



THAYER PARTNERS

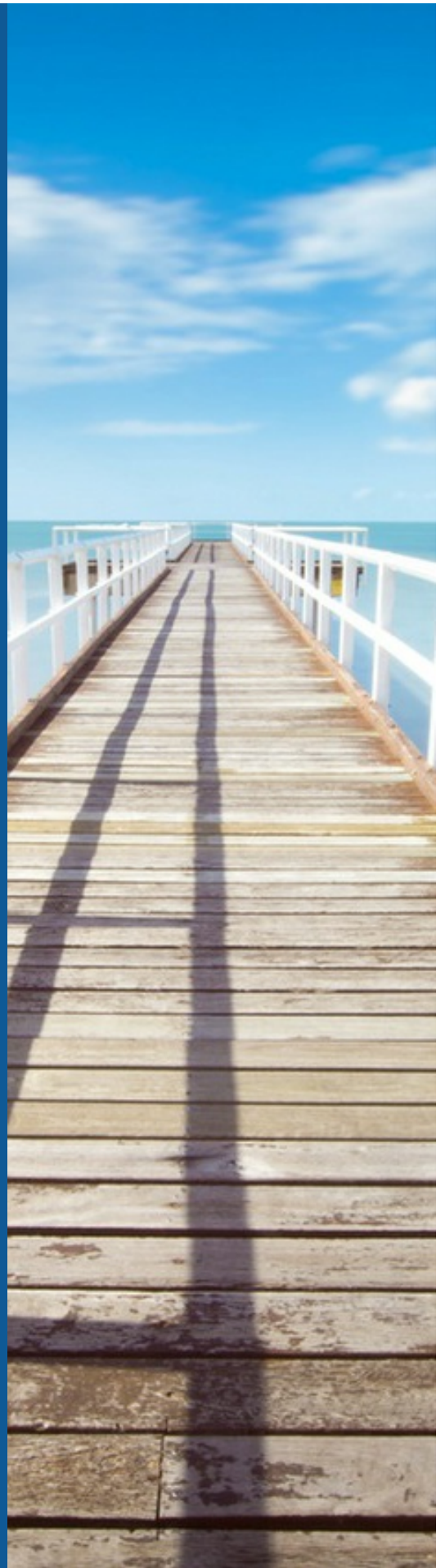
How Much Do I Need to Retire?

The Ultimate Guide to Retiring Comfortably



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Introduction

Retirement income planning is stressful and confusing. Ensuring that you save enough for your retirement years is a worry that most Americans face, especially considering that life spans are steadily increasing, pensions are a dying breed, and Social Security won't be enough to live on. Most Americans know that today the burden of retirement saving is placed solely on their shoulders. And they don't want to live out their worst retirement fear: running out of money.

To enjoy a lengthy retirement, you have to be financially prepared. But how much do you really need to save to retire?



Know Your Expenses

Knowing how much you'll need to save to retire starts with knowing your monthly expenses. Track every dollar you spend, after tax, on housing, clothing, medical care, food, entertainment, and other bills to get a good estimate of how much you spend every month. If you're spending \$8,000 every month right now, then realize that you're going to need close to that every month in retirement. Most experts say you'll need 80% of your pre-retirement income to live in retirement, but that doesn't take into account the vacations overseas and other activities you might start paying for once you don't have to work and have more time to spend on fun things.

Consider the 4% Rule

The 4% rule is a rule of thumb that states that you can withdraw 4% of your retirement account balance every year without running out of money in retirement. So if you've saved a million dollars, you can take out \$40,000 a year. If your expense budget shows that you're going to need more than \$40,000 a year, then you're going to need to save more than a million dollars in order to ensure that you don't run out of money. This rule of thumb is not perfect, but it is a good way to estimate how much you need to save.

Reduce Your Stress by Planning to Work Part Time

Though you might want to retire the moment you turn 60 or 65 like your parents did, this might not be realistic in today's world. If you aren't one of the lucky few with a pension to count on or a large retirement nest egg, your savings might not last you until the end of your life. If you choose to move on from your full-time, nine-to-five job, you should still consider doing something you love (or at least like) for 20 hours or so a week.

Knowing you will work part time after you retire can significantly reduce your stress of saving enough for retirement if you know you just can't afford to save more for retirement. It'll also allow you to spend your retirement years doing some of the things you want to do, such as going on trips abroad or joining social clubs, because you'll have the extra money to do so. You won't have to sacrifice life's little enjoyments in order to pay your bills. Plus, most Americans realize a little ways into full retirement that they're not only bored and stir crazy, they need a purpose. Working part time during retirement can keep your mind sharp and body active.

Explore employment options that you might not even be aware of or have long dreamed of. You don't have to work in the same field you worked in for the past 30 years if you don't want to. Think about new opportunities that reflect your personal interests in order to identify the type of work you'd actually enjoy doing during your retirement years. Maybe you want to start that small business you've always dreamed of. Maybe you could become a consultant in your area of expertise. You might consider opportunities where you can work from home if you're sick and tired of an office environment.

Working part time, doing something you enjoy, can help you earn much-needed income once you retire while also making you feel fulfilled.

Other Considerations

Retirement planning isn't cut and dry. There are other factors to consider, besides your income and expenses, to determine how much money you'll need to retire comfortably.

- Are you going to stay in your current home or downsize? Or are you planning to move to a lower-cost area of the country? This can significantly reduce your housing expense.
- When do you think you'll retire? The age at which you stop working can have a big impact—the later you retire, the less you'll need and the higher your Social Security benefits will be.
- Will you be taking debts into retirement, or will you be able to pay them down in order to increase your cash flow?
- Will you be living modestly, or do you plan to travel the globe and live it up? You'll need to save more for bucket-list items.
- Will you retire fully or still work part time? Working part time during retirement can reduce boredom and allow you to raise your standard of living, making it possible to retire sooner than otherwise possible.
- Did you consider healthcare costs in your equation? Healthcare costs from sudden illness, disease, or accidents can drain your savings. Make sure you're protected by purchasing long-term care insurance or have set aside savings for this eventuality.

Are You Capable of Comfortably Retiring?

Retirement is increasingly on the minds of many Americans, as both Baby Boomers and their children contemplate the life changes that will take place when this population begins to leave the workplace and settle into the retirement years. During the next 20 years or so, an estimated 10,000 Baby Boomers will be retiring every single day.

It's not surprising that the earlier people begin to think about retirement incoming planning, the better. Not only does this help people budget for the future, it can also give them the most accurate look at when they can feasibly retire. Without any retirement planning, the gap between when one wants to retire and when one can retire can become quite large.

If you or someone you know is trying to put together a long-term retirement strategy for the future, here are a few important facts to keep in mind.



Don't Plan Alone

A recent study by Boston College's Center for Retirement Research discovered that, as a whole, Americans are \$6.6 trillion short of what they will need to comfortably retire. That's trillion with the letter T. While some of this is due to circumstances beyond anyone's control (poverty, medical problems, unanticipated family issues), much of this can be avoided with better planning. One mistake many individuals make while planning for retirement is budgeting based on the costs of today without factoring in inflation. This leaves out important points—for example, the medical insurance industry's cost to consumers is expected to grow 5% each year. Working with a wealth management group or (even better) a retirement planning specialist can help ensure a comfortable retirement.

You Don't Want a Lot of Cash

When it comes to preparing for your retirement, having a ton of cash on hand is pointless, since the “cost” of inflation is higher than the interest rate most people get at the bank. This means your money is actually losing value because your purchasing power goes down every day it sits in a low interest rate account. Money will only grow if it is invested properly—in a portfolio, for example, with stocks, bonds, and index funds that is globally diversified. Remember that money placed in an IRA (or 401K) is an efficient way to save for retirement since it grows tax deferred, meaning it won't be taxed until you get ready to withdraw it. And having a plan to help you save as well as pay down debt can help you avoid becoming one of the 56% of retirees who had outstanding debts upon retirement.

Don't Delay

Set up a retirement income planning review today so that you don't need to keep worrying about whether you're adequately prepared for retirement. As many current retirees can attest to, it's coming quicker than you think, and the secret to a comfortable retirement is informed planning and preparation.

Discuss Your Options with Professionals

Retirement planning has become more stressful in recent years. With the cost of living constantly increasing, life expectancy higher than ever, and company-sponsored retirement pensions facing extinction, you might be worried about how much money you're going to need to save in order to retire comfortably.

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