoying the highest income level of your career. Now you can focus on building retirement assets.

To take stock of how you have done so far on planning for your retirement, first prepare a realistic estimate of what your expenses are likely to be during retirement. Many experts recommend using a percentage of your current income, but this method is often inaccurate because it fails to take into account differences in personal lifestyles and financial situations. A more accurate estimate comes from anticipating the lifestyle you plan to have during retirement. Will you travel? Maintain a vacation home? Take up an expensive hobby? How much will these choices cost? Complete a projected budget, keeping in mind that some costs (such as health insurance) are likely to increase and some costs (such as your mortgage and costs associated with working) are likely to decrease or disappear.

Once you have a reasonable estimate of your expected retirement expenses, determine the approximate worth of your current assets at retirement. You can obtain an estimate by using one of many retirement calculators available on the Internet.

Next, estimate how long your retirement assets are likely to last, considering your projected expenses and income (including Social Security, pensions from your working years, and personal savings), the size of your nest egg, the return you expect to earn on your assets, and your life expectancy. Again, you can roughly estimate how long your money is likely to last by using an online calculator, but it is often wise to consult a financial planner for assistance with this important step.

With the above information, you should have a sense of whether you can expect to meet or fall short of your goal. If possible, increase your retirement contributions to 15 percent or more of your income.

Your 50s are also a good time to evaluate the allocation of your investment portfolio. Are you being too conservative by putting too many of your assets in fixed-income investments? Are you taking inappropriate risk by investing too heavily in stocks or stock mutual funds?

Other issues to consider in your 50s include a review of your estate plan. Include in your review a will, a durable power of attorney to designate power to make financial decisions on your behalf if you become unable to do so yourself, and a living will outlining your

wishes regarding lifesaving treatments in the case of serious illness or injury. It is generally best to consult an attorney to develop these legal documents.

As you enter your 60s, continue to fine-tune your projections and your asset allocations. Contact the Social Security Administration for an estimate of your Social Security benefits based on your expected retirement date. Benefits are permanently reduced if you choose early retirement. Be sure to enroll in Medicare by the time you reach age 65, but recognize the many gaps in Medicare coverage and purchase a Medicare Supplemental (Medigap) insurance policy that takes effect when your Medicare coverage begins. If you retire before age 65, acquire medical insurance to cover you until you are eligible for Medicare.

Plan in your 60s how to maintain and receive your retirement assets. Will you consolidate all of your investments for ease of recordkeeping? Will you take a lump-sum distribution or an annuity? Because the order in which you withdraw your funds (whether you withdraw interest, dividends, or capital gains first) can have a significant impact on taxes, it makes sense to consult a tax professional before making these decisions.

Here is a list of questions that will help you to assess your finances at any age:

- Insurance coverage: Do you have long-term health-care coverage? Do you have catastrophic health-care coverage? Have you established durable power of attorney?
- Who are your advisors? How have they been trained and how are they paid?
- Home: If you carry a mortgage balance, how much is outstanding? How much is your home worth? Do you want to continue living there?
- Social Security: What Social Security benefits will you receive? Should your spouse die, how much of his or her Social Security payments would you receive?
- Pensions: What pension benefits do you have? Will continuing payments be available from your spouse's pensions?
- IRAs: How much do you have in your IRA? Your spouse's IRA?
- Annuities: Do you own any annuities? If so, what is their payout schedule?
- Investments: What is the current value of *all* your investments? If someone handles your investments, how is his or her performance in comparison to other investment managers? How is that person paid?
- Bank accounts: Are all your bank accounts in your name and your spouse's name? If you are widowed or single, does someone else have access to funds on your behalf if you become incapacitated? If not, there will be delays in getting access to the bank accounts if one of you dies. What is the total amount in bank accounts, including checking, savings, and certificates of deposit?
- Wills: Do you have a will? Has it been updated to reflect any changes?
- Trusts: Do you have a funded living trust to avoid probate? Have you considered other types of trusts to avoid taxes if your estate is worth more than \$1 million?

If you plan wisely, you should be able to live comfortably through your retirement years. You've earned it.

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