

RETIREMENT PLANNING

PART ONE

What amount of assets do you need to be financially independent enough to retire?



By Chris Messmer, M.S.F., CFP®

What amount of assets do you need to be financially independent enough to retire? A long time ago, the assumption or a starting point was that most people needed about 70 percent of pre-retirement income to maintain their lifestyle in retirement. The reality in my experience is that most people need 100 percent of pre-retirement income to maintain their lifestyle in retirement. It seems that even though there are a few financial obligations that disappear, such as, mortgages and paying for college, a few new obligations appear impacting financial security in retirement.

My experience as a financial advisor is that many people have no idea how much they need to have in assets or the amount they need save to prepare for a comfortable retirement or to make financial independence a reality.

The amount of income or cash flow people need on an annual basis is unique and varies widely. The amount of investment assets needed to sustain a certain level of income or cash flow and how it is invested is something that should be considered by all when planning for financial independence.

When determining a retirement savings goal, consider the following factors which are not all-encompassing:

- The age you wish to be financially independent enough to retire, or the age you expect to retire. This does not have to be the same age that you collect social security income.
- Life expectancy or the time horizon you expect to need income. Life expectancy tables may have you live to your early 90s; however, people do not know the duration of their life. Consider planning for a long life beyond the number listed by a life expectancy table to be on the safe side.
- Lifestyle must be considered when determining a savings goal. Do you plan to be active? Do you plan to move out of your house or change your current living arrangements? Do you plan to travel and vacation? Do you have hobbies or want to learn a new skill or hobby? Do you want to work part-time?

- Health care costs impact a comfortable retirement. Health care costs have been rising at a pace greater than inflation. Do potential future health care costs worry you? Do you have to supplement the costs of caring for an elderly relative or even an adult child?

- Inflation or not preparing for a higher cost of living in the future can be detrimental to financial security. Your savings and investments must keep pace or exceed inflation. No matter what we are told about the inflation rate; everyone knows that the cost for just about everything increases every year and is felt by retirees as the years pass.

- Social Security provides a very basic supplement to income in retirement maybe 40 percent or less depending on a person's needs. A very high percentage of cash flow in retirement possibly as much as 60 percent must be saved since for most people social security income alone will never suffice.

Planning for a comfortable retirement or financial independence may be many years away or very close; in either case, having an idea of what is needed and making the necessary preparation and plan is essential to long-term financial success. For more information, check out the Retirement Flipbook at www.christinemessmer.com

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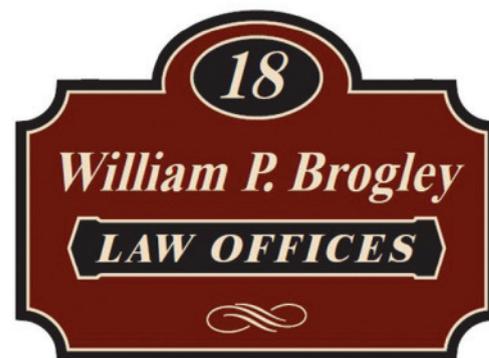
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*Christine Messmer, P.C. is the Registered Investment Advisor,
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