

Should Retirement Be Hard Work?

Ah, retirement! Finally, there will be time to relax, free from financial worry. Many people think of retirement as a time to travel or pursue special interests—a welcome break from the 40-hour workweek. But without careful retirement planning, you may actually need to work harder and longer than you imagined during your so-called retirement years. It may be safe to say that, when it comes to retirement, the best-laid plans are made well before the traditional retirement age of 65.

Know Your Resources

How many times have you said, “I’ll do that when I retire,” expecting plenty of free time to pursue your passions after liberation from the 9-5 work schedule? But, have you considered the cost of not working? A general rule of thumb is that you may need 60% to 80% of your pre-retirement income to maintain your lifestyle during retirement. Careful planning now can help you maintain your desired lifestyle during retirement, as well as help ensure that you have the resources in which to do so.

For many, Social Security, employer-sponsored retirement plans, and personal savings are the primary sources of retirement income. It is important to recognize that Social Security was designed not to be the sole source of income for retirees, but merely one component in the overall retirement income package. Therefore, many workers rely on an employer-sponsored retirement plan to provide substantial income. However, both of these sources may need to be supplemented with personal savings to help provide enough income to meet your retirement goals.

Put Time on Your Side

Early retirement planning puts time on your side. It is never too early to begin saving and never too late to start. In fact, one advantage of early retirement planning is that you have a longer period of time before retirement, which allows a great opportunity to increase your savings through potential growth.

An equally important consideration for retirement planning is the reality of inflation, which can affect even substantial savings. For example, a modest 4% inflation rate, maintained over 15 years, reduces the purchasing power of \$250,000 to \$138,816. Starting early may allow your savings to outpace inflation.

Although it can be difficult to imagine a time when you will not have to be at the office or worksite each morning, the day may arrive sooner than you think. Therefore, begin preparing for retirement *now*—even if it seems a long way off. With time on your side, the best-laid plans may help ensure future financial well-being for you and your family.

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