

Retirement Planning, Part 11
Retirement Trade-Offs and Potential Solutions
By Gary Case

Happy New Year! Often our resolutions involve managing finances and planning for your future. In the past weeks this column has explored the demographics of the U.S. retirement population, the challenges of transitioning from wealth building to lifetime income, and the five key risks to lifetime income. The risks discussed include:

- Longevity—living longer than expected
- Inflation—the rising cost of goods and services during retirement
- Asset Allocation—improper mix of stocks, bonds, cash, and alternative investments
- Excess Withdrawal—prematurely depleting funds or unnecessarily depressing spending levels
- Health Care Expenses—losing employer supported benefits and anticipating catastrophic costs

Now its time to focus on how to address those risks and overcome the obstacles to a secure lifetime retirement income. One way to define financial “success” in retirement is the ability to successfully manage available resources to navigate around the above referenced risks, while being able to provide reliable income to sustain a particular lifestyle. This broad definition, however, needs to be customized to each person’s situation. That’s because total life savings, real risk levels and risk tolerance, family health, and the costs of desired lifestyles vary so widely.

There are key factors that everyone needs to take into account while seeking retirement income security. These key factors lead to a discussion of some key trade-offs that people should understand before they make the critical financial and investment decisions needed to achieve their vision. Issues to be discussed in future columns include:

- Visualizing your retirement
- Three keys to contentment in retirement
- Timing retirement
- Converting assets for lifetime income
- Long-term care insurance
- Estate planning considerations
- Charitable giving opportunities

To summarize, solving for predictable lifetime incomes involves a complex series of trade-offs. These touch on retirees’ core values and preferences—ranging from their desired lifestyles to their wish to leave substantial estates to heirs, to their willingness to endure some uncertainty or pay more for income guarantees. There is no one-size-fits-all solution. The only absolute is the need to plan wisely to help increase the likelihood for a secure retirement.

You should consider engaging the services of an advisor who has experience in retirement income planning, a commitment to seeing your plan through with you, and the resources to deliver the services you desire.

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