



## 403b NEWS

A quarterly newsletter  
for Retirement Plan  
Participants

### A Spending Plan for Retirement

Congratulations, you're about to retire! Your many years of hard work have paid off, and now it's time to finally take it easy. So, how do you plan to spend your time? Traveling? Golfing? Visiting your relatives? However you want to enjoy your retirement, you need to think about how you're going to spend your money.

#### Don't Rush In

It's important not to be impulsive when you first retire. While you may feel you deserve an exotic vacation or a new car, immediately splurging might not be a smart move. You should determine how much retirement money you can afford to withdraw each year.

#### No False Assumptions

Make sure you carefully calculate how much you will really need to withdraw from your savings. If you just make some general assumptions, you could end up taking out more than you should and risk running out of retirement funds down the road.

Also, don't assume you won't need retirement income for very long and, thus, that you might as well spend a lot of your money right off the bat. Depending on your age at retirement and how healthy you are, you could be retired for over 30 years. With many retirees living active lives well into their 80s, you may want to prepare for a long retirement so that you don't risk outliving your savings.

#### Keep Track of Expenses

Write down all the expenses you anticipate you will have once you retire. Work-related expenses will likely be reduced. Depending on your anticipated lifestyle, recreational and travel expenses may increase. If you plan to relocate, remember to figure in all the costs associated with moving. And, if you will have to pay for part or all of your health care, make sure you include those expenses, too.

#### Look at Your Investments

While you may focus on the amount of retirement savings you've accumulated, also project the investment return your savings will generate. The higher your return, the longer your savings are likely to last. In recent years, you may have shifted more of your portfolio into fixed-income investments to help preserve the value of your principal. However, you may want to keep a portion of your funds in stocks so that your portfolio will have the potential to produce returns that outpace inflation.

#### Anticipate Inflation

During your saving years, inflation had an impact on the future buying power of your money. Inflation will continue to have an impact once you retire, especially if your retirement lasts a long time. Over a 30-year retirement, even a low inflation rate can erode the value of your savings. So consider the rate of inflation when you determine your savings withdrawal rate.

#### Talk to Your Financial Professional

When it comes to spending your retirement savings, it's important to get it right. Your financial professional can help you figure out how much you can withdraw from your savings so that you achieve your retirement goals and have enough to last throughout your retirement.

#### Monitor Your Plan

Once you retire and have a spending plan in place, you'll want to review your plan periodically. You may need to make adjustments if your investment returns are lower than anticipated, the rate of inflation increases, or your spending needs change significantly.

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## When Retirement Is Near

You've worked hard during your career. As you approach retirement, think about how you want to spend your time, what you want to accomplish, and how your finances will be affected. Plans you make today will help you prepare for a fulfilling future.

### Where will you live?

When you retire, are you planning to relocate to another part of the country, move to a smaller place, or stay in your current home? Where you decide to live during retirement could have a big impact on your lifestyle and expenses.

If your dream is to relocate to a geographic region with a different climate or live closer to family and friends, do your research now. You'll want to become familiar with the housing costs, income and property taxes, senior services, and health care available in the targeted location.

Maybe you want to stay in the area where you live now, but move to a smaller home that's easier to maintain. If so, don't forget to factor into your retirement budget the costs of moving and a new mortgage, if applicable. If you want to stay in your current home, consider the costs necessary to maintain it when you are developing your budget.

### How will you spend your time?

Retirement may be a time for you to finally rest and relax. Or maybe you'll be busier than ever. How you spend your time will most likely affect the amount of retirement income you'll need, so the more you plan now, the better prepared you can be for the financial realities of retirement.

Perhaps you want to travel and/or visit family and friends who live far away. Retirement may be a good time to pursue a sport or hobby you've always loved but didn't have time for when you were working. And it may not be too late to return to school for an undergraduate or advanced degree or even take adult education courses on subjects that interest you.

Retirement for you may include work of some sort. Maybe you want to stay affiliated with your current employer on a reduced schedule or in a consulting capacity. Or perhaps you'd like to begin a new career or start your own business. And many retirees spend a lot of their time volunteering in their communities.

### When should you start drawing Social Security?

You get to choose when you'll start receiving Social Security benefits. The earliest you can start receiving benefits is age 62. The amount you'll receive each month will depend in part on your age when you start receiving benefits. Full Social Security benefits begin at your "full retirement age," which ranges from 66 to 67 for people born after 1942. If you retire early and begin drawing Social Security, your monthly benefit amount will be permanently reduced based on the number of months until you reach your full retirement age. If you delay receiving benefits until after your full retirement age, your monthly benefit amount will be permanently increased, based on the number of months you do not receive benefits between full retirement age and age 70.

### What about health insurance?

Health care and associated costs are generally a substantial retirement expense, so it's important that you have adequate health care coverage after you retire. If you retire before you are eligible for Medicare, or if you know you won't have retiree health insurance, you may need to purchase coverage. Researching your options now may help you secure coverage and save money later on.

When Medicare coverage starts at age 65, you still may need supplemental insurance or "Medigap" coverage to help with expenses that Medicare doesn't cover fully.

### Is your retirement income in order?

You've probably saved and invested for retirement for many years. As you near the day when you'll stop working, it's time to start planning how you'll manage your income once you retire. This is a good time to look at your investments and consider your retirement plan payout options.

It's important to keep saving even as retirement draws closer. Your retirement may last a long time, and, since inflation will impact the purchasing power of your savings even during retirement, you'll want to accumulate a significant nest egg.

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