



APRIL

I think it's time to start planning for retirement. Where do I begin?

Answer:

Although most of us recognize the importance of sound retirement planning, few of us embrace the nitty-gritty work involved. With thousands of investment possibilities, complex rules governing retirement plans, and so on, most people don't even know where to begin. Here are some suggestions to help you get started.

First, set lifestyle goals for your retirement. At what age do you see yourself retiring, and what would you like to do during retirement? If you hope to retire at age 50 and travel extensively, you'll require more planning than other people. You'll also need to account for basic living expenses, from food to utilities to transportation. Most of these expenses don't disappear when you retire. And don't forget that you may still be paying off your mortgage or funding a child's education well into retirement. Finally, be realistic about how many years of retirement you'll have to fund. With people living longer, your retirement could span 30 years or more. The longer your retirement, the more money you'll need.

Next, project your annual retirement income and see if that income will be enough to meet your expenses. Identify the sources of income you'll have during retirement, and the yearly amount you can expect to receive from each source. Common sources of retirement income include Social Security benefits, pension payments, distributions from retirement plans (e.g., IRAs and 401(k)s), and dividends and interest from investments. If you find that your retirement income will probably meet or exceed your retirement expenses, you're in good shape. If not, you need to take steps to bridge the gap. Consider delaying retirement, saving more money, or taking more investment risk.

This is just a starting point. The further you are from retirement, the harder it is to project your future income and expenses. If you're ready for more detailed planning, consult a financial professional.

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