

Retirement Considerations

Well, it may be too late for any long-term retirement planning because you discover retirement is already here. It's hard to believe the time slipped by so fast and you're thinking of taking the buy-out your employer is offering or just calling it quits. It's a nice position to be in, being able to retire, but be prepared to be busier than you've ever been – at least that's what all my retired clients tell me. The prospect of having your own time to finally start a business, take long vacations, visit the kids or doing whatever you feel like is appealing to most of us, but before you take the retirement plunge, make sure you've carefully considered your options.

It's hard to generically put together useful information that will appeal to a large group, but here are the best tips I can give:

1. The most important thing you need to consider is how much it costs you to live in two categories – your basic expenses for living, which include housing, utilities, food, insurances, clothing, and then your discretionary living expenses, which include travel, entertainment, vacations, health clubs, dining out, etc. You should be able to break these numbers into two categories, which, put simply, are what you need to live and what you need to live the lifestyle you want. At the basic level, your retirement income needs to be able to cover your necessities – adjusted annually for inflation – and on the expanded level, your retirement income should cover your basic needs plus discretionary spending.
2. If you're leaving your job and you're lucky enough to be getting a pension, find out if you've got a COLA adjustment or Cost of Living Adjustment. This will allow for your monthly pension benefit to be adjusted by the rate of inflation or the percentage change in the Consumer Price Index. (Remember – every year that goes by things cost more!) If it has a COLA adjustment, find out how often it's made – every year, every two or every five years? \$2,000 per month today needs to be \$2,450 per month in five years to keep pace with 4% inflation.
3. Before taking an annuity payment, **STRONGLY** consider the impacts of inflation as discussed in Item 1. Annuity payments by their very nature do not increase in dollar amount as these payments are fixed. If you annuitize (turn the contract into a stream of payments that continue for your lifetime – usually), you are locked into that set amount of money each month until you die. That can be particularly problematic if you're 55 now and your life expectancy is say 85. That's 30 years of living on the same amount of money. Think about if you worked at the same job for 30 years and never got a raise!
4. Consider the impacts of increased costs of health insurance on your retirement. If you're younger than 65, ask your employer what continued benefits you'll be eligible for until you're Medicare eligible. Also, ask what the percentage premium increases have averaged over the past five years. Know this, health insurance premiums will continue to increase and fewer and fewer companies are footing the entire bill for lifetime health benefits for their employees. If you're retiring at 65 your employer sponsors a Medicare Supplement package, find out what those premiums will be. Keep in mind that many employers change benefits provided to

- retirees after the fact so be prepared to foot a larger percentage of your retirement health benefits than your employer is currently providing. If it remains as is, you'll be happy, but if not, you'll at least be prepared.
5. If you are between 50 and 65 (generally the best ages are between 50 and 60), consider your need for long-term care insurance. The NYS Partnership for Long-Term Care affords New York State residents the opportunity for asset protection, while still maintaining eligibility for Medicaid benefits if you've purchased a Partnership plan and exhausted your policies benefits. These policies are only viable if you plan to remain in New York State. Other long-term care tips include – depending upon where you live in the U.S. costs for long-term care vary dramatically with the Northeast being one of the highest cost areas so make sure the daily benefits will cover a good portion of the cost of care for where you will live, find out if the policy you are considering has an inflation adjustment on the daily benefit (remember everything goes up each year) and find out what the lifetime maximum policy benefits are.
 6. Make sure your estate plan is in order. Make sure that you have a valid will, hire a qualified estate planning attorney and don't try to buy software to make up your will – remember, you get what you pay for. If your assets are high enough, consider equalizing assets with your spouse (split up assets and re-title those that are in joint name) so that you can both take advantage of your exemption equivalent (aka Unified Credit or Free Estate). If you have not yet drafted a Health Care Proxy, do that when you visit the estate planning attorney.

Remember, everyone's situation is different and generic information is just that - generic. Consider your situation thoroughly and make sure that when you consider retirement that you weigh both the short and long-term aspects.

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