

RETIREMENT PLANNING

Scaling the Retirement-Savings Peak Is Tough; The Descent Is Tougher

You've worked and saved, and now you're ready to retire. But are you? For a successful retirement – one in which your money lasts as long as you do – you need to cover these bases.



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It is sometimes said that planning and saving for retirement is much like mountain climbing. As you scale your way to the peak, you hope to see a glorious view of retirement on the other side.

But, just as with actual mountain climbing, you don't get to revel in that view for long. It's time to start your descent — actual retirement. And that's when many people run into trouble.

The reason? They don't have a good plan in place to make sure that the retirement savings they accumulated is able to support their retirement lifestyle — and will last the rest of their lives.

Without a comprehensive plan, that descent can get mighty treacherous. So, what do you need to take into account as you create such a plan? Let's take a look:

You Need an Income Plan

For most of our lives, we depend on that regular paycheck, so we can pay our bills on time. When you retire, the paycheck stops, but the bills continue. That's why it's important to have a written income plan so you can replace that paycheck with another regular income stream. After all, Social Security typically will cover only about 40% of pre-retirement income. As you create your retirement income plan, you need to answer these five questions:

1. How much money do you have?
2. How much do you need?
3. Will it last forever?
4. Are you taking too much risk?
5. Are you overpaying in taxes?

The key with income is to come up with strategies for your savings to cover the gap between what Social Security provides and what you need. That's where investments come in.

Use the Bucket Strategy for Your Investments

Your money should be divided into three buckets: safety, income and growth.

- The safety bucket is for those unexpected moments that arise in life, the emergencies we all encounter.
- The income bucket provides the money to pay for your lifestyle and monthly bills. For example, you could use some of your retirement savings to purchase a fixed index annuity that would provide a steady income stream each month.
- Finally, your growth bucket is where you can be more aggressive with your investments in the market since you already have your safety and income buckets accounted for.

Get a Handle on Your Taxes

Even in retirement you will pay taxes, but there's no reason to pay more than you truly owe. A problem many retirees encounter with taxes is that much of their savings is in tax-deferred accounts, such as traditional IRAs or 401(k) accounts. That means they paid no taxes on the income they contributed to the accounts each year — but they will pay taxes when they start withdrawing money in retirement.

One way to avert a potentially large tax blow to your savings in retirement is to do a Roth conversion now. Roth accounts grow tax-free, and you pay no taxes when you make withdrawals in retirement. You will pay taxes when you move your money from the tax-deferred account to the Roth. But it could be better to pay those taxes now, when tax rates are relatively low, rather than wait until later, when taxes could be increased.

Prepare for Health Care Costs

At age 65, you are eligible for Medicare, but not all Medicare plans are the same, so you want to study your options carefully to make sure you choose a plan that fits your needs. What is covered? How much are the deductibles and copays? Are your doctors in network for the plan you are choosing?

In addition, on the health care front, it's a good idea to consider strategies for paying for long-term care. Among the options are long-term care insurance or a life insurance policy that can be converted into an income stream to help cover long-term care costs.

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Complete Your Legacy Planning

Many retirees hope to pass something on to their heirs, but if you don't do the proper estate and legacy planning, those assets may not go to them as efficiently as you would like. You could even leave them with a hefty tax bill that could have been avoided. For example, if anyone other than a spouse inherits a traditional IRA, they must withdraw all the money within 10 years, paying taxes as they do so. But if you had made a Roth conversion, they could avoid those taxes.

It's also important to make sure your beneficiaries know where to find information about your accounts and where your passwords are stored. At our firm, we provide clients with a "survivor's checklist" that delves into such issues, right down to what to do with any pets.

NYSUT NOTE: Get expert legal guidance from a national network of attorneys through the NYSUT Member Benefits Trust-endorsed Legal Service Plan. Enroll for easy access to experts to help manage all your legacy planning needs. [Click here](#) for more information.

As you near retirement, it's important to work with a financial professional who specializes in this phase of the retirement journey. Even if you already have an adviser who worked with you during the accumulation phase, that doesn't mean they are right for the distribution phase that you are about to enter.

I liken it to this: Many of us used to see a pediatrician, but later in life, we switched doctors. There was nothing wrong with the pediatrician; he or she just didn't serve our needs once we became adults.

The same can be true for financial professionals. The person who got you to retirement may not be the one who gets you the rest of the way.

NYSUT NOTE: Do you have financial questions that you need answered? As a NYSUT member, you have access to a team of Certified Financial Planners® through the NYSUT Member Benefits Corporation-endorsed Financial Counseling Program. From retirement planning to debt management to tax planning and more, get answers to all your financial questions by enrolling today. [Visit the website](#) for more information.

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