

# The Pre-Retirement Checklist



Savings ☐

Investments ☐

Social Security ☐

Medicare ☒

Insurance ☐

Having Fun ☐

Are you prepared? Most important: Are you aware? Aware of the common mishaps and misperceptions that may curtail a happy & healthy retirement? The Real Investment Advice and Clarity Financial pre-retirement preparation checklist can help identify potential mistakes and navigate a smooth transition to a revitalized and fulfilling retirement. **Body:**

*Do you maintain an exercise regimen that includes activities such as yoga, Pilates, weight training, walking and other types of aerobic activities for at least 30 minutes a day?* **Y / N**

Leisure-time physical activity is associated with longer life expectancy, even at relatively low levels of activity and regardless of body weight, according to a study by a team of researchers led by the National Cancer Institute (NCI), part of the National Institutes of Health. •The study, which found

that people who engaged in leisure-time physical activity had life expectancy gains of as much as 4.5 years.

*Do long life expectancies run in your family?Y / N*

Your parents may largely dictate how long you're going to live. And your mom appears to have most of the control over your "aging gene."

*Do you smoke or a regular user of nicotine products?Y / N*

Cigarette smoking causes more than 480,000 deaths each year in the United States. This is nearly one in five deaths.

*Do you consume alcohol more than twice a week?Y / N*

Alcohol use is related to a wide variety of negative health outcomes including morbidity, mortality, and disability. Research on alcohol-related morbidity and mortality takes into account the varying effects of overall alcohol consumption and drinking patterns. Alcohol use increases the risk for many chronic health consequences (e.g., diseases) and acute consequences (e.g., traffic crashes), but a certain pattern of regular light-to-moderate drinking may have beneficial effects on coronary heart disease.

*Have you taken advantage of a life-expectancy calculator to better plan for the length of portfolio withdrawals needed in retirement?Y / N*

The Living to 100 Life Expectancy Calculator uses the most current and carefully researched medical and scientific data in order to estimate how old you will live to be. Most people score in their late eighties... how about you? Check it out at [www.livingto100.com](http://www.livingto100.com). Medical costs affect retirees differently. Unfortunately, it's tough as we age to avoid healthcare costs and the onerous inflation attached to them. Thankfully, proper Medicare planning is a measurable financial plan expense as a majority of a retiree's healthcare costs will be covered by Medicare along with Medigap or supplemental coverage. At Clarity, we use an annual inflation factor of 4.5% for additional medical expenses (depending on current health of the client), and the cost of long-term care. **Good health is a significant contributor to financial and physical wellness in retirement.** In a report from Healthview Services, a provider of cost-projections software, healthcare costs in retirement are rising twice as fast as the typical annual increase in Social Security benefits. Latest estimates outline total out-of-pocket spending for an average 65-year old couple retiring today could exceed \$400,000 when Medicare premiums, supplemental insurance and deductibles are included. Keep in mind that cost-of-living adjustments for Social Security are overwhelmed by the rising costs of Medicare Part B premiums. Healthview Services projects a 5.5% annual increase in healthcare costs over the next decade. Per Medicare Trustees as reported by Savvy Medicare, a training program for financial planners, Part B and Part D insurance costs have averaged an annual increase of 5.6% and 7.7% respectively, over the last 5 years and are expected to grow by 6.9% and 10.6% over the next five years. Preventative actions such as regular workout regimens, eating properly and healthy sleep habits can work to reduce the financial stress of the most significant costs retirees face. **Spirit:**

*Are you prepared for the emotional transition to retirement?Y / N*

There exists a level of anxiety for new retirees even though we as professionals feel a sense of accomplishment. Years ago, I deemed this discomfort as "crossover risk." Clients who told me they were going to "retire," were back at work a year later and the opposite occurred too. Eventually, crossover risk lessens. However, the first year of retirement, the bridge, has become increasingly stressful. Enough to where I now call the first year: "The Black Hole"

*Have you given thought to your social networks or activities you'll partake in during retirement?Y / N*

