5 Steps to a More Secure Retirement

Many retirees regret not saving more for their retirement. With a little planning, you can take steps to ensure you have the savings you need to retire on your terms. Financial professionals recommend these five steps for retirement planning:

Step 1:
Present circumstances: Evaluate and document your present circumstances.

Step 2:
Goals and assumptions: Set income goals during retirement and assumptions about inflation and investment returns.

Step 3:
Make an action plan: Determine what actions are required to go from your existing circumstances in documented step 1 to the desired goals specified in step 2.

Step 4:
Implement action plan: Act, save, invest!

Step 5:
Monitor and revise: Periodically review progress and return to step 2.

☐ Step 1: Evaluate and document your present circumstances

Taking stock of your present circumstances can be challenging. To get a complete picture, gather your personal financial information and organize as follows:

A Create a personal budget. **Use this free tool from NerdWallet** to figure out your monthly and annual expenses.

B Create a Personal Net Worth Statement. **Use this free tool from NerdWallet** to determine your current net worth.

You will want to collect information on your anticipated retirement income from Social Security, the Alaska Teamster-Employer Pension Plan, and any other pension plans which may apply. Social Security is now sending out annual estimates of your future benefits. You can also **get an estimate online.** To get an idea of your benefits under this Pension Plan, contact the Trust Customer Service Office to request an estimate of the benefit you have already earned.

Notes:

☐ Step 2: Set goals and assumptions

To set goals realistically, you need to set two specific goals and make three assumptions about the future.

Goals:

1. *State the specific month and year when you want to retire*
2. *State in current after-tax dollars what your expenses are likely to be (don't forget travel, hobbies, kids, grandkids, medical expenses, and long-term care costs)*

A rule of thumb used to be that you need 60%-80% of your current income to maintain the same lifestyle in retirement. Many planners are now suggesting a higher percentage, due to a variety of factors: retirees are more active (spend more money) than in previous generations, medical inflation rates continue to outpace general inflation rates, and long-term care needs are not anticipated to be met by family or the government.

Next, make some educated guesses.

Assumptions:

1. *How long you (and your spouse) will live in retirement*
2. *how much your investments will earn*
3. *what inflation will be*

Be careful, unrealistic assumptions will usually yield wacky results. Most planners use conservative assumptions based on long-term historical rates. For example, they might use 4% as an assumption for the annual inflation rate, 10% as the investment return for stocks, and 6% investment returns for bonds. These assumptions work fairly well for long-range planning, but they are worthless for time horizons of under 5 years. The longer the timeline, the more accurate your assumptions can be expected to be. If your estimates produce unrealistic results, go back and review your assumptions.

☐ Step 3: Make an action plan

In this step you take all the numbers showing where you are, calculate all the savings/investment buildup until retirement, and calculate all the spending during retirement for the length of your expected lifespan.

It is possible to work out rough estimates on your own. Several tools exist to make this planning easier including online retirement planners (these have their own assumptions built in, and results can vary widely).

A simplified "ballpark" estimator for this calculation is provided by the American Savings Education Council. Click here to perform the calculation online, or here to download a printable form in PDF format.

You may also want to get the help of a financial planning professional, such as a Certified Financial Planner (CFP). Making a plan of action from the data you've collected is a key step, and one you will want to dedicate some focused time and attention to.

Whichever tool you use, your calculations should result in a number (how much to save each month), and an asset allocation (what investments to put your savings into). That is your action plan.

Notes:

☐ Step 4: Implement your action plan

- Start (or continue) saving.
- If you don't already have one, consider finding a financial professional to help you make the most strategic investment decisions.
- Reallocate your existing investments and make new investments based on the asset allocation you have determined.

☐ Step 5: Monitor and revise your action plan

- At least annually, review your progress towards your goals.
- Reevaluate your current circumstances as applicable.
- See how well your chosen assumptions fit real life results.
- Consider rebalancing your investments to maintain your asset allocation.
- Make changes to your assumptions and plans as necessary.

Notes: