Financial Focus

RETIREMENT PLANNING

Q: I am a woman who doesn't know much about investing: Can you advise me on where to start?

A: If you're a woman, knowing how to handle investments is a necessity. 75% of women are widowed or divorced by 56 and less than 15% of women who are married are involved in investment decisions. Applying yourself now will better prepare you for a future financial crisis: loss of spousal income upon death, outliving your money, losing it to nursing homes, overpaying fees, losing a lot of money when the stock market collapses, or receiving bad advice.

Most people have investments but lack a comprehensive plan to get to and through retirement. Women can become good investors with the proper guidance. Control fees, losses, taxes and spending – you'll do better than most.

Tips

1. Spend 15 – 30 minutes weekly reviewing financial statements and tracking balances.
2. If married, be sure you have some money in your own name. Make sure your name is on all non-IRA accounts, life insurance, IRA's & Retirement plans as a beneficiary. Have a credit card in your own name.
3. If you are married, create a plan now in case you are on your own someday due to an unexpected early death or divorce.
4. Write down your goals. Wealth is the result of good planning, getting started and sticking to the plan. Give it time. Review and reset your goals semi-annually.
5. Get advice from a professional retirement planning expert – you'll worry less about your financial future.

Improvement comes with change, not chance. Take action now. Whether you're single, widowed, divorced or married, you don't have to do it alone. It's easier than you think.

Call Lifeguard Financial at 440-942-1936 to schedule a free review and receive a copy of my book "There's a Crack in Your Nest Egg" – an owner's manual for a successful retirement.

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Financial Focus

RETIREMENT PLANNING

Q: Deciding on Early Retirement

A: When offered an early retirement package - if you are given a choice - consider it carefully. Accepting early retirement may be a better deal for you financially than continuing to work.

Consider all the incentives. What will your financial position be if you accept early retirement? Compare your net income in retirement with your net income if you continue working. Even though you might receive less income when you are retired than when working, you'll have more net income during retirement because of early retirement incentives and reduced expenses.

Early retirement plans typically offer incentives such as...

Cash Bonus, often based on years of service. If you invest it, you may increase your future income.

- Bigger Pension. If the regular pension provides a benefit of 25% of your average salary in your three highest paid years; the enhanced early retirement pension might offer 30% - a lasting benefit that also increases your income.

Continuing fringe benefits, such a medical coverage and life insurance for a period of time, perhaps until you reach age 65. While these are "noncash" benefits, include their value in your retirement income estimates.

These are other factors affecting your retirement:

- Out-of-pocket employee expenses. You'll no longer have to pay for commuting, lunches, work clothes, etc.
- Lower income tax bracket. Because your gross income will be lower, income tax as a percentage of total income will also fall.
- Spending money. Retiring from your current employer does not mean, you have to stop earning money. You may be able to use your experience to generate income by working part time or full time as a consultant - or by starting a new business of your own.

For sound advice on early retirement, pension rollovers, financial planning or, to receive a second opinion, contact Lifeguard Financial at 440-942-1936.

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RETIREMENT PLANNING

Q: How to Retire Rich

A: When you think about your retirement, what do you see yourself doing? Will you enjoy hobbies, travel or have to pinch pennies? Too many Americans have to work longer and can't enjoy the luxuries in retirement because they wait too long to save or don't save enough.

If you want to retire sooner and have a comfortable lifestyle, commit to the following strategies:

1. Eliminate unnecessary spending. Then increase your retirement contributions with the savings.
2. Start saving early and consistently. If you start in your 20's, you won't have the pressure of having to save a lot more in your 50's and 60's. Sign-up for your 401k or open a Roth IRA with your advisor.
3. Save a minimum of 10% every check. You should be able to live off 90% of your income. Take advantage of your employer's match.
4. If you get a raise, invest it for retirement.
5. Take advantage of catch-up contributions. You can add on extra to a 401k, 403b or 457 plan up to $24,000 if you're 50 or older. You can boost IRA or Roth IRA contributions to $_________.
6. Don't be too conservative when you're younger. Take a little risk for the needed growth. As you approach retirement, reduce the risk.
7. Trust in income generating real estate. Rental Properties can add to your Social Security and Pension income.
8. Get a part time job and invest the money for retirement.
9. Downsize before retirement.
10. Relocate to when the cost of living is down.
11. Find an employer with a little lower retirement plan.
12. Don't try to keep up with friends and neighbors style of living. Take care of you!
13. Procrastination and complacency come at a high cost. If you're not committed to investing and saving, where's the money going to come from when you retire? Playing the lottery may be your only hope.
14. Get professional help from an expert retirement planner. Only investing in stocks isn't a good reliable plan.

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RETIREMENT PLANNING

Q: How much of my retirement income will Social Security cover?

A: According to the Social Security Administration, one in five married couples depend on their Social Security checks for 90% of their income to pay the bills.

Social Security was designed to replace around 40% of your pre-retirement income, not to be your primary source of income.

If you're not retired yet, here are a few suggestions: Increase the amount you're putting into your employer's retirement plan and if you are over 50, you can put $6,000 into an IRA and an additional $1,000 (put it into a Roth IRA for tax-free growth and future tax-fee income.)

Consider working longer. 52% of Americans say they plan on working past 65. This gives you extra time to prepare for retirement and preserves your savings. If you are retired, consider working part-time.

Although Social Security alone won't be enough to make ends meet in retirement, you can receive a larger check by postponing your claim. Starting at 62, your Social Security increases at 8% to age 70. It stops growing at 8% after 70. If you're married or divorced, investigate your highest income options with a professional Retirement Planner.

You'll likely need other sources of income to retire comfortably. Take steps now to build supplemental income. The right annuity will provide such a check. It's guaranteed for life and unlike a pension, your spouse and children will inherit what's left in the annuity upon death. Based on the same deposit, some annuities will give you a much larger income than others. The sooner you open one, the more time it has to grow and more it will pay. Again, an expert Retirement Planner will be able to provide you with a comprehensive list of annuities and what each will pay in monthly income for life.

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RETIREMENT PLANNING

Q: Have You Chosen Your Retirement Lifestyle?

A: We all spend decades working and saving toward the far-off retirement of our dreams. And while we may all have ideas about what we want to do, have you ever thought about what your actual retirement lifestyle will be?

The first tip is both very simple and very profound: **Reinvent yourself.** Consider the years of dedication you put into your career and the sacrifices you made to become successful. Finally, retirement is your time. If you want to go slow and relax, go for it. If you want to dive right into a new strenuous activity, have at it! There's just one rule, as any financial services professional worth their salt would remind you: Your lifestyle is going to be affected by how much you have saved and what income you're still bringing in during retirement.

Thinking about a **beach lifestyle?** You're not alone. Soft, sandy beaches and warm ocean breezes can lure many of us. Of course, it's no secret that ocean views can be expensive, but a retirement strategy can make life on the beach attainable.

Retirement with lots of golf has been another frequent retirement theme. Golf may be particularly beneficial because it also provides plenty of exercise and social engagement, two critical components of a healthy retirement. But as any golfer knows, it can be an expensive hobby.

Going back to school is often cited as a frequent retirement adventure. Living in a college town has plenty of arts and culture benefits, but many colleges and universities also offer free or discounted classes for seniors.

If you're one of those folks who is eager to keep busy by v**olunteering during retirement,** your options are nearly endless. You can be a mentor, tutor, coach, or teacher at a library, museum, park, or school.

Some people want to **work part-time in retirement,** often not because they have to but because they want to. Working part-time or seasonally at a museum, concert venue, theater or even the neighborhood coffee shop can get you up on your feet doing something fun. Remember, with a solid retirement strategy, you call the shots.

The whole world is out there waiting for you in retirement. How will you spend it? What kind of lifestyle do you want to have? There's no time like the present to start thinking about it.

You'll need a plan. Call us to create one that will give you direction and get you on track.

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RETIREMENT PLANNING

Q: When should I/ We take Social Security retirement benefits?