The closer retirement gets, the nearer the exit sign, the stronger your commitment to go through a return-on-life exercise should become. A successful evolution occurs when new retirees redefine success on their own terms. Transition steps that I've seen initiated successfully: Working part-time to ease into a retirement mindset, giving of time to a favorite charity, family vacations especially with grandkids, a new pet, a house renovation project, courses on photography and cooking, and rigorous physical endeavors like yoga and aerobics. **Money:**

*Have you undertaken comprehensive financial planning to determine whether you're on track?* Y / N

A plan that assesses income, medical and housing needs along with wishes and wants can crystallize actions that need to be taken to succeed, validate current habits and expose financial vulnerabilities. A holistic plan encompasses all assets, liabilities, insurance, savings, investments and employs realistic rates of returns for risk assets like stocks and bonds. Financial planning is far from perfect. After all, working with projected returns on risk assets like stocks, estimating how long a person may live and where inflation may be at the time of retirement, is an intelligent guessing game at best. Consider the plan a snapshot of your progress toward financial life benchmarks. Where you are, outlined direction of where you need to go. Are you on track to meet your needs, wants and wishes? A plan is a diagnostic; the exercise is one of financial awareness. Studies show that people who follow a retirement plan are more successful than those who don't. But know the common pitfalls you'll face, depending on the professional who creates the plan and where his or her loyalties lie. Unfortunately, most planning systems as well as planners tend to provide overly-optimistic outcomes with asset return projections and life expectancies that may be far from what you'll experience living in real world. Why? Most financial plans are created to push product. They're a means to a lucrative end for brokers. An afterthought. When in fact, a comprehensive financial plan should stand alone as a roadmap to financial success, and that includes recognition of how stock markets flow through cycles ? bull, bear, flat and realistic assessments of inflation and life expectancies. Consider a second opinion of a completed plan if your first was generated by an employee of a big box financial retailer. Always seek a Certified Financial Planner who acts as fiduciary.

*Have you considered a formal retirement income strategy?* Y/N

To re-create a paycheck in retirement, you'll seek to prepare for a steady, middle lane approach to an income stream. **In other words, a withdrawal rate that meets requirements to meet fixed expenses and reasonable discretionary spending, then tested through a simulation of real market returns over decades.** Unfortunately, when traveling retirement road there will always be unforeseen curves throughout the journey. **We believe at Real Investment Advice and Clarity Financial, that distribution portfolios may be in for an extended period of a sequence of low or flat returns for stocks and bonds.** This will require a right lane shift to less income or a lower portfolio distribution rate for a sustained period. At the minimum, distribution portfolios will require ambitious monitoring. Wade D. Pfau, Ph.D., CFA and professor of Retirement Income at The American College in a study titled Capital Market Expectations and Monte Carlo Simulations for the Journal of Financial Planning, **outlines how sequence-of-returns risk can send your financial car into a ditch.** He writes?

*??with less time and flexibility to make adjustments to their financial plans, portfolio losses can have a bigger impact on remaining lifetime standards of living once retirees have left the workforce.?*

It's recommended to assess withdrawal rates and spending habits over rolling three-year periods. This ongoing exercise helps to identify cyclical trends and whether adjustments need to be made.

*Have you incorporated Social Security and Medicare planning into your analysis?* Y / N

Social Security is an inflation-adjusted income you cannot outlive. Make sure pre-conceived notions aren't part of your strategy. Read: [The One Social Security Myth](#). The correct Medicare strategies can save thousands of dollars in lifetime penalties. Read: [4 Ways To Plan For The Retirement Apocalypse](#). These topics are uncomfortable for many financial professionals. The wrong decisions may cost you thousands of dollars in retirement. At Clarity, we are trained and well-versed in Social Security and Medicare planning strategies. This checklist isn't intended as a pass/fail. It should be perceived as a wake-up call. Retirement just doesn't happen. There's work to be done. Small improvements like cutting expenses and working two years longer than originally planned can add exponential positive impact.