

RETIREMENT CHECK-UP




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Beating Longevity Risk: How to Outlive Your Money and Do it in Style


An increasing number of Americans are uncertain about their financial preparedness for retirement. According to a 2015 study by the Employee Benefit Research Institute, only 22% of Americans are very confident that they will have the money they need for a comfortable retirement.


Retirement readiness is a legitimate concern. People spend more years in retirement than ever before. Healthy, active retirees want to keep up a satisfying lifestyle. And potential medical costs become an increasing concern with age; about 25% of Medicare spending is for services incurred in the last year of life.


Longevity risk, which is essentially the chance that you will exhaust your financial resources while you still have plenty of living to do, is a risk that you can plan to beat. Here are five strategies to consider as you work on your retirement planning:

 **Protect your retirement income.** Compare your expected income (from retirement plans, Social Security, etc.) with your expected living expenses and don't get overextended before your retirement even starts.

 **Invest to live.** Even after you retire, you'll still have to deal with rising costs due to inflation. Keep your money invested and growing so it can take you forward to help fulfill all your retirement goals.

 **Watch your withdrawal rate.** You don't need to live entirely off investment earnings during retirement. It's okay to draw down some of your principal gradually. But going too far too fast can leave you with a lot of uncertainty. Most financial advisors say it's okay to draw down your assets at a rate of 3% to 5% a year.

 **Protect your assets.** Minimize your exposure to financial risks that are unacceptable to you. Long-term care insurance, for example, may help with your peace of mind that you could afford nursing home or in-home care if needed.

 **Save your tax-free accounts.** Many retirees have multiple financial resources, which may include before and after-tax savings, IRAs, brokerage accounts and personal savings. As a general rule, you'll get the largest financial benefit by waiting the longest to use your tax-deferred resources.

By the time you retire, your years of working and saving can provide a solid foundation for retirement. Careful planning can ensure your savings will increase your confidence that your retirement will meet and exceed all your expectations.



Target Date Funds Keep You on Track for Retirement

The AACPS Supplemental Retirement Program (SRP) has three providers – Lincoln, VALIC and Voya Financial (formerly ING) – and all offer target date funds for your retirement savings investments. These funds adjust asset allocations based on when you plan to retire. As you get closer to your target retirement date, the investment risks typically reduce.

Out of Sight, Out of Mind

Having your retirement savings deducted from your pay is one of the best methods of saving for retirement. You can set up a savings account through the Supplemental Retirement Program (SRP) and have a portion of your paycheck go directly to it. If you don't see the money in your paycheck, you won't spend it.



How Much Money Do You Need at Retirement?

There is no universal answer for the question: How much money will I need when I retire? The answer depends on a number of factors, including how much debt you have prior to retirement and the type of retirement you envision.

Here are a few things to consider:

- 1. Your monthly expenses.** Once you retire, you may no longer have work-related expenses such as commuting or paying for parking, but you may still have ongoing costs. For instance: *Have you paid off your mortgage? What do you need for day-to-day operations (utilities, food, etc.)? Are you paying on any loans, such as education expenses for yourself or your children? Do you have a car, boat or other vehicle you're still paying for?* Consider what you earn while working and what expenses you expect to continue to have throughout retirement.
- 2. Your annual/once-a-year expenses.** Some costs only come up once a year, but they still need to be factored in to your retirement planning: Do you have insurance, taxes or other expenses you expect to pay once a year?
- 3. Lifestyle factors.** What will you do during retirement? Do you envision traveling a lot? Do you anticipate spending time on home improvement projects? Perhaps you're looking to purchase your dream car or boat. How you plan to spend your time during retirement can greatly influence how much money you'll need.
- 4. Aging expenses.** If you do not have long-term care insurance, what are your plans should you need assistance to ensure your quality of life?
- 5. Unexpected expenses.** No matter how old you are, life happens: Cars break down, pipes in your home burst, health issues arise. If you experience an unexpected expense, will you be able to cover it?

To help you with your retirement planning needs, our Supplemental Retirement Plan providers can assist you. The AACPS Supplemental Retirement website can provide you with our Supplemental Retirement Plan provider contact information.

Go to: http://www.aacps.org/humanresources/retirement_new.asp. You may also contact our providers directly at:

- Lincoln Financial – 410-987-3590
- VALIC – 410-859-2480
- Voya (ING) – 800-454-1099