

Are You Confident in Your Retirement Plan?

Cloud Investments, LLC

www.cloudfinancial.com

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Three Financial Planning Tips to Help Find Peace of Mind

The Employee Benefit Research Institute (EBRI) recently released its annual Retirement Confidence Survey for 2016¹ and found, while confidence has shown improvements since the record lows of 2009 – 2013, only 21 percent of workers today are very confident about having enough money for a comfortable retirement. The study went on to show that only a minority of all workers appears to be taking any of the basic steps needed to prepare for retirement. Whether you are years away from retirement or currently retired and feeling uncertain of your financial future, here are few planning tips to consider that could help raise your personal retirement confidence:

Create a budget: Knowing what money you have coming in and going out each month is a fundamental building block to financial success throughout your lifetime. This becomes even more important as you transition from receiving a paycheck to living on a fixed income at retirement. To create an accurate household budget, go back and review a 12-month history of your spending and expenses. This time period can help capture holiday spending, annual taxes, and other miscellaneous expenditures that occur throughout the year to create a realistic average monthly figure. If you have never completed an exercise like this before, you may be surprised how seemingly insignificant expenses like morning coffees or trips to the convenience store add up over time. With this perspective, you can review areas you may want to decrease unnecessary spending or increase contributions towards paying down any high-interest debt.

Start saving: The sooner you begin saving for your retirement, the more you can appreciate the benefits of compound growth over time; however, it's never too late to start! If your current employer offers a 401(k) or similar retirement plan, aim to contribute at least as much as any employer match programs that may be available. This is part of your compensation that you are leaving on the table if you do not participate. If you have maxed out your company plan, do not have one available, or would like additional investment opportunities outside of our plan, consider opening a traditional or Roth IRA. Traditional IRAs may provide a deduction for you 2016 income taxes and will then grow tax-deferred until withdrawn in retirement, whereas Roth IRAs will not have the tax deduction up front for the trade off of tax-free growth to and throughout your retirement. IRA contribution limits for 2016 are \$5,500 per individual (\$6,500 for age 50+). Certain income limits and considerations will apply to enjoy the tax benefits of these accounts, so be sure to give us a call to help identify the most tax-advantaged savings opportunity for your consideration.

Make a plan: Once you have created a budget and made a commitment to growing your savings, the next step to help create a more secure retirement is designing a plan. Look to identify any sources of income you may have in retirement, such as a pension and Social Security. There may be strategies to consider for when and how to take from these sources to maximize benefits for your needs. From there, how much more will you need each month to cover your expenses? This is the amount that will need to be taken from your savings and investments to fund your retirement. At Cloud Investments, LLC, we take a structured approach to segregate buckets of money based on your various needs and goals. Short-term needs may have no to low market risk and a focus on income whereas long-term goals may take on more volatility for maximum growth exposure.

By taking a comprehensive perspective, Cloud Investments, LLC, can help you plan for the impact of potential future taxes and inflation for a more accurate understanding of your full financial picture in retirement. This clarity and focus on planning can ultimately help provide peace of mind and confidence knowing you have a plan in place. To discuss ways to help increase your retirement confidence and design a comprehensive financial plan for your unique situation, please give us a call at (256) 715-0094 today.

¹ https://www.ebri.org/pdf/briefspdf/EBRI_IB_422.Mar16.RCS.pdf

