

From the Heart: Planning Questions Your Financial Advisor Should Ask

By Katherine S. Newton, CFP®

In my financial planning practice it is not unusual for clients to be in the midst of transitions that involve tough decisions. Currently over half of them are planning for imminent retirement, not just “someday” but many within the next five years. Setting goals in the old sense of the word (“How much money will I need to retire in 20 years?”) is no longer useful to them.

If you are planning for retirement within five years, answers to these questions may help as you move into a new life chapter and may make the difference between creating a vague future of uncertainty and worry versus fashioning a life of purpose and meaning.

Where will you live or go?

Will you live near your children or grandchildren? Consider travel costs and space at home to accommodate family members.

Almost all of my clients mention **travel as part of their retirement plans**. Housing may have to take a back seat (a condo nearer the airport?) to make room for the wanderlust, at least early on.

If you plan to retire soon, the question of where to live might need to be **"Where can you afford to live?"**

Here's a great cost-of-living calculator to compare food, housing, medical, and other expenses in various areas of the country:

<http://bestplaces.net/city/>. If you're thinking of moving away from the Catawba County area, you had better plan on spending more.

What will you do? Create income or spend more?

Work obviously **creates income** but volunteering activities may keep you busy and less inclined to fill your days with shopping.

Even low-cost activities (gardening, wood-carving) **require some expense**. Don't overlook these costs.

How will you live?

The simple life? Most meals at home. Inexpensive vacations like road trips and camping excursions. Mid-priced car. No lavish spending on entertainment, clothes, or other discretionary items. Inexpensive hobbies such as reading, gardening, or woodworking. Modest home.

Or the high life. Lots of meals out. Luxurious vacations. Luxury car. Elegant wardrobe. Expensive hobbies like golf, wine, or photography. One or more well-appointed homes. It adds up.

The old “80% of last earned income” rule is defunct if you plan a more active, expensive lifestyle in retirement.

How will your health hold up?

Health status determines whether or not you will be able to work (and for how long) and how much you might have to pay out in medical expenses. It also impacts life expectancy. And the healthier you are, the **more** attention you need to pay to long term care.

How long will you live?

Life expectancy tables and averages are rarely the reality (half could live far longer and the other half far shorter lives). At least in the case of my clients, they tend to be well above the norm in terms of the health care they receive and the lifestyles they lead (more active, more fit, generally healthier). Here’s a web-based life expectancy calculator you might want to check out:

http://moneycentral.msn.com/investor/calcs/n_expect/main.asp. Imagine my own planning challenges when it told me I’d live to age 102!

The views are those of Katherine Newton and should not be considered as investment advice and also are not intended to be tax advice. All information is believed to be from reliable sources; however, we make no representations as to its completeness or accuracy. Discuss all information with your individual advisor prior to implementation.

Katherine Newton, a 29-year veteran of the financial services industry and Certified Financial Planner™, helps clients nationwide enrich their retirements by working to create reliable streams of income, freeing them to do what’s most important in their lives.

You can reach Katherine at her company Waite Financial, LLC in Hickory at 828.322.9595 or by email at katherine@waitefinancial.com.

Her registered branch address is 428 4th Avenue, NW, P.O. Box 1177, Hickory, NC 28603.

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