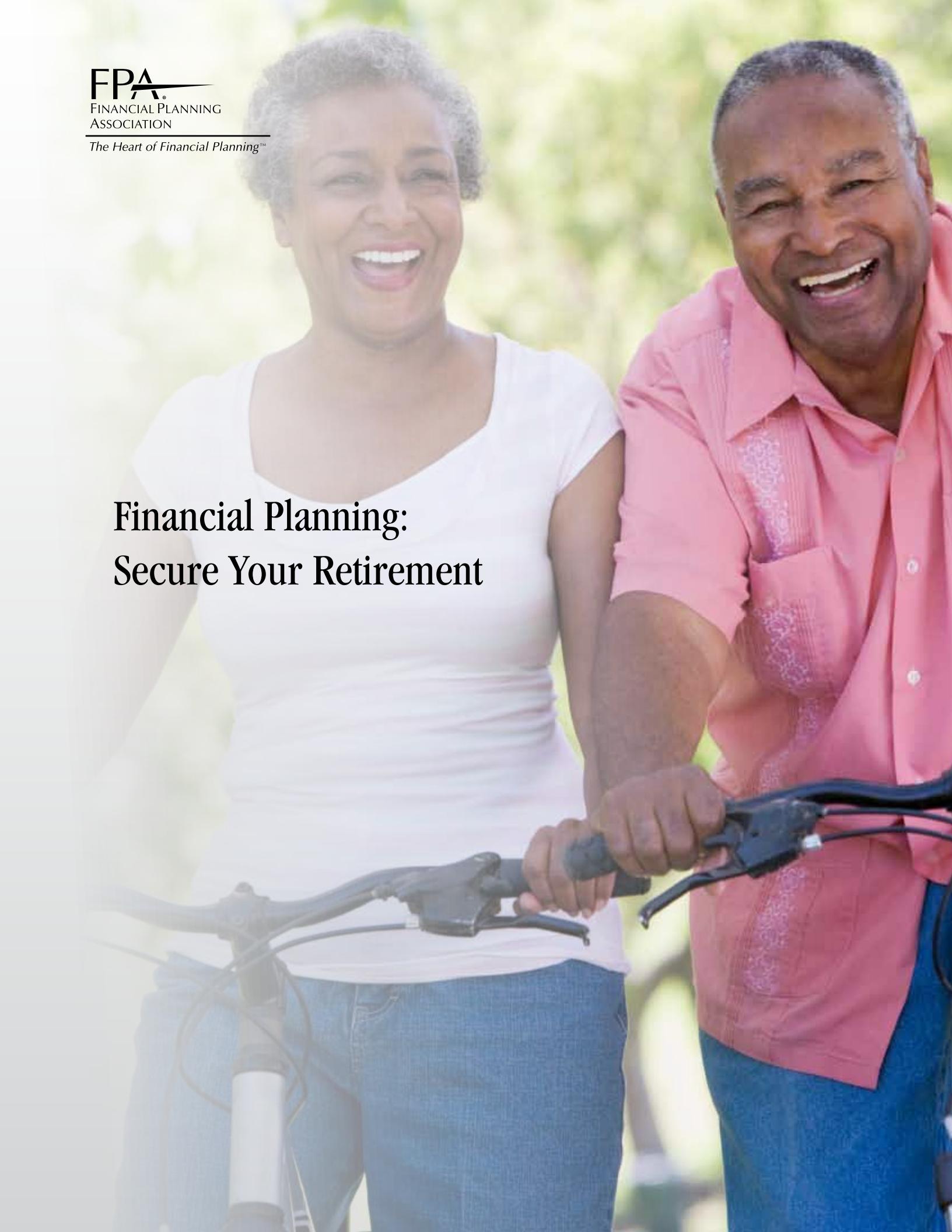




*The Heart of Financial Planning*<sup>™</sup>

A photograph of a smiling senior African American couple riding bicycles outdoors. The woman, on the left, has short grey hair and is wearing a white tank top and blue jeans. She is smiling broadly and looking towards the camera. The man, on the right, has dark skin and is wearing a pink button-down shirt and blue jeans. He is also smiling broadly and looking towards the camera. They are both holding onto the handlebars of their bicycles. The background is a bright, slightly blurred outdoor setting with greenery.

## Financial Planning: Secure Your Retirement



Plan for your retirement! You've probably heard these words of wisdom ever since you hit adulthood. Yet, other than trying to save money when you can, what else should you do?

This guide, from the Financial Planning Association® (FPA®), offers suggestions from financial planners on how to take a big picture, financial planning approach to your retirement plan. We'll answer questions you may have, such as:

- [Why Is Retirement Planning a 'Must'?](#)
- [How Can Financial Planning Guide My Retirement Planning?](#)
- [What Does My Cash Flow Have to Do with My Retirement Plan?](#)
- [How Does My Insurance Affect My Retirement Plan?](#)
- [What About Taxes and Retirement Planning?](#)
- [How Does Estate Planning Figure Into Retirement Planning?](#)
- [What Should I Know About My Retirement Savings and Investments?](#)
- [How Can a Financial Planner Help?](#)
- [Retirement Planning Checklist](#)

[Find](#) more resources from FPA on many of these topics. **Learn more:** [FPA's Planning for the Stages of Retirement Webinar](#).