A: Research by the Federal government indicates that Social Security retirement benefits typically make up almost one-third of the income of Americans age 65 or older. Thus, the decision as to when to begin to take Social Security retirement benefits is an important one.

The question is made a little easier to answer if you separate when you want to retire from when you want to begin receiving Social Security benefits; these two events don't necessarily have to occur at the same time. An understanding of how your benefits are calculated, how they are taxed, and what happens if you continue to work after beginning to receive benefits, is also important.

For many years, full retirement age (FRA), the age at which "full" benefits - 100% of an individual's Primary Insurance Amount (PIA) - are available was set age 65. This is still true for those born in 1937 or earlier. However, for those born in 1938 or later, FRA gradually increases until it reaches age 67 for those born in 1960 or later.

Age 62 is generally the earliest age that someone can begin to received Social Security retirement benefits. However, if retirement benefits begin before the "full" retirement age, the benefit pad is reduced to reflect the income that will be paid over a longer period of time.

One way to answer this question is to perform a "break even" analysis which estimates the age at which the total value of higher benefits (from delaying retirement) is greater than the total value of lower benefits (from starting retirement early).

If you expect to live longer than this break-even age you would likely benefit from delaying the start of Social Security retirement benefits. If you are in poor health, or if members of your family tend to die at relatively young ages, you will likely receive a greater benefit by beginning your benefits early.

The decision as to when to take Social Security retirement benefits is an important one. A wrong decision can cost a retiree literally thousands of dollars. To receive a Social Security maximization report, call Lifeguard Financial for your free report.

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RETIREMENT PLANNING

Q: I am afraid that I will run out of money in retirement. My advisor said if I take no more than 4% yearly, I'll be ok. What is your opinion?

A: If you are near retirement or in retirement, income planning is something that should be done years in advance. If you're retired, get a second opinion from an expert professional retirement planner. One major mistake retiree's make is taking withdrawals from wrong accounts.

Market volatility (losses) and longevity will cause your money to disappear sooner than anticipated while Social Security is a guaranteed income; generally it's not enough and must be supplemented. From where and why should be addressed.

Large unexpected medical expenses will also deplete your nest egg. This can happen at any age. Your money will disappear sooner than expected.

So withdrawing 4% annually combined with losses in the market, health care costs and inflation will wreak havoc on your portfolio.

You must establish a plan that withdraws money from the right account that will give you a monthly income for life, protects you from severe losses, and provides a strategy to protect you and your money from nursing homes. Proper planning will give you peace of mind knowing that you'll have a guaranteed income no matter how long you live.

For a second opinion on your existing income plan or to create an income for life the right way, call Lifeguard Financial at (440)942-1936. You'll receive a complementary Retirement Analysis Report and a Rule of 10 Risk Report.

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RETIREMENT PLANNING

Q: I want to retire but don't know about the risks I will face when my paycheck stops?

A: When planning for retirement, it takes more than accumulating a sum of money to meet the challenges you may experience. What if there are market downturns? What if you live into your 90's? Will you outlive your money? What if you're married and lose a spouse through divorce or death and lose his/her Social Security and pension (or your Social Security)? Who will take care of you if you become ill? How will you protect you and your money from nursing homes? What if interest rates remain low?

Planning for a secure retirement is something you should not do alone. A professional retirement planner who does more than invest in the stock market will better prepare you to overcome retirement challenges. You'll make good decisions based on facts and information. A custom, tailored plan will help you navigate through all market downturns. Your objectives will be met with proven solutions for growth, income for life, protection from large losses, minimize fees and taxes. In addition, you'll have a plan to avoid nursing homes so you can stay in your home and bring in professional caregivers.

In order to eliminate your financial worries and stress, you should talk with your financial professional about the above or call Lifeguard Financial at (440)942-1936. It's easier than you may think.

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RETIREMENT PLANNING

Q: I recently became unemployed. What should I do with my 401(k)?

A: This is a very important decision. Making the right choice will have a positive effect on your retirement and eliminate a lot of money worries.

