5 Steps for Retirement Income Planning

A Financial Roadmap
by
Hallett Advisors

Phone: 360-457-6000
Web: www.hallettadvisors.us
Email: jim@hallettadvisors.us

While no plan can completely protect you from longevity risk, inflation risk, asset allocation risk, withdrawal risk and health care expense risk, this five-step approach for retirement income planning has proven to work, whether you are already retired or still years away. Here’s the five step approach:

1) Inventory Expenses

Estimate monthly or annual expenses. Divide them into “essential” (food, clothing, housing, health care, etc.) and “discretionary” (travel, entertainment, etc.). Estimate any amount you wish to leave as a legacy.

2) Inventory Income

Identify current and future sources of income. Start with what might be considered as predictable long-term income flows such as social security, pensions and lifetime annuities. Then consider all financial and real assets (stocks, bonds, funds, CDs, real estate, rentals, etc.) that could be used to fund retirement and discretionary expenses.

3) Compare Essential Expenses with Predictable Income

Do you have enough pension, social security or other similar sources to cover necessities?

4) Allocate Assets to Cover Essentials and to Fund Discretionary Expenses

If predictable income is not enough, then financial and real assets will be needed to close the gap. You can do this by segregating a pool of assets to draw on systematically over time and/or by using an amount to purchase a guaranteed income product. Once essential expenses are covered, the remaining funds may be used for discretionary expenses, perhaps through a separate systematic withdrawal plan.

5) Protect and Update Your Plan

Be sure you have the right amount and right type of insurance to protect your lifetime income plan. This includes health insurance, property and casualty insurance, life insurance and long-term care insurance.