How Much Should I Take?

Will I have all of the income I need when I retire, allowing me to live the lifestyle I desire?

Will my portfolio last as long as I do?

These are the questions that dominate the minds of yet-to-retire clients, at all stages of planning but particularly as the time to retire draws nearer.

A recent study suggests that the deadline for planning a truly happy retirement is five years before the event occurs, and that those who took concrete steps to put both their emotional and financial lives in order were the most satisfied with their lives during retirement.*

As we work with clients looking toward retirement, we find that while we cannot completely throw out all of the old rules, we can no longer exclusively use pat formulas such as the 4% rule,** the supposed "safe withdrawal rate" and a standard which ruled much of retirement plan distribution planning thinking during the last two decades.

In fact, we find that as we help clients determine key elements such as when to begin taking Social Security income and in what order they should take distributions from their after-tax accounts or from their IRAs and possibly from their Roth IRAs, we must help our clients "frame" the right questions before we recommend an exact course toward their goal.

What we find is that retirement plan distribution planning has become as much an art as it is a science.

Here are just some of the important considerations to make when planning a retirement income strategy:

What are your goals for legacy versus retirement income, and is it more or less important that you leave something when you die to your heirs or to the charities you support?

What are all of your possible sources of income? For example, in addition to distributions from your portfolio, will you have pension income, part-time employment, and/or are you willing to delay Social Security income in order to collect more for yourself and for your spouse?

What kind of attitudes do you have towards risk, and have ***all*** *of the various risks, not just those dealing directly with your portfolio, been properly assessed? Have you, for example, taken into account health care costs? Are you willing to except trade-offs that relate to reducing risk to your retirement income, trade-offs such as reducing or eliminating your ongoing gifts to charity or family?*

What kind of planning have you already done prior to retirement and what planning will you do after you retire? Have you, for example, looked at the possibility that a lower risk portfolio right prior to and right after retirement which is then re-vamped to more growth later on, might increase the likelihood that your nest egg lasts longer?

Going through the process of retiring alongside an advisor who has been through the exercise many times, especially in an increasingly complex world, may add greatly to the possibility of your retirement success...and happiness.

*Mass Mutual Retirement Study: The Hopes, Fears, and Reality of Retirement
** The Trinity Study: Cooley, Hubbard, and Watz, AAII Journal February 1998

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