

A Roadmap to Retirement

If life is a journey, retirement is the destination where one hopes to enjoy long-awaited rewards for years of hard work. Yet, like any other life goal, a comfortable retirement doesn't just happen, it requires careful planning. And to date, most Americans are slow to take action.

Projections show that the majority of today's mid-career workforce need either to save more now or work beyond normal retirement age to have enough money for retirement. Looking ahead, it's estimated that a 45 year old with a current household income of about \$80,000 will need to save \$1.2 million in financial assets to maintain his or her lifestyle if planning to retire at 65. These projections-- along with predictions of the continued dwindling of Social Security and pension benefits-- indicate that retirement planning has become an absolute necessity.

Consider the following as you map out your own retirement plan.

Determine Your Destination and Itinerary

Planning for your retirement offers all of the excitement of preparing for a great vacation. This is your time to explore dreams and lay plans to make them come true.

Your retirement plan should reflect anticipated lifestyle changes as well as your financial objectives. Keep in mind that you will probably have more time on your hands during retirement than you've ever had in your adult life. Try to develop some interests now that will offer you a sense of fulfillment and usefulness during your retirement years.

Put together a retirement wish list. Where do you want to live? What do you want to be doing? How often will you entertain? Travel? What hobbies and other interests do you want to pursue? Of course, if you have a spouse, you'll need to include his or her activities and plans as well.

What's It Going to Cost?

Now that you have a good idea of what you want your retirement to look like, you need to devise a plan to make it a reality. Determine the amount of yearly income you'll need to maintain your standard of

living--usually estimated to be 70% to 80% of your income for the year prior to your retirement. Figure in a yearly inflation rate of approximately 5%.

Add to this amount any additional expenses from your wish list--for example, a yearly cruise, or buying a second home.

What's the Best Way to Get There?

Contemplating accumulating the amount necessary for a comfortable retirement stops a lot of people right in their tracks. There's no way around it, you have to save to pave the road for a smooth retirement.

Of course, the sooner you get started the less you have to save on a yearly basis. If you're under age 40, saving at least 10 percent of your yearly income should provide for a comfortable retirement. If you're like most of us and waited until past 40 to get started, you're going to need to put away as much as 15% to 20%.

Like any other savings plan, your retirement savings plan should be diversified among a number of financial vehicles to cushion the impact of economic fluctuations. Remember, your entire lifestyle at retirement will be determined by how well your savings are managed. There are as many options to choose from as there are financial products, but your choice should be based on safety of principal, accumulation and tax advantages.

Take advantage of any company-sponsored pension plans or other tax-deferred retirement programs like IRAs (individual retirement accounts). The money held in these tax-deferred retirement plans represent the majority of U.S. retirement assets. If your employer offers a 401(k) plan, you've got a terrific way to store up dollars tax-free--contribute the maximum.

Prepare for Detours

Without adequate medical protection, health care costs could completely wipe out your retirement savings. Consider some form of Medigap insurance to cover expenses not covered by Medicare. You may also want to explore health insurance plans that provide coverage for long-term health care.

What to Do When You Get There

If you've planned well, you should be doing all the activities you had hoped for on your wish list--but the journey isn't over yet. You still need to keep an eye on your financial assets. Your post-retirement plan should have less emphasis on accumulation and more focus on growth and income. Again, tax savings is a key factor to consider in choosing post-retirement financial vehicles. Set up yearly reviews with your financial advisor to ensure that your financial plan will continue to generate the income you need to maintain your desired standard of living throughout retirement.

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