

Can you afford RETIREMENT?



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Retirement Worksheet for

Consider this

According to a research study, only 21% of workers are very confident about having enough money for a comfortable retirement. While nearly seven out of ten survey respondents had saved money for retirement, 54% reported that the total value of savings and investments was less than \$25,000 – yet almost half thought \$500,000 was the amount needed to live comfortably in retirement.

Money is vital

How much money will you need to support a comfortable life after you retire? Completing the worksheet in this brochure will give you an idea of your anticipated income and expenses during retirement. Armed with that knowledge, you can determine whether your savings and other assets will be enough to support the lifestyle you wish to lead.

Sources of income

Your retirement income will come from a combination of sources, including social security, your employer-sponsored retirement plan, and your investments in taxable and tax-deferred accounts, such as IRAs. You may also choose to continue to work full-time or part-time after you reach retirement age, either in a business of your own or for an employer.

The cost of retirement

During retirement, the expenses of buying a home and raising a family are usually gone, but other costs such as health care could be considerably higher. How much income you'll need for estimated expenses will depend on your plans for travel, education, and leisure activities. A percentage-based method of calculating the amount – perhaps a rule-of-thumb 80% of pre-retirement income – may work for you. Or you may be better served by examining pre-retirement expenses and deciding which ones you'll continue to incur, then setting your budget to cover that amount.

Calculate your retirement income and expenses to determine if your resources will be adequate. In completing the retirement worksheet below, use reasonable estimates.

If you're more than ten years from retirement, update this sheet every three years. If you're within ten years of retirement, get closer estimates from your records and from various agencies. Then update this sheet annually.

Date _____

Your age _____

Years to retirement _____

Annual Retirement Income

Social security \$ _____

Company pension(s) _____

Other retirement plans _____

Other sources of income _____

Total \$ _____

Annual Retirement Expenses

(Itemize or use 60-80% of current annual expenses)

Taxes \$ _____

Food & household supplies _____

Mortgage/Rent _____

Home taxes,
insurance, other costs _____

Auto costs _____

Clothing _____

Medical _____

Travel _____

Hobbies, recreation _____

Other (list) _____

Total \$ _____

What if estimated retirement expenses exceed income?

If your annual expense total is larger than your annual income total, you may need to make one or more of the following changes:

- ▶ Set aside more in investments now.
- ▶ Get a better return on your investments.
- ▶ Postpone retirement.
- ▶ Plan to supplement your retirement income with part-time work.
- ▶ Plan to consume some or all investment capital as well as income during retirement.
- ▶ Accept a lower standard of living when you retire.

Notes

Four factors to plan for

■ **Income.** According to the Social Security Administration, as a general rule, your social security benefits will replace approximately 40% of your working salary or earnings that were covered by social security.

Review your employer's plan information or ask your employer about the payout of your company's pension benefits and the requirements you must meet to get distributions. Then determine how much you have to set aside on your own to achieve the total retirement income you feel is necessary.

■ **Taxes.** While you may qualify for tax breaks such as an increased standard deduction, after you retire you'll most likely continue to pay income tax. And remember, unless you continue working or have withholding taken from your social security or other retirement benefits, you'll need to make estimated payments.

■ **Inflation.** Even at moderate levels, inflation can cut into retirement resources. Your social security benefits will generally increase with inflation, protecting your spending power, but you will have to find a way to hedge against inflation's effect on your other retirement assets. Monitor your investments to be sure your return is higher than the level of inflation, or adjust your withdrawals for inflation.

■ **Life span.** The Social Security Administration website offers a free life expectancy calculator if you want to work out a personalized estimate of your anticipated lifespan. In general, social security data indicates today's adults can typically expect to reach age 84-87, although those ages are averages. Depending on when you choose to retire, you may need enough assets to last thirty years.

How to save more

■ **Use time.** Once you've figured out how much money you need for retirement, take a look at the number of years you have until you retire. Use that time span to build up your assets to provide the income.

■ **Be realistic.** Make sure your monthly savings goal is realistic. Can you set aside 10% to 15% of your monthly income? If not, consider whether you can cut expenses to free up funds for savings.

■ **Pay yourself first.** Treat your savings as your most important bill. Write a check to savings first, or have your monthly goal automatically deposited into a savings account.

■ **Track expenses.** Keep a paper or digital diary of all your expenses – cash and credit – for a few months. When you spot unnecessary or wasteful spending, reallocate that amount to savings.

■ **Take control.** When it comes to saving, think "control." For example, control the use of your credit cards. The amount you pay each month in finance charges could go to savings instead. Also, control the use of your ATM card. Get in the habit of giving yourself a regular cash allowance, and live with it.

The key to having enough money for a comfortable retirement is to become a serious saver. Start saving early, commit to saving regularly, and save as much as you can.

Retirement is one of the biggest changes in your life. With planning, it can also be one of the most pleasant. For assistance with your retirement planning and other financial concerns, contact us. We're here to help.

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