EIGHT CLIENT RETIREMENT OBJECTIVES

1. Maintaining pre-retirement standard of living.
2. Maintaining financial self-sufficiency.
3. Minimizing taxes.
4. Retiring early.
5. Adapting to non-economic facets of retirement living.
6. Passing on wealth to other persons.
7. Improving lifestyle during retirement.
8. Caring for dependents.

FIVE COMMON ROADBLOCKS TO RETIREMENT SAVING

1. Frequent change or employers: clients who change jobs should roll over any vested pension benefits into an IRA or a new qualified retirement plan.
2. Long-term accumulation objectives (e.g., purchase of residence, education of children) that a person must satisfy prior to retirement.
3. Use of full after-tax income for current standard of living. A 90/10 spending ration (10% of earnings set aside for long-term financial objectives) is desirable.
   a. Money set aside in the early years of work will provide a larger retirement fund than the same amount set aside in later years.
   b. As earnings increase, percentage set aside for long-term saving should increase.
4. Ill-timed, unexpected expenses (e.g., home repairs) or decreases in income approximately three to six months of income should be included in an emergency fund.
   a. A thorough review should be made of insurance needs and present coverage.
5. Divorce: clients may have only a short time to accumulate retirement income or earn social security benefits.
   a. If the marriage lasted more than ten years, however, a divorced person is eligible for social security benefits based on the earnings of the former spouse.

DETERMINING RETIREMENT NEEDS OF A CLIENT

Five common unexpected changes that affect retirement planning:

1. Poor health causing an early retirement.
2. Business success may dictate a higher standard of living during retirement than originally planned.
3. Higher inflation than predicted.
4. Smaller investment returns than anticipated.
5. Living longer than expected.

THREE STEPS IN CREATING A RETIREMENT PLAN

1. Conduct inventory of current financial resources (e.g., social security benefits, pensions, savings, IRAs, life insurance).

2. Compute annual income required in first year of retirement (the closer a person is to retirement, the easier the computation of the needed annual income amount). **Two methods** of computing needed income level:

   a. A 70% to 90% replacement ration of client's final average salary is used for planning purposes.
   b. Expenses that decrease during retirement: work-related expenses, mortgage payments, food, clothing, taxes, transportation, child support and furnishings.
   c. Expenses that increase during retirement: utilities, insurance, home upkeep, recreation and contributions.
   d. Reduced taxes: fewer taxes incurred by the retiree because of elimination of social security tax, increased standard deduction depending on age and filing status, exclusion from gross income of all or part of social security benefits, reductions in state and local income taxes and increased use of deductible medical expenses.

3. Use worksheets to calculate the amount of savings to achieve consistent level of living during retirement.

   a. Planner must provide inflation protection before and after retirement for client resources.
      1) Planner must determine which of the client's resources are subject to a decline in purchasing power because of inflation (e.g., fixed pension benefits).

   b. **Retirement income deficit:** shortfall between what client has compared to what the client needs.
      1) This amount is not inflation-proof, so inflation factor must be calculated.