Five Tips to Help with Retirement Readiness

To help Americans feel more confident about their retirement readiness, members of the American Institute of CPAs' Personal Financial Planning Executive Committee have put together these 5 tips:

1. Don't Wait, Explore Long Term Care Coverage Early.

As individuals are living longer lives, having a plan in place for a serious illness or incapacity is critical for maintaining peace of mind. Individuals should first consider all the options available for dealing with prolonged medical and personal care in a way that accomplishes their goals within the constraints of their financial situation. Individuals should compare the relevant options such as traditional long-term care insurance, hybrid long term care insurance, Medicaid options, or self-insuring. However, they should not wait to explore coverage options. Applicants over 70 years old run an increased risk of being denied long-term care insurance due to health issues.

2. Don't Look at Your Portfolio Too Often.

In any given year, the stock market has an approximately 70% chance of going up in value. However, on a daily basis that likelihood decreases to approximately 53%. Just understand that markets will fluctuate wildly in both directions but have historically gone up over long periods of time. Checking your portfolio daily can tempt investors to make short-sighted decisions that can easily derail an otherwise sound portfolio allocation.

3. Utilize Catch-Up Contributions Once Age 50.

Catch-up contributions are a great strategy for those who are age 50 and over and looking to secure the likelihood of a successful retirement. Individuals age 50 and over can make an additional $6,000 contribution to their 401(k) or most other employer-sponsored retirement plans for 2019. For IRAs, an individual can contribute an additional $1,000.

4. Have a Tax-Efficient Drawdown Strategy.

Be sure to have a plan for how to best consume retirement savings tax-efficiently in retirement. Without thoughtful planning, taxes can take a hefty bite out of cash flow and that's especially painful when living on a fixed income in retirement. It's critical to be mindful of retirement withdrawals bouncing you into a higher tax bracket, affecting taxes on Social Security benefits, and triggering higher capital gains taxes and other adverse tax consequences.

5. Plan to Pay off or Pay down Debt Before Retirement.

Debt is generally unfavorable for individuals in retirement as it hurts their cash flow. Managing cash flow is critical because retirees typically live on a fixed income derived from their investment portfolio, social security, and pension plans. When approaching retirement, it is prudent to review all outstanding liabilities and decide whether any debt should be paid down or paid off while you still have the financial flexibility to do so.

The Robin S. Weingast & Associates team is here to help with all of your retirement planning needs.

Contact us today!

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