## Why Is Retirement Planning a ‘Must’?

Your retirement will look very different from your parents’. You could live 30 years or longer in retirement. You’ll have to pay for those years, and it’s less likely than ever that you will have a guaranteed pension. The future of Social Security is so uncertain that some financial planners do not factor Social Security benefits into their clients’ retirement plans today. And, even if you decide to work beyond normal retirement age, a bad economy or health issue could force you from your job. Future healthcare costs are another unknown, but most experts say they are guaranteed to rise. The bottom line: It’s up to *you* to plan for a financially secure retirement.

## How Can Financial Planning Guide My Retirement Planning?

Financial planning can help you organize your retirement plan and make it more successful because it uses a systematic approach that considers all aspects of your financial life. The six-step financial planning process starts with identifying your goals. What do you want your retirement to look like? What other goals do you have? How do these goals affect one another? Write it all down.

Next, look at where you are now financially and compare it to the money you estimate you’ll need to accomplish your goals. When you have a realistic picture of where you want to go, you can make a plan to reach your goals. Or, you can adjust them. For example, you might decide to scale back a home remodeling project to direct more money to your retirement savings, push back your retirement age a few years or work part-time in retirement. Finally, you’ll want to implement the plan, and monitor and adjust it over time. **Learn more:** [FPA's "Starting Your Financial Plan: a Beginners Road Map" guide.](#)



**Special Note:** One goal many people have is to fund their children’s college education. While that’s an admirable goal, be sure to consider the effect it will have on your retirement plan. Keep in mind that there is help available for your children’s college in the form of scholarships, grants, and student loans, and they will have many years to repay those loans. You don’t have the same luxury of time to save for your retirement. **Learn more:** [Saving for College](#).

## What Does My Cash Flow Have to Do with My Retirement Plan?

Most Americans have not saved sufficiently for a comfortable retirement. You should make every effort to save 10 percent or more of your paycheck. If this amount doesn’t seem possible, try using a budget to analyze your cash flow. You may uncover spending and earning patterns you can change to free up more money to save toward retirement. A budget worksheet is provided in the FPA guide, [Budgeting: Managing Your Money with a Spending Plan](#).

And remember, don't overlook your debt. If you are paying more in interest on credit card debt than you are earning in your retirement account, you might benefit from making debt reduction your top priority in the short-term. On the other hand, if you would be tempted to stop saving for retirement altogether, you may decide to pay off your debt more slowly so you can keep contributing to your retirement fund. Think how you can use every dollar as efficiently as possible.

## How Does My Insurance Affect My Retirement Plan?

Insurance prevents financial catastrophes that could derail your retirement plans. Adequately insure what you cannot comfortably afford to replace. For most people, that means having the following insurance: auto, renters or homeowners, liability, health, disability and life insurance (if someone depends on you financially or you want to leave an inheritance). **Learn more:** [FPA's Choosing the Right Insurance for Your Life's Stages brochure](#).

Long-term care insurance is another type of insurance to consider when doing retirement planning. A stay-in nursing home could easily cost \$65,000 or more a year, and in-home care can cost hundreds of dollars a day. Medicare does not currently cover many long-term health care needs, and Medicaid is only available to those with limited incomes and few assets. At the same time, long-term care insurance can be expensive, and you may not qualify for it if you've developed health problems.



Keep in mind, too, that you don't have to be elderly to need long-term care; people at any age are at risk of a disability that could require long-term care services. A financial planner can help you assess the costs and benefits of long-term care insurance for your situation and select the right policy for your needs. Another resource is [Longtermcare.gov](#), created by the U.S. Administration on Aging and the Centers for Medicare and Medicaid.

## What About Taxes and Retirement Planning?

One of the best tax strategies you can implement is to take advantage of tax deductions available when you save for retirement in an Individual Retirement Account (IRA), 401(k), 403(b), or other retirement plan. If you own a business, you have more tax-deferred choices, including a simplified employee pension (SEP) and a savings incentive match plan for employees (SIMPLE). **Learn more:** [FPA's Financial Planning and Your Small Business brochure](#).

A financial planner or tax professional can provide details about available deductions and contribution limits. Or, check the [IRS Web site](#). And remember, you get the benefit of these tax breaks even if your employer does not match your contributions.

Another tax strategy to consider is a Roth IRA. With a Roth IRA, you make contributions using after-tax dollars. Although you don't get a current tax deduction, you generally can withdraw the money tax-free at retirement. A financial planner can help you determine if a Roth IRA is advantageous in your situation and if your income qualifies. **Learn more:** [Saving for Retirement](#).

## How Does Estate Planning Figure Into Retirement Planning?

Without an estate plan, the retirement you're working so hard to reach is in jeopardy. To protect you and your loved ones, make sure you have the following documents in place and keep them up-to-date: a will, general durable power of attorney, medical power of attorney and a living will (also called a medical directive). A financial planner can guide you and refer you to an estate planning attorney to draft these documents. If estate taxes are a potential issue, a financial planner also can talk with you about strategies for reducing them. Finally, be sure that the beneficiary designations on your retirement plans are correct and include both a primary and a contingent beneficiary. **Learn more:** [Estate Planning](#).

