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4 Must-Have Conversations For A Confident Retirement



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Retirement

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The American Writer Isaac Asimov once said, “Life is pleasant. Death is peaceful. It’s the transition that’s troublesome.” It may come as a surprise to many that one of the most anxiety-filled transitions in life is going from a full time work career to full on retirement. Let’s explore why this is and how to ensure a smooth landing.

While working, people transform and identify themselves with their work. There is the hierarchy of importance within the organization, a rigor of assignments and tasks to get completed, along with an acknowledgement for a job well done that does not exist outside the workplace. Many fear they will not know who they are once this status, structure, or appreciation surrounding their career is gone.

There is a social network surrounding one’s work. After all, many of us spend more time with our co-workers than with our own family, and close friendships will inevitably develop. Even the superficial chit chat counts and contributes to the social community among our co-workers that makes those long days a bit more tolerable. It is this home away from home that many will miss and feel disconnected from.

There is the loss of financial security that comes from a steady income stream, or if lucky enough to receive a regular pension payment, a diminished one. This anxiety is understandable, as most people spend a career saving and putting money into a 401(k) or other savings, and endeavor to live within their means. Upon retirement, they now have to start drawing on those savings they’ve spent a lifetime accumulating. Accounts which once only increased will now, it is feared, head downward.

While empathizing with the first two areas, it the last one where financial advisors can offer guidance and assistance. Working with clients on this transition can be one of the most challenging, but also most rewarding aspects of our profession. Here are some conversation topics you should have with your financial advisor to ensure you have a clear plan and smooth transition into retirement.

Check your investments and savings balances to make sure you are saving enough. Do your investments match your risk appetite, and allow for proper growth throughout the time horizon for your goals?

Have a plan for your income sources while in retirement. Gather information on any income sources you may have in retirement. Though nowadays rare, pensions are still a big part of retirees income, and come with different options such as when to start collecting or whether to consider a lump sum payment. The lump sum option has the retiree assuming the investment risk, but offers more flexibility and possible growth. The largest income source for most people in retirement will be Social Security, and it can be a very valuable asset. The timing of when to start collecting (between the ages of 62 and 70) has a huge impact on the monthly payment, resulting in a difference of several hundred thousand dollars over a thirty-year retirement for a couple.

Have a plan for your retirement expenses. Healthcare coverage concerns can be one of the largest unknowns in retirement. Many employees rely on healthcare subsidies from their employer and wonder how they will fund their healthcare before they are eligible for Medicare, at age 65. Many may have to find insurance on their own which can be expensive. After reaching age 65, retirees need to decide between Medicare or an Advantage Plan, which can be a little overwhelming. With a thorough explanation and a review with a financial professional of one's individual needs, the choice can be much clearer.

What will my tax situation look like? Probably the last major area of concern in retirement is how will taxes affect a retiree's desired retirement lifestyle. Surprisingly, taxes in retirement can be lower and more reasonable than people expect. This is because your gross income may not be as high as when you were working, and your net income can remain relatively stable.

The good news is, with a little early planning, the transition to retirement can be smooth and relatively stress free. Like any transition, one adapts. You will inevitably find your own retiree identity and you will create your own retiree social network. On the financial security end, seeking the help of a comprehensive financial advisor, and ideally one who is a fiduciary, is highly recommended. Breaking a financial plan into smaller categories and time frames is an ideal place to start and can ease the mental preparation needed for the transition. Keep in mind that retirement could be as long as your working career and with a little time and effort upfront can be extremely enjoyable, as it should be. After all, you've worked for it.