3 Keys to Retirement Planning

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Introduction

Planning for your retirement can be challenging, scary, and very frustrating. But Planning for retirement doesn't have to be difficult. So in order to achieve the retirement of your dreams, you must prepare for three major challenges that *every* retiree is likely to face. These are the 3 keys to retirement planning.

Key #1 Ensuring a Long Retirement Savings Lifespan

One of the greatest fears people have in retirement is that they will outlive their savings. But by taking steps *now*, you can ensure this doesn't happen to you.

The first step is to budget your expected expenses based on your normal day-to-day costs and any activities you want to pursue during retirement. This would be things like travel, hobbies, remodeling your home, and so forth.

Next, take a hard look at your current savings and level of income. How much are you setting aside for retirement? How much more do you need to be saving or investing in order to meet your expected budget? This is where working with a financial advisor can come in handy. This is because an advisor can help you determine:

•how much your savings need to grow to meet your needs;

•how long you can expect your savings to last, based on when you plan on retiring, your general health, and activities;

•how to maximize your income opportunities *after* retirement; and

•what the ideal rate of withdrawal will be from your retirement accounts so you don't run out of savings.

Once you have a plan for your retirement *savings*, you can move onto the next challenge.

Key #2: Planning for Healthcare Expenses

As we age, health care becomes a bigger concern, and more difficult to deal with. It can be hard to find a plan that provides the coverage you need at a price you can afford. And all the politics and legislation affecting the healthcare industry don't make it easier, either. The answer, again, is to *plan ahead*. There are several things you can do:

1. Learn about your various Medicare options.

If you are one of the lucky few who will have employer-provided health care coverage even after retirement, congratulations. But if not, you need to start familiarizing yourself with the intricacies of Medicare now. The Federal government's health insurance program for seniors is often referred to as a single plan, but in reality, it's many types of plans rolled into one. From the basic level of coverage, known as Part A, to "Medicare medical insurance", known as Part B which covers outpatient hospital care, physical therapy, and home health care, to the more elaborate "Medicare Advantage" plans, most retirees are confronted with too many options, some of which are more appropriate than others. Choosing the best type of coverage for you will be crucial when it comes to paying for your medical expenses.

2. Look at Medigap.

Medigap supplemental insurance is sold by private insurance companies, and is designed to help pay those costs not covered by Medicare. Medigap isn't free, and certain criteria must be met before you can purchase it, but it's definitely something to consider.

3. Consider long-term care insurance.

Not everyone will need long-term care or assisted living in their lives. That said, many people will, and long-term care (LTC) insurance is one of the best ways to pay for it. It can be beneficial to purchase LTC insurance sooner rather than later, as premiums often grow higher as you grow older. However, LTC is expensive in and of itself, so give the subject a lot of careful consideration before making a decision.

Paying for health care expenses is a huge part of retirement. So when you create your retirement plan, make sure you give the subject all the attention it deserves.

Key #3: Planning for Unexpected Expenses

While health concerns are a major source of unexpected costs, there are many other types of expenses that could impact your retirement. Let’s look at a few examples…..

•Car repairs.

You know it could happen one day, when that strange *clunk-clunk* sound you start hearing from your engine ends up being a problem that will cost hundreds, maybe even thousands, to fix. And if it happens more than once, it could be really devastating

• Your bills keep going up.

What goes up does *not* necessarily go down. Anyone who has ever paid for an internet connection or satellite TV knows that prices tend to rise over the years. And basic utilities are prone to price fluctuation as well. A really cold winter means your gas bill will go up. If you have children in the house who keep leaving the lights on, your electricity bill will go up.

•Household repairs.
When the toilet clogs or the faucet leaks; when a window breaks or the roof starts to degrade; when wood-boring beetles infest the tree in the backyard. And Unless you *really* like to Do it Yourself, that means paying for professionals … who usually aren't cheap.

So the point of this is that unexpected expenses can come at any time, in many different forms. What's more, they can *really* pile up.
The solution is to start a rainy-day fund. When most people save, they tend to just throw everything into one savings account and withdraw money whenever they either need or want to. Instead, I suggest creating a separate type of savings account: one that can *only* be touched whenever the unexpected happens. Every month, devote a set percentage of your income to the rainy-day fund *in addition* to your regular savings. Then, when your car inevitably breaks down, you won't have to worry about it interfering with that vacation you've been dreaming about for years, because you've already set aside the funds to deal with it. The key to starting a rainy-day fund is to do it *now*. If you wait until after retirement, you'll probably have waited too long. Plus, once you're retired, you'll likely have less to set aside for those unexpected expenses.

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