## What Should I Know About My Retirement Savings and Investments?

The earlier you start saving and investing for your retirement, the more time you have for invested dollars to compound, or grow. Yet, without proper management, even a comfortable nest egg can quickly erode under the pressure of rising costs. On the other hand, if the money is managed and invested wisely, it can see you through many years.

Save and invest in tax-advantaged accounts first, such as your company's 401(k) plan or your own IRA. If you can't put in the maximum amount allowed every year, at least fund it up to what your employer will match. Those matching dollars are like free money and immediately double your retirement savings. Avoid temptations to borrow from your retirement fund or cash it in early. You could be hit with penalties and taxes, plus lose your retirement saving momentum. When you have maxed out contributions to your retirement plans, save in taxable investment accounts.

As for the type of investments you should have in your retirement accounts, most financial planners recommend a diversified approach that uses a mix of stocks, bonds, cash, and possibly annuities to provide balance and protect against the impact of inflation. (Don't invest too heavily in your company's stock, for example.) Set aside a few hours once or twice a year to reassess your investment strategy in light of your goals, timeframe and risk tolerance and make adjustments. Reduce fees and costs by consolidating your retirement savings into just one or two

accounts. And never invest in something you do not understand. **Learn more:** [FPA's 20 Keys to Being a Smarter Investor brochure.](#)

## How Can a Financial Planner Help?

You can do retirement planning on your own, but there are many benefits of advice and coaching from a financial planner. A financial planner knows how to ask important questions about your retirement and other goals, and suggest strategies you may not have considered.

The Financial Planning Association can provide a list of financial planners in your area. Go to [www.PlannerSearch.org](http://www.PlannerSearch.org) or call 800.647.6340. Interview at least three financial planners to find the right person for you. Make sure you understand how they work and how they are paid — by fees, commissions, salary or a combination. If cost is an issue, explain that to the planner. He or she may be able to suggest alternatives, such as free financial planning resources offered by FPA and other organizations. **Learn more:** [Choosing a Planner.](#)

# Retirement Planning Checklist

Retirement planning is more effective when done in the context of financial planning. Use this checklist to take a big-picture approach to your retirement plan.

	<b>YES</b>	<b>NO</b>
<b>Financial Planning Process</b>		
• Have I written down my goals, including my retirement goals?	<input type="checkbox"/>	<input type="checkbox"/>
• Have I gathered all the necessary data for my financial plan?	<input type="checkbox"/>	<input type="checkbox"/>
• Do I have a realistic assessment of where I am now and where I need to go to reach my retirement and other goals?	<input type="checkbox"/>	<input type="checkbox"/>
• Have I made a retirement plan?	<input type="checkbox"/>	<input type="checkbox"/>
• Have I implemented it?	<input type="checkbox"/>	<input type="checkbox"/>
• Do I monitor my retirement plan regularly and adjust it as needed?	<input type="checkbox"/>	<input type="checkbox"/>
<b>Cash Flow</b>		
• Am I saving 10 percent or more of my paycheck for retirement?	<input type="checkbox"/>	<input type="checkbox"/>
• Do I use a budget to find more ways to save?	<input type="checkbox"/>	<input type="checkbox"/>
• Have I taken steps to control my debt so it doesn't get in the way of my retirement goals?	<input type="checkbox"/>	<input type="checkbox"/>
<b>Insurance</b>		
• Do I have adequate property, liability, health and disability insurance?	<input type="checkbox"/>	<input type="checkbox"/>
• Do I have life insurance to protect my dependents, or can I leave life insurance proceeds as a bequest?	<input type="checkbox"/>	<input type="checkbox"/>
• Have I analyzed the costs and benefits of long-term care insurance in my situation?	<input type="checkbox"/>	<input type="checkbox"/>
<b>Taxes</b>		
• Am I taking full advantage of tax-deferred retirement accounts available to me?	<input type="checkbox"/>	<input type="checkbox"/>
• Have I considered if a Roth IRA would be advantageous in my situation?	<input type="checkbox"/>	<input type="checkbox"/>
<b>Estate Planning</b>		
• Do I have basic estate planning documents in place, including a will, power of attorney and medical directive?	<input type="checkbox"/>	<input type="checkbox"/>
• Are these documents up-to-date?	<input type="checkbox"/>	<input type="checkbox"/>
• Are the beneficiary designations for my retirement plans current?	<input type="checkbox"/>	<input type="checkbox"/>
<b>Savings and Investments</b>		
• Does my retirement plan have a diversified mix of investments that take into account my goals, timeframe and risk tolerance?	<input type="checkbox"/>	<input type="checkbox"/>
• Do I keep costs and fees to a minimum?	<input type="checkbox"/>	<input type="checkbox"/>
• Do I avoid temptations to borrow from my retirement fund or cash it in early?	<input type="checkbox"/>	<input type="checkbox"/>
• Have I reassessed my investment strategy recently and made adjustments?	<input type="checkbox"/>	<input type="checkbox"/>