Essential

RETIREMENT PLANNING

Your Complete Guide to a Successful and Secure Retirement

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By
Angelia Griffith

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Introduction

For most people, retirement is perhaps one of the most important phases of their lives. Because of its importance, it needs to be carefully planned for, to make it possible for the retiree to enjoy his golden years in peace and comfort.

For this to be achieved, a percentage of one's income is set aside or saved for the purpose of gaining financial freedom in retirement thus making the need for gainful employment optional rather than necessary.

But it's not as easy as it sounds. For many people, whether employed or in self employment, the goal of having a comfortable retirement, is an incredibly elaborate and extensive process that needs careful and focused planning and years of patience and persistence. Interestingly, the process of planning and managing retirement finances does not end when one retires. It 's an ongoing responsibility that is carried on well into the retiree's sunset years.

Many people attempt to make their own retirement plans but only a small percentage manage to come up with a plan that can sustain them through retirement. The bigger majority, try it with devastating consequences, ultimately making them lead difficult, miserable lives full of financial challenges.

Whereas it's good to be actively involved in the planning of all matters that affect your financial future, it's wiser to engage the services of a good and professional financial adviser to take care of your retirement planning. This is true irrespective of one's social, financial or educational background.

It's important that when choosing a financial adviser, he must be well trained, qualified and possess the necessary experience to plan and prepare a good retirement plan that will ensure your comfort. In doing this, they will help you discuss you financial agenda and answer a number of questions that will determine the plan that best suits your needs.

For instance, it's important to know how much money you will need to support your retirement. This will help him understand the type of lifestyle you expect to live. Another equally pertinent issue is the amount of money you need to have saved by the time of retirement and how the money should be invested to boost retirement savings.

With a good financial adviser, the money you have accumulated on retirement can be invested to enhance your income in retirement For success, create a plan and vision for your future and closely work with your financial adviser by providing all your bank statements, share certificates, superannuation statements and insurance policies so that he has no difficulty in planning your retirement.

It's also of paramount importance that communication lines between you and your adviser remain open and cordial so that any issues that are not clear are quickly thrashed out. Equally important is the need to clearly tell your financial adviser what your expectations are, so that your retirement plan can be made with your expectations in mind.

Since the retirement plan is about you, ensure that you understand everything that the adviser is planning. When issues are not clear, seek clarifications and explanations because it's your money and you have every right to understand how it's being invested.

Your financial adviser should also be able to guide you on how to minimize your tax and help you determine the type of life insurance that best suits you. This is important when one considers that old age brings medical problems and marked increase in healthcare expenses. This can easily compromise the type of lifestyle you want to lead as the medical expenses might wipe out your savings leaving you in misery. To avoid such a scenario, a medical insurance cover and long term care insurance is the best way to insulate yourself against such expenses.

Lastly he should be able to discuss with you whether there is need for you to look for part time employment to boost your retirement income. On the face of it, these issues look simple enough for one to attempt to deal with, without the assistance of a financial adviser, but the truth is, retirement money should and must never be experimented with. One must remember that after retirement, especially if it is at the age of 65, medical care increases due to diseases associated with old age and the body is no longer strong enough for gainful employment.

It may be possible to handle matters of retirement on your own, but there is need to seek expert advice so that all your needs are handled and executed by someone who understands the intricacies of retirement planning. This is the surest way to go.

When to Start Retirement Planning

The time to begin retirement planning is when you start thinking about retirement. Unfortunately, a lot of people do not start thinking about retirement until it is too late. This means you should start thinking about retirement now even if you do not have any concrete plans for it.

The main point to remember is that no matter what you plan to do when you retire and where you plan to go you will need money.

That means you should start planning to provide yourself with a retirement income. You should implement a plan of savings and investments designed to provide that income even if you do not have a specific retirement plan.

How to Begin a Retirement Plan

The way to begin a retirement plan is to take stock of the assets that you have right now. This means any investments you have, property you own, funds you have in the bank and retirement vehicles available to you. If you have a retirement plan available at your work you should take a look at it and see if it meets your needs.

If you do not have a tax-deferred retirement plan such as an IRA perhaps it is time to being one. A tax-deferred vehicle allows you to save funds for retirement without increasing your taxable income. There are a vast number of such vehicles available so it is often a good idea to talk to a retirement planner or financial planner before making a decision.

It is also a good idea to start saving even if you do not have a specific plan or vehicle in mind. You can always shift your funds into a tax deferred instrument like an annuity later on. A good basic retirement plan is to save or investment 10% of income even if it is not in a retirement instrument.

Information is the Starting Point

One of the worst mistakes people planning for retirement make is to not get enough information before they start. Do as much research as you can about the retirement investments that you can plan to use. Find out everything about them including all of the limitations and restrictions.

An example of such a restriction is the 10% tax penalty the IRS charges on most tax-deferred instruments. Many people end up costing themselves a lot of money by not taking this into account when they save for retirement. If they had done some reading or studying those people might have realized that penalty existed and put their money somewhere else.

Do not forget to study alternatives such as annuities because such instruments are often better for average people than some of the more common investments. An annuity has the advantage of being both tax deferred and insured. There is also no limit on the amount of tax deferred income a person can place into one.

A Retirement Plan Should be Flexible

A retirement plan should be flexible because the world is constantly changing. This means you should regularly look at your retirement plan (once a year is usually sufficient) and be willing to change it as circumstances change. An example of changing circumstances could be the disappearance of a source of retirement income such as a pension.

Always be willing to change the retirement plan because something will always change. Most retirement plans have provisions for change built into them that you can take advantage of. A person can use a rollover to move funds from an IRA into an annuity for example.

The Right Age For A Retirement Plan

The only factor that people consider about their retirement plan is their retirement age, but they fail to consider other important factors, such as their present age, how long they will live, the investments already made, the benefits that the investments are supposed to yield, and the necessary income to support themselves after they retire.

The mistake that most people make is start saving for retirement and investing at the age of 50 when they should be doing it at the age of 30.

What About Investments For Retirement?

The best ways to invest for retirement are bonds, IRAs, 401k, and pension plans. Bonds are a good idea because you can predict the interests they will yield over the years and they are not very risky. The 401k plans are protected against taxes, and are very important in retirement plans. Many companies match part or all of the worker's investments in 401k plans.

There has been a decrease in company pension plans, because 401k investment plans are preferred. If you want to complement your retirement plan with a pension, you may have a hard time having the company match your investments.

Early Planning Saves Money And Headaches.

Individual Retirement Accounts are protected against taxes, and offer reductions in taxes year after year. On the other hand, social security is not reliable anymore for a retiree, since those who where born after 1970 will get it when they become 75. Likewise, those born after 1990 are not likely to get it at all.

The solidness of your retirement plan is essential, which can only be achieved if you start planning for it before you become 30.

What would you say if I told you that there re retirees that cannot even pay for the medicines? Would you agree that it is important to calculate how much you are going to need to support yourself in the future?

Although money is an essential part of retirement plans, there are other aspects that deserve consideration, namely, post-retirement activities and life expectancy. If you want to determine these two aspects precisely, you should look for life expectancy and retirement calculators on the internet.

In order to determine the necessary income to support yourself after you retire, you must analyze you future expectations, and what you want to do. With a little planning, investing, and discipline, you will get the quality retirement we all deserve.

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