

FINANCIAL *Fitness*

By RWM Wealth Advisor Sandy Carlson CFP®, CPA, CDFA™, QKA



Flipping the Switch

Most people work in a career their entire life saving for the magical day of retirement. Then one day they begin taking money out of the accounts they spent years saving into... the switch has been flipped. Retirement is one of the most significant events an individual will ever experience. It can be technically complicated and emotionally challenging. It requires saving and advanced planning to achieve a successful and enjoyable retirement.

With 10,000 baby boomers retiring every day, we are currently in the middle of the largest generational workforce shift in the history of this country. In 2014, the average retirement age was 62, however it is projected to rise to 66 over the next 10 years. Individuals are working longer due to increased life expectancies, lower lifetime savings, and lower Social Security benefits vs. expenses.

What is Retirement?

Retirement is a time to focus on paying yourself to do what you love. What do you love to do? That question is unique for every person. Once your goals are defined, a comprehensive financial plan can be constructed to assist you in achieving these goals. The earlier you start planning for your retirement, the higher the probability you will achieve your goals.

An area that people tend to overlook when preparing for retirement is the emotional toll that it can take. Some people feel that they are no longer contributing to society now that they are not working, which can lead to a sense of worthlessness. Retirees typically had a long career working as a member of a team, but in retirement that sense of belonging is missing. According to a recent study, this feeling is the reason that as many as 60% of retirees are planning to go back to work in some capacity after retiring. Therefore, it is important that you are financially ready to retire but it is also important that you have new goals for your life that will insure you are emotionally ready to retire.

This recent shift has led to redefining retirement as we know it. Most retirees do not want to retire from work and play golf every day. They want to stay active and involved during this new phase in their life. There have been countless studies that have linked staying active through work, volunteering, exercise, etc. with increasing life expectancy, greater health benefits, and a reduction in the probability of dementia. Mitch Anthony, author of *The New Retirementality* says "Retirement is no longer an event, it is a segue into an altered definition of life as we know it."

Financial Planning

Preparing for retirement also involves preparing your financial resources to adequately fund your lifestyle. Defining your goals helps to create a budget and a cash flow projection to fund those goals. Most individuals fund their retirement lifestyle with qualified plan savings, social security benefits, investment accounts and pension income. All of these funding vehicles require careful planning and

selection to maximize benefits. Electing when to take social security benefits to receive the maximum combined benefit between spouses is paramount to efficiently funding retirement. Retirees will also have to make numerous decisions regarding the election and rollover of employer provided retirement 401(k) accounts, pensions, deferred compensation, and stock options; with some companies requiring election decisions years prior to retirement.

Other areas to consider when "flipping the switch" are taxes and insurance needs. Taxes can play a significant role in the outcome of your financial plan over your lifetime. Tax planning strategies, including tax efficient investments, tax bracket optimization, and lifetime charitable gifting should all be considered. Selecting the necessary health insurance coverage and long-term care insurance are also important decisions to be made during this stage of life.

Retirement is one of the most significant events you will ever experience. Therefore, careful preparation and planning is needed to insure you successfully achieve your life goals. Whether you are thinking of retiring next year or in ten years, the earlier you create a plan the more flexibility you will have during retirement.

Sandy Carlson has over twenty years of wealth management experience including income taxation, retirement planning, executive compensation planning, insurance, banking, trust administration and estate planning. She is a Certified Divorce Financial Analyst™ (CDFA) and also holds the QKA designation by the American Society of Pension Professionals & Actuaries. She is President-Elect of the Financial Planning Association, a Tax Instructor in the CFP Program at Queens University, and is a member of the Charlotte Estate Planning Council. Sandy values getting to know her clients and providing creative, integrated solutions for accumulating, preserving and transferring wealth.

Where does your investment path lead?

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521 East Morehead Street / Suite 580
Charlotte, NC 28202 / 704-374-0646
RinehartWealthManagement.com