Sweeney & Michel LLC
FINANCIAL PLANNING & INVESTMENT MANAGEMENT

Are you ready to retire?

This is a loaded question. For many who don't have a plan and are over the age of 60, the answer depends on the day. If you are thinking about retiring, it is important to sit down with an independent financial professional first and evaluate your current situation.

The transition to retirement can be challenging. When you retire, you'll be spending your nest egg instead of building it. Upon retirement, your savings will no longer benefit from new contributions so it is important to make sure you have enough saved to meet your retirement goals. **The step by step process we use with our clients is outlined below.**

1. **Define retirement.** *Retirement does not have a "one size fits all" definition. Each person has an idea of how they want to spend their retired years. Outlining lifestyle goals and realistic income wishes are a big part of the discussion. This isn't a written in stone contract; it is a starting point for the planning process.*
2. **Complete a retirement expense worksheet.**
3. **Review health insurance coverage.** *Retiring before you are eligible for Medicare (age 65) can be costly if you do not have insurance benefits being paid through a former employer. Even after 65, Medicare is not free and does not cover all healthcare costs or prescriptions. Additional insurance is often needed and recommended. Making sure these expenses are accounted for is imperative.*
4. **Evaluate your living situation.** *Do you want to stay in your current home? Consider its size and upkeep as well as location. Determining whether you want to stay in your home for life is much easier when you are healthy and of sound mind.*
5. **Identify guaranteed income sources,** *such as pensions, annuities and social security, to uncover any shortfall or surplus. Most people end up having a shortfall, which is why you save through retirement plans such as 401(k)s, 403Bs, IRAs and other retirement accounts.*
6. **Review current investments and discuss withdrawal strategies.** *There are several different retirement withdrawal strategies available (see reverse side for four common strategies). It is important to discuss each one and understand the potential benefits and drawbacks. Your strategy can, and often does, change over time.*
7. **Create a spending plan.** *The plan will include defining the amount you want in savings for emergencies and if you want your retirement withdrawals annually or monthly.*
8. **Get organized.** *Simplify your finances by consolidating all of your retirement investments into one IRA so that tracking is easier. Make sure all beneficiaries and estate documents are updated to reflect your current wishes.*
9. **Adjust your portfolio.** *Once we define the withdrawal need and strategy it is time to review your portfolio. We consider total investment cost, personal risk tolerance and the legacy wishes before making any recommendations. Our aim is to create a balanced and diversified investment mix and control risk as much as possible, rather than concentrate solely on producing the highest portfolio returns.*

Four Withdrawal Strategies

Fixed Dollar Withdrawals

- Straightforward and simple to implement
- Your annual income, while predictable, will not grow with inflation
- Depending on the dollar amount you choose, you can wind up eroding your principal

Fixed-percentage Withdrawals (Recommended 4 or 5%)

- If the percentage chosen is below the anticipated rate of return, this option has the potential to provide both growth in income and account value
- Your income will vary year to year
- If the percentage you choose to withdrawal is on the high side, your assets could deplete over time

Inflation Adjusted Withdrawals

- Provides a growing stream of income
- Maintains your standard of living throughout retirement
- Requires annual calculation
- Can erode principal and potentially deplete the account over time

Withdrawal of Investment Earnings

- Prevents running out of money, as your principal remains intact
- Because the underlying portfolio is not tapped, there is potential for your investments to grow while providing income
- The amount of income will vary year to year
- There is inflation risk, since withdrawals may not keep up with inflation

Choosing a strategy isn't a one and done election. You may decide to start with a fixed dollar strategy in year one and by year three, realize you need more or less income annually. Your income withdrawal strategy can be changed as needed and should be reviewed on an annual basis.

Renée Michel, *MBA*
Financial Advisor
renee@sweeneymichel.com

Joe Sweeney, *CFP®*
Certified Financial Planner
joe@sweeneymichel.com

Katie Junk
Financial Advisor & Paraplanner
katie@sweeneymichel.com

(530) 487-1777 ▪ 196 Cohasset, Suite 100 ▪ Chico, California 95926 ▪ sweeneymichel.com