You will want to have control of your money once you leave your employer. Develop a relationship with a local, reputable retirement planning advisor who will help you determine the best course of action to take.

Since your paycheck has stopped, you'll be able to better manage and lower your risk. You can create an income stream to subsidize other sources you may be using for monthly income. You can create a portfolio with a better mix of investments that will be more in tune with your goals. You'll avoid the mistake of taking income from the wrong accounts.

Most important is the fact that if you leave your funds in your employer's retirement account and use it for income, your spouse may not receive money upon your death if you make the wrong decision. Even if you elect joint life income, your children will not receive any money left in the account when you and, if married, your spouse pass away.

When you retire, rollover your 401(k) or 403(b) to a personal IRA. When you (and your spouse) are deceased, your children will receive all money remaining in your qualified account.

For professional advice on retirement planning, call our office at (440)942-1936 to receive a free pamphlet: 401(k) and 403(b) Rollover Mistakes.

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Financial Focus

RETIREMENT PLANNING

Q: What's the best way to plan for retirement?

A: Planning for retirement is complicated. Most investors rely solely on stock investing to provide a comfortable retirement. And, most people aren't saving enough.

First, decide when you want to retire? Nowadays, people are living and working longer. The average retirement age is sixty-seven for people born after 1959. Determine how much per month you'll need to last into your 90's. If you die sooner, you'll have lived a comfortable retirement. If you don't plan for a long life, you could run out of money too soon. There are 1.9 million people in the U.S. today over 90. There will be 4 million in the next decade. You could be one of them.

Your retirement monthly expenses typically include food, clothing, possible rent or mortgage, taxes, travel, health care costs, auto expenses, insurances, gifts, cable, internet and cell phone fees.

Identify the sources of retirement income. Where will it come from: Social Security, pension, rental income, savings, etc? You should consider purchasing the right annuity now. It will grow at a guaranteed return (example 10% annually) every year until you convert it to income. It will then pay a high, monthly income for life. You will not lose money in the stock market and heirs will receive all unused money. Not all annuities are good. If you own one or are considering one, contact us for a free analysis.

There are other points to consider: When to take Social Security and which option will maximize yours, what to do and not do with your 401(k) or 403(b), minimizing risk and losses as you get closer to retirement, protecting you and your nest egg from nursing homes, creating an income plan now in case you lose a spouse/income or lose your job unexpectedly due to downsizing or for health reasons.

You don't have to do it alone. Call us for guidance at (440)942-1936. You'll receive a fresh, second opinion and will learn what you should do to get on track and how to do better with what you have.

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Financial Focus

RETIREMENT PLANNING

Q: What do I need to know before rolling over my 401(k), 403(b) or IRA?

A: The rules for rolling over your retirement funds from qualified plans (401(k), 403(b) or IRA's) to another institution can be very complex. When you become informed, you will avoid making costly decisions based on a hunch, opinion or sales pitch.

For sake of limited space for this column, these are the topics you should be aware of in order to avoid making mistakes:

1. IRA rollover versus IRA transfer
2. Possible tax implications
3. Taking too much risk, not knowing for sure how much risk is being taken with your money
4. Outliving your money
5. No protecting your retirement money from nursing homes
6. Taking income and IRA distributions from the wrong accounts
7. Prepare for future tax changes
8. Purchasing the wrong annuity for lifetime income. Only a few pay a much higher monthly income for life using a much lower deposit. And, the index funds have more growth potential that will help principal grow while you are making withdrawals. Fees should never be over 1%. If considering a variable annuity, be aware, fees could range from 1-4% and some fees are not disclosed
9. Roth conversion – is it right for you? You pay off your house mortgage early to save on interest. The sooner you pay the taxes on your retirement money, the more you'll save in the years ahead and your heirs will inherit tax-free money
10. Work with a local expert, retirement planner. You'll get more services, guidance and structured plan that includes more than depending on stock market returns for financial peace of mind

Do you have questions or need help? Call Lifeguard Financial at (440)942-1936. There's no cost, obligation or pressure. We're here to help you.

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