5 Steps to Retirement Now

With shaky stock market, high inflation, interest rates on the rise, and the Pandemic, how can you confidently plan for your retirement? **Here is a 5-step process to plan for your retirement now…**

1. Be aware of your daily spending

Gas and food prices are up from last year and it can affect your financial health. You must vigilantly watch for those expenditures. Smaller expenses such as buying cup of coffee, lunch at work, or dining out at your favorite restaurant can also add up to your cost. Planning for your meals (breakfast, lunch and dinner), the day before will bring down the cost of food. Planning your driving strategically, from place to place, can reduce the amount of gas you use daily, and therefore lower your costs on gasoline. In addition, using public transportation or carpooling can quickly save you money. There are other cheaper alternatives that could potentially cut your gas bill such as Uber or Lift.

You must analyze your numbers to make the most of your money. Planning for the things that make you use money daily is a great start to maximizing your money.

2. Tackle your debt now

f you have credit cards with 18% interest rates or higher, you must lower the monthly finance charges. If you have a good credit score and qualify for credit, transfer your balance into a zero percent interest credit card. Also, allocate as much as you can into the balance amount to pay off your credit cards sooner. A personal loan from lenders such as SOFI, Lending Club, or others, with a lower interest rate may also help you eliminate your debt. It may make sense to take out one of these loans as it will force you to pay off your debt in 3, 5 or 7 years. You may want to crunch the numbers here to find out if it makes sense.

3. Where will your income come from?

Is your employer providing you with a lifetime pension when you retire? If the answer is yes, contact them and ask what your benefit will be when you retire. These pensions may offer you income for you, and your spouse or beneficiaries upon your death. The sooner you do, the faster you can determine if you can retire. You also may have a 401K, 403b, 457, IRAs or deferred compensation plans. Find out the balances on your retirement accounts to find out the income you will need to retire. Here is the order you must follow to start withdrawing from your accounts. The rule of thumb: 4% withdrawal

1. Roth IRA
2. Taxable Savings
3. Traditional IRA/401K/403b/457
4. Social Security/Pension

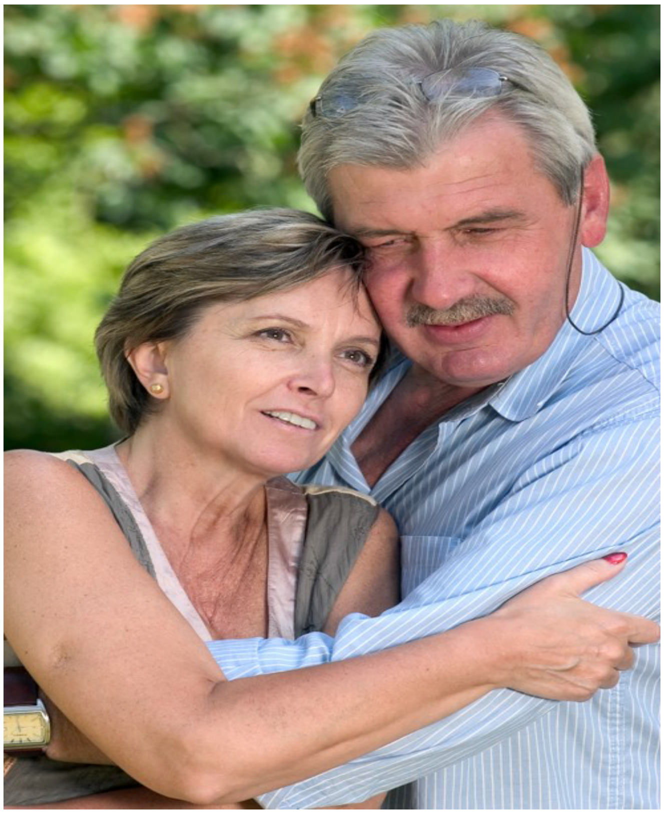
Always try to minimize your withdrawals as this money will be subject to income tax. If you are planning to sell real estate, a business, or other investments, you must also take into account for capital gains. Although the tax rate is lower, it will still increase your taxes.

4. Strategically reduce income taxes

I want to highlight to you the importance of following a retirement plan. You can determine how much to save but the less you tap into qualified money, the less the income taxes you will pay. Always look at your bottom line. There are other financial strategies that could help you lower your taxes substantially during retirement.

5. Can you afford health insurance?

If you are younger than 65, expect to pay for your health insurance premium. The cost can be very high and can prevent you from retiring. Find out cheaper options to have this protection in place.



Once you reach 65, assuming you paid into social security, you will qualify for Medicare part B, which will reduce your medical bill substantially. In many cases, you will need to buy a supplemental insurance to cover what Medicare part B does not cover. If you are 65 and your spouse is younger, you may need a combination health plan where you will be in Medicare but your spouse will be in a basic plan. In this case, the cost will also be lower.

The Bottom Line

Once you address each step, you will be ready to make a decision. The ultimate goal is to always know where your cash flow is coming from and where it is going. The uncertainties we are currently facing in the country complicate your day to day financial decisions. The retirement process can be best strategized when you formulate a financial plan that covers all those scenarios. You cannot longer just focus on one aspect at a time; such as your rate of return or re-balancing your investment portfolio. You must design a holistic retirement plan to fully maximize your resources.

Additionally, you must strategize how you are going to start withdrawing income from your taxable retirement accounts. Failure to do this could potentially exhaust your funds at a faster rate leading to running out of money during your retirement. Once again, there are a lot of issues in the US economy, however, focusing on your own personal situation and making better financial decisions daily can help you weather the ups and downs of the markets, both locally and globally!

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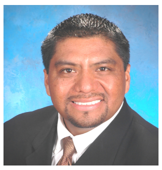

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