

# Are You Prepared to Retire?

Retirement used to conjure up images of lazy days spent in a rocking chair. Today's retirement is very different. You might plan to open a business of your own. Or perhaps you'll return to school for that degree you never had the chance to complete. So what does this redefined retirement mean to you? There is no one answer. In the coming decades, "retirement" will mean something different to each of us. Regardless of your decision, you'll need to design a financial plan suited to your specific vision of the future.

## INCOME IS KEY

A good starting point might be to examine your sources of retirement income. If you pay attention to the financial press, you've probably come across at least a few commentators who speak in gloom-and-doom terms about the future for American retirees, decrying a lack of savings and warning of the imminent growth of the elderly population. True, there is widespread concern about at least one traditional source of income for retirees - Social Security. Under current conditions, Social Security funds could fall short of needs by 2033.<sup>1</sup>

This shift makes it even more important for individuals to understand their goals and have a well-thought-out financial plan that focuses on the key source of retirement income: personal savings and investments. Given the potential duration and changing nature of retirement, you may want to seek the assistance of a professional financial planner who can help you assess your needs and develop appropriate investment strategies. As you move through the various stages of the new retirement, perhaps working at times and resting at others, your plan may require adjustments along the way. A professional advisor can help you monitor your plan and make changes when necessary. Among the factors you'll need to consider:

**TIME:** You can project periods of retirement, re-education, and full employment. Then concentrate on a plan to fund each of the separate periods. The number of years until you retire will influence the types of investments you include in your portfolio. If retirement is a short-term goal, investments that provide liquidity

and help preserve your principal may be most suitable. On the other hand, if retirement is many years away, you may be able to include more aggressive investments in your portfolio.

**INFLATION:** While lower-risk fixed-income and money market investments may play an important role in your investment portfolio, if used alone they may leave you susceptible to the erosive effects of inflation. To help your portfolio keep pace with inflation, you may need to maintain some growth-oriented investments. Over the long term, stocks have provided returns superior to other asset classes.<sup>2</sup> But also keep in mind that stocks generally involve greater short term volatility.

**TAXES:** Even after you retire, taxes will remain an important factor in your overall financial plan. If you return to work or open a business, for example, your tax bracket could change. In addition, should you move from one state to another, state or local taxes could affect your bottom line. Tax-advantaged investments, such as annuities and tax-free mutual funds, may be effective tools for meeting your retirement goals. Tax deferral offered by workplace plans - such as 401(k) and 403(b) plans - and IRAs may also help your retirement savings grow.

## PREPARE TODAY FOR THE RETIREMENT OF TOMORROW

To ensure that retirement lives up to your expectations, begin establishing your plan as early as possible and consider consulting with a professional. With proper planning, you may be able to make your retirement whatever you want it to be.

Todd A. Dussex is a Certified Financial Planner Professional available at Space Age Credit Union. If you would like to speak to or meet with Todd, simply contact his office at 303-283-4746 or ask a Space Age Representative to arrange a meeting. Todd offers a free, no obligation consultation to all members of Space Age.

Source/Disclaimer:

1 Source: Social Security Administration, Facts & Figures About Social Security, 2012.

2 Past performance is no guarantee of future results.

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