101 Retirement Tips

A short guide by Capital Investment Advisors

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"The best time to plant a tree is 20 years ago. The second best time is today."

— Chinese Proverb

Capital Investment *Advisors*

Whether you are retiring in a few years or have already embarked on the process, be prepared for what's ahead.

For many, retirement is not just an extended vacation. In fact, while the happiest retirees spend time traveling, they also take on part-time jobs or pursue hobbies to remain active.

You can better prepare yourself for retirement by having a roadmap in place and understanding the financial impact of this major transition in life. The better prepared you are, the more rewarding your retirement will be.

Given our years of advising thousands of retirees, our firm has put together this short guide to help you plan for a long, happy retirement.

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What to Avoid

Here are the top things to avoid when planning for retirement

Before we share with you what you should be doing, we want to quickly address things to avoid.

Take note of this short list of actions that can seriously delay your retirement.

1. Don't use your 401(k)/IRA money to pay off student loans.

This is almost never a good idea, even if you are 59½ or older when there is no longer a penalty to use retirement funds. Dipping into your 401(k) would require either taking a loan or making an outright withdrawal. This could delay when you can stop working.

2. Don't delay your savings start date.

If you ask 100 millionaires how they "got rich," we believe the most common answer would be, "Start saving early." Never underestimate the power of compound earnings. A Chinese proverb says it all: "The best time to plant a tree is 20 years ago. The second best time is today."

3. Don't buy too much house.

While we may rightly avoid small indulgences, such as too many Starbucks drinks, fancy dinners and impulse clothing purchases, we also tend to buy too much house over our initial budget. The mortgage industry routinely encourages borrowing 30% of your AGI (adjusted gross income). A good rule of thumb is to stick with 20% or less.

4. Don't claim Social Security at the wrong time.

When to claim Social Security is highly dependent on your goals and situation, so you should give it careful consideration. The earliest age you are eligible to receive payments is 62, but your monthly benefit will increase every year that you wait up to age 70. So, should you wait? Not necessarily. You may have financial needs or health considerations that support an early start. There are several Social Security calculators on the web. Find one that works for you.

5. Don't spend too much on your kids (or grandkids).

Don't let your well-intentioned desire to help your children sabotage your finances and your kids' ability to support themselves. The best gift you can give your kids is to be financially secure during retirement so they don't have to support you. Prioritize your own security over paying the rent or cellphone bill for your smart, healthy and capable college-educated kid.

Planning

Now that you know what not to do, the rest of this guide will focus on what you should do to prepare yourself in several key areas of your retirement.

6. Plan for a long retirement.

The remaining life span for someone reaching a specific age, such as 65, has climbed dramatically in the last century. Today, retirements can easily extend beyond 25 years.

Many people underestimate how long they will live and fail to save enough money to last their lifetime.

7. Start now.

There is no getting around it. Retirement is like most things in life:

You get out of it what you put into it. Start actively working on your retirement plan right now.

8. Perform a retirement savings needs analysis.

Use a free retirement calculator tool to help you analyze how much money you'll actually need in retirement. Look for online calculators or find a downloadable worksheet.

9. Prepare a retirement spending plan.

Create a list to determine your income and expenses during retirement. Print out a post-retirement spending plan and work through your finances with a pen and paper.

If you would like assistance in determining a spending plan, click the button below.

Schedule Review

Consider saving

20%

or more by the time you are 50 or 60

10. *Follow an investment plan.*

Meet with your financial advisor to devise a strategy that takes into account your 401(k), pensions, or other assets. After the plan is in place, continue to meet regularly as you approach retirement to ensure you are on track.

11. *Invest as much as you can as early as possible.*

When you get a raise or promotion, increase your savings in tax-deferred employer savings plans. Consider saving 20% or more by the time you are in your 50s and 60s.

12. *Develop an asset allocation strategy and stick with it.*

Weigh your investments, such as stocks, bonds and cash assets. Take the time to periodically rebalance your target investment allocation.

13. *Envision the future.*

Retirement comes faster than you think, so take the time to plan your future. Start thinking about what life will be like at least five to ten years before your actual retirement.

14. *Plan your lifestyle.*

Envision how you want to live and plan for it. Decide if you want to stay in your current home, a senior community, or closer to family and friends. Studies have shown that staying actively involved with a network of friends is a key component to a happy retirement.

15. *Research when to take your Social Security benefit.*

Review your annual Social Security benefit estimate statement to determine benefit amounts at age 62, full retirement age, and age 70. Carefully consider when to claim benefits.

16. Communicate with your spouse/partner.

Many couples never talk about retirement decisions. Studies have shown that nearly half of couples can't agree about whether or not they will work in retirement and have conflicting ideas about their expected retirement lifestyle.

17. Stop acquiring and start eliminating.

This applies to everything from credit card debt to unused household items. If you still have credit card debt, consider using something like the Dave Ramsey program to rid yourself of debt. Stop spending $30 and $50 on little things you probably don't need by age 60.

18. Have an emergency fund.

It's easy to dip into your retirement accounts when there's an emergency, but it's best to have a separate emergency fund. Your emergency fund should consist of six months of cash or liquid investments that you can immediately access in the case of an unforeseen circumstance or event.

19. Consider this acronym: RIDD.

If you want to get **RIDD** of your 9-to-5 job, you should secure income in the form of **Rent, Interest, Dividends & Distributions.**

20. Spend at least one to two hours a month planning for retirement.

According to the latest research in Wes Moss' book *What The Happiest Retirees Know*, retirees who report never discussing finances with a spouse or partner were 2x more likely to be unhappy. Alternatively, the happiest group of retirees spend between one and two hours per month discussing their financial picture. These discussion topics range from retirement savings, mortgages, car loans and other debt, to healthcare and retirement location planning. Beyond two hours and up to about four hours, relative happiness levels stay reasonably consistent.

RIDD = Rent, Interest, Dividends & Distributions

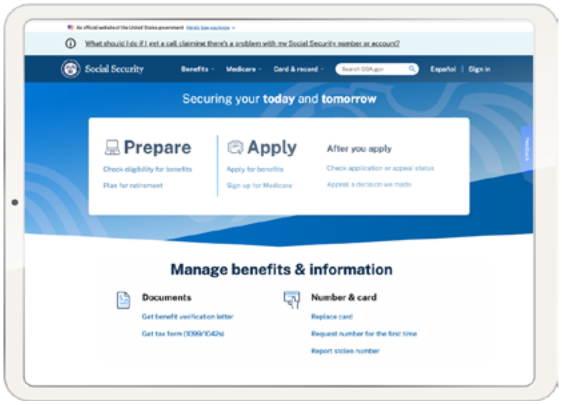
Rent: someone should be paying you rent.

Interest, Dividends & Distributions:
dividends from stocks, interest from various types of bonds, and distributions from a variety of investments that don't fit neatly into the stock or bond category.

Income Sources

21. *Secure at least two to three sources of retirement income.*

Establish two to three different sources of income for your retirement. The more common sources are through Social Security, investment income, real estate income, a pension or part-time work.



22. *Fill time with three to four "core pursuits."*

Core pursuits enhance your quality of life when you are no longer working in retirement. These can be anything from socially engaging activities to part-time work you enjoy to volunteering.

23. *Estimate your Social Security benefits.*

You can use the official Social Security Administration website to do so at https://www.ssa.gov.

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Retirement Accounts

Take your RMD by your RMD due date (age 72-73) to avoid hefty penalties. Speak to your CPA or tax advisor about your specific situation.

24. Contribute to your 401(k) automatically.

Don't manually put money into your 401(k) once you get paid. Have the money automatically withdrawn from your paychecks so you don't have a chance to spend the contributions. Increase your contributions over the years as you earn more income.

25. Pick your own saving rate.

If you're investing in your 401(k), the typical default saving rate is about 3%. A 3% saving rate doesn't guarantee a wealthy retirement, so take a look at your other options and find a higher rate.

26. Look into employer contributions.

While most companies match a certain percentage to your 401(k), some may offer contributions based off of your income or a percentage of company profits. Determine which scenario will save you the most money.

27. Defer taxes.

Deposits to traditional 401(k) accounts are not taxable until you start to make withdrawals. Any investment growth on the account is also tax-free until you withdrawal the funds.

28. Choose low-cost investments for your 401(k).

Some investments in your 401(k) may have an expense ratio that actually detracts from your retirement account, so be sure to check your options and find low-cost investments.

29. Avoid fees and penalties.

If you withdraw money from your 401(k) before you're 59½, you can be penalized up to 10% for the early withdrawal. However, you can also face penalties if you wait too long to make withdrawals. Make sure you are taking your required minimum distribution (RMD) annually by the RMD due date to avoid hefty penalties.

30. Plan for how you are going to use funds in your retirement accounts.

Different options work better for different scenarios, so consider speaking to a financial advisor who can help you select the best course of action to meet your goals.

31. Be sure to fund a Roth IRA, if applicable.

Contributions are made with after tax dollars and can be withdrawn at any time without penalty. Once you reach 59½, all withdrawals are tax free, and there is no mandatory distribution age.

32. Withdraw only 4 to 5 percent each year.

If you want to start withdrawing your funds once you are in retirement, you should only withdraw small amounts, especially if your 401(k) is your main source of income. The more assets and retirement income you have, such as rental properties or a part-time job, the less you will need to withdraw. Stretching out your 401(k) by only withdrawing small amounts is extremely beneficial.

33. Leave money in your account.

See if you can get by without immediately withdrawing money from your 401(k). Remember, this money is tax deferred until you start withdrawing it.

34. Diversify your portfolio.

Be sure to diversity your assets and don't have all of your portfolio invested in stocks, as a general rule. This way, if the stock market takes a hit or goes through a correction, the rest of your portfolio should recover.

Diversify your portfolio

35. Market corrections are normal.

Keep in mind that the volatility of the market will always affect your assets to some degree. Corrections are normal and usually temporary.

36. Invest for the long-term.

No matter how close you are to retirement, think about how sustainable your investments are long-term. Stick to sound investment strategy planning for your money to not run out.

37. Meet with a financial advisor.

Schedule annual meetings with your financial advisor to ensure that you are actively participating in the management of your portfolio.

If you would like assistance in determining a spending plan, click the button below.

Schedule Review

Health & Insurance

Review your Medicare plan at 64 *before you are eligible at* 65

38. Save money on prescription drugs.

Make sure you are taking the time to compare plans or save money by buying generic prescriptions. Review your insurance to find out what your options are.

39. Consider Medicare.

If you are applying for Medicare, review what kind of plan is best for your budget at age 64, before you are eligible to claim benefits at 65.

40. Review dental care options.

If you are losing employer-sponsored benefits, start investigating your options for dental coverage. There are many dental discount programs that provide benefits to seniors. Ask the dental provider if they offer an AARP discount or check directly with AARP to use your benefits.

41. Understand your medical bills.

Keep a close eye on medical bills, statements and lab tests. Consider having a family member assist you with tracking bills as well to ensure you aren't being overcharged or overpaying.

42. Take care of your health early.

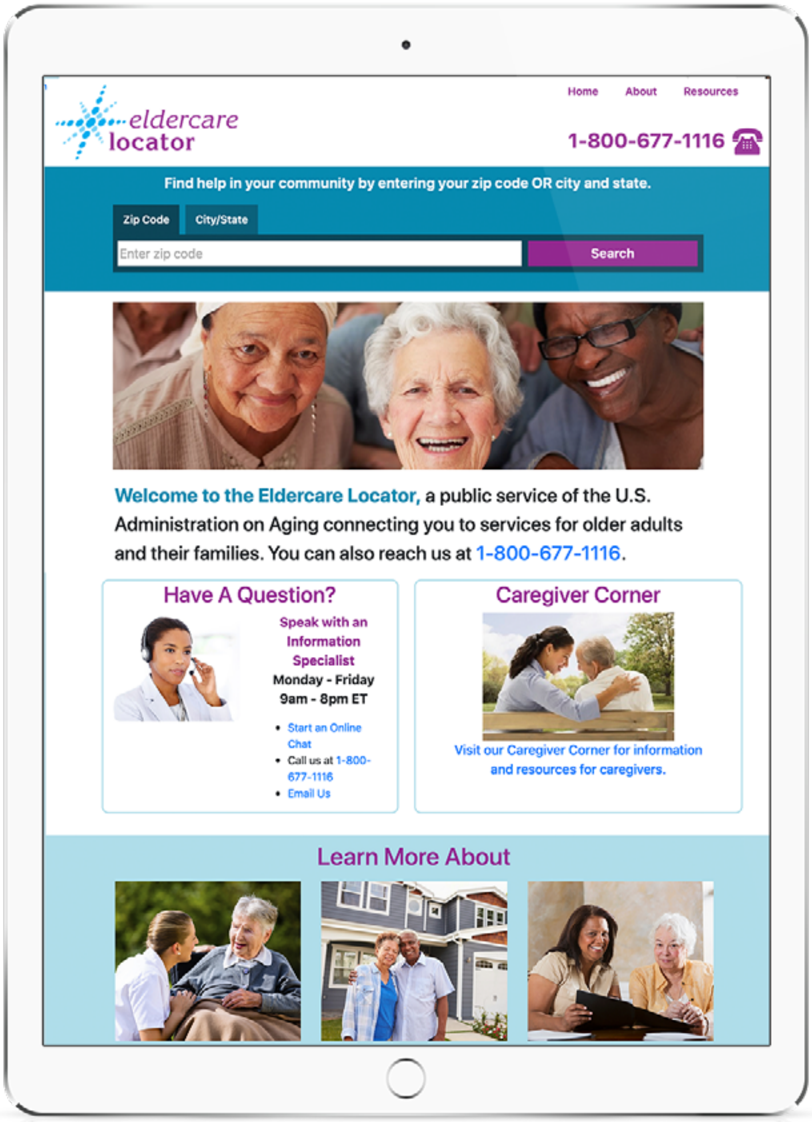
One of the best ways to cut back on medical costs is to stay healthy. Exercise and visit the doctor regularly during the several years prior to retirement to ensure that you will enter retirement with a clean bill of health.

43. Utilize the Centers for Medicare and Medicaid Services.

Use this site to research and locate budget-friendly health care plans and providers.

44. Aging parents and elder care.

If you're part of the "sandwich generation'" (caring for college-aged kids and aging parents), it may be useful to use the U.S. Administration on Aging's free Eldercare tool.



Eldercare Tool
https://eldercare.acl.gov/Public/index.aspx

45. Open a Health Savings Account, if applicable.

Make tax-deductible contributions of up to a certain amount each year, and then grow the money tax-free as long as you use it for qualifying medical expenses.

46. Get a Flexible Spending Account.

If you have access to an FSA through your job, it's a good idea to save the maximum allowable amount and use that money to get medical procedures done before you retire.

47. Talk to your insurance agent about benefit riders.

Benefit Riders are considered more affordable than long-term care and ensure that you don't spend thousands on a policy that you may not need.

48. Investigate your long-term care options.

Talk to a long-term care specialist to decide what options best fit your circumstances. Make sure to also review this with your financial advisor so that it is part of your retirement strategy.

49. Compare all policies.

Make sure you compare and review all policies and read the fine print. Enlist a friend or family member to help you in your decision making process.

51. Keep paying premiums.

Don't buy a policy if you feel uncertain about your ability to keep up with the premiums during retirement. Remember, once you quit paying, you will lose everything you paid into the policy.

52. Let someone know about your long-term care plans.

Don't keep your plans a secret. Make copies of your plans or policies and share them with a responsible spouse, family member, or friend.

53. Apply for insurance early.

If you're not healthy, buying a policy can be challenging. You should apply before you turn 65.

54. Research policies for couples.

If you have a spouse, look for plans that give you the option of shared benefits.

55. Review long-term care plans annually.

Although you may not change your coverage each year, review your plan thoroughly each year so you know your options.

Apply for your insurance policy before you turn 65

50. Investigate long-term care companies.

Before you select a long-term care policy, do a background review of the company offering the insurance. Always do your homework.

Charitable Giving

56. Real estate.

If you have a property that you're no longer using and would have to pay a large property tax if you sold it, you may find that donating that real estate to charity is a better option. In some cases, you may be eligible for a tax deduction equal to the fair market value of the real estate.

57. Donate cash.

A cash gift to a qualified charity is the simplest form of charitable giving. Your tax deduction is equal to the amount of cash you donate minus the value of any goods or services you received in return. Gifting cash is incredibly simple to do, and there's no confusion about tax deductions or benefits to handle. Just remember that gifts of cash to friends or family are not deductible.

58. Donate stocks.

One of the most tax-efficient ways to give is by contributing long-term appreciated securities, like stocks, to qualified charities. Since you are not selling your stocks, you won't face capital gains taxes, and the more appreciation the stocks have, the bigger your tax savings will be.

59. Charitable Trusts.

There are two types of charitable trusts you may be interested in making part of your financial plan – a charitable lead trust (CLT) and a charitable remainder trust (CRT). Research these trusts to determine if they are right for you.

60. Give assets to charity.

A major advantage of giving your assets, such as retirement accounts and life insurance policies, to charity is that in addition to any charitable income tax deduction, your estate will not have to recognize that gifted income, which can give you a break on estate tax.

You may also want to donate tangible assets to charity, such as art and jewelry, which may entitle you to a tax deduction equal to the value of the assets you've donated.

61. Pooled Income Fund.

If you're looking to generate income but want to give smaller portions to charity, a pooled income fund may be your best choice. You can "pool" together different securities and/or combine them with cash to create a larger amount of money to distribute to charity.

62. Private Foundation.

Private foundations are charities set up as charitable trusts or corporations. If you're looking to set up your own charitable foundation, a private foundation is a great way to get family involved, particularly if you have a cause that's very dear to your heart.

A pooled income fund may be your best choice to generate income and give smaller portions to charity

Pensions & Retirement Packages

63. Determine if your pension passes the 6% test.

To determine this, take your monthly pension offer and multiply it by 12. Then, divide this number by the lump sum offer. For example: $1,000 a month for life beginning at age 65 or $160,000 lump sum today? $1,000 x 12 = $12,000 divided by $160,000 equals = 7.5%. This means that the monthly pensions may