



**Steven M. Ellard, CPA**  
*Guiding clients toward financial success.*

# CAN YOU AFFORD retirement



## What you need to consider

### The Statistics

At age 65, only 5 out of every 100 retirees are financially independent; 22 must continue working, 28 depend on social security, and 45 depend on relatives for some or all of their support.

### More than one source

The funding for most retirements comes from a combination of sources. This includes social security, a company retirement plan, and the individual's own retirement and investment program. Some people never completely retire, but instead continue to work either full-time or part-time after they have reached retirement age.

### Money is vital

The key to having enough money for a comfortable retirement is to become a serious saver. Start saving early, commit to saving regularly, and save as much as you can. No one ever retired regretting that they had accumulated too large a retirement fund.

### The cost of retirement

During retirement, the expenses of buying a home and raising a family are usually gone, but other costs such as health care could be considerably higher. It's been estimated that most retirees will need at least 66% of pre-retirement income. An active retiree may need closer to 80% of pre-retirement income to pay for added travel and leisure activity costs.

### Taxes

While retired individuals get some special tax breaks, they still continue to pay income taxes. The assumption usually is that your income will be lower in your retirement years, and, therefore, your income taxes will be less. In any case, don't forget to take taxes into account in your planning.

### Inflation

Inflation, even at moderate levels, can cut into retirement resources. You will have to find a way to hedge against inflation. Monitor your investments to be sure your return is higher than the level of inflation, or you will be losing ground.

### Life span

People are remaining healthier longer and living longer lives. In your retirement planning, be optimistic about your own life span. Your planning should probably provide for double the remaining years indicated in any longevity tables.

## How to save more

Need to save more for retirement? Saving money doesn't have to be hard work. In fact, many successful savers have found simple ways to cut spending and increase their savings. Here are some tips to help you get started and stay on track.

- Figure out how much more money you need for retirement. The number of years you have before retirement will help determine how much you will need to invest each month to reach your financial goal.
- Be realistic. Make sure that your savings goal is realistic. If your goal works out to 10% to 15% of your monthly income, it should be achievable.
- Pay yourself first. Treat your savings as your most important monthly bill. Write a check to savings first, or have your savings automatically deducted from your checking account or paycheck.
- Track your expenses for a few months in order to spot unnecessary or wasteful spending; it doesn't take much work to see potential cutbacks.
- Control the use of your credit cards and your ATM card.

# Retirement Plan for

*Calculate your retirement income and expenses to determine if your resources will be adequate.  
In completing the retirement worksheet below, use reasonable estimates.*

*If you're more than ten years from retirement, update this sheet every three years. If you're within ten years of retirement, try to get closer estimates from your records and from various agencies. Then update this sheet annually.*

Date \_\_\_\_\_

Your age \_\_\_\_\_

Years to retirement \_\_\_\_\_

## Annual Retirement Income

Social security \$ \_\_\_\_\_

Company pension(s) \_\_\_\_\_

Other retirement plans \_\_\_\_\_

Other sources of income \_\_\_\_\_

Total \$ \_\_\_\_\_

## Annual Retirement Expenses

(Itemize or use 60-80% of current annual expenses)

Taxes \$ \_\_\_\_\_

Food & household supplies \_\_\_\_\_

Mortgage/Rent \_\_\_\_\_

Home taxes,  
insurance, other costs \_\_\_\_\_

Auto costs \_\_\_\_\_

Clothing \_\_\_\_\_

Medical \_\_\_\_\_

Travel \_\_\_\_\_

Hobbies, recreation \_\_\_\_\_

Other (list) \_\_\_\_\_

Total \$ \_\_\_\_\_

If estimated retirement expenses exceed income –

If your annual expense total is larger than your annual income total, you need to make some adjustments to your retirement plan. You may need to make one or more of the following changes:

- ▶ Set aside more in investments now.
- ▶ Get a better return on your investments.
- ▶ Postpone retirement.
- ▶ Plan to supplement your retirement income with part-time work.
- ▶ Plan to consume some or all investment capital as well as income during retirement.
- ▶ Accept a lower standard of living when you retire.

## Notes

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