

## The New Retirement

When planning for retirement, many individuals in their mid-40s and beyond will have 2 big questions:

"How will I pay for the life I want in retirement?" and "Who will help me figure that out?"

### Turning Savings into Income

"How will I pay for my retirement?" If you find yourself asking this question, you are not alone. Managing retirement income to meet retirement expenses can feel challenging.

For many, the challenge is making sure their income lasts long enough, yet keeps up with rising prices and is able to withstand unexpected economic bumps in the road.

### The New Retirement

When the concept came about in the early 1900s, "retirement" meant spending a few brief years resting from a lifetime of toil. Today's "retirement" barely resembles that early definition. Rather than stopping, many individuals today are moving on to more flexible work, rediscovered passions, or even entirely new careers— sometimes even very late in life. For these reasons, the word "retirement" gets used less and less. For many, "retirement" is more about being able to do what's next.

To enable what's next, you need to prepare a plan for income that can be sustained through a variety of circumstances. Understanding what your income sources are, and how those can be used to match your expenses, can be a simple way to plan. It is also important to make sure you are using the appropriate income sources to sustain you for the long term.

### You Are Not Rich Enough to Retire on CDs Alone

As you know, we are in a situation with historically low interest rates. Just walk into your local bank and ask them about their current rate on a savings account. Because of these low rates, people who thought that they could simply put money into very conservative accounts are facing the harsh reality that they will likely have to look elsewhere for needed income. These are things to keep in mind as you begin developing your retirement income plan.

### The Building Blocks of a Retirement Income Strategy : Prioritize Your Goals and Concerns

The first, and perhaps the most important part of a retirement income plan is to prioritize your goals and concerns. A good retirement strategy will balance both. A plan that focuses on goals and doesn't address your concerns may cause worry. Similarly, a plan that only addresses concerns and does not consider your goals runs the risk of implementing a strategy that is not rewarding.

## Translate Your Goals and Concerns into Expenses

Once you prioritize your goals and concerns, you can identify your expected retirement expenses. It helps to think about your expenses in terms of what they will be used for, such as basic needs or discretionary “nice to haves.” You also need to look at how each type of expense may change over time—do they rise with inflation? Are they impacted by changes in the economy?

Generally, there are three distinct categories of retirement expenses: Fixed, Rising and Discretionary. Basic expenses are separated between Fixed and rising.

## Understand Your Potential Retirement Income Sources

Many are tempted to think about their projected retirement income as a single block of money. In reality, there are multiple sources that may contribute to your projected annual income. Each source has a unique set of characteristics and risks. Some, like Social Security, are government-guaranteed. Investment sources of income have the potential to grow or decline over time.

## Match Expenses with Potential Retirement Income Sources

Retirement expense categories and potential retirement income sources each have unique characteristics. How can they best be associated?

**Fixed expenses** are less impacted by inflation and need to be funded by a relatively stable source of income.

**Rising expenses** are more impacted by inflation and also need to be funded by a relatively stable source of income, but one that has the potential to grow over time. The potential for growth also increases the risk.

**Discretionary expenses** are also impacted by inflation, but have more flexibility in terms of the risk that might be assumed with potential sources of income.

Now that you know about the building blocks, you can start putting them together to develop your own retirement income strategy.

[Contact us](#) to move forward with prioritizing your goals, calculating your retirement expenses and determining your potential retirement income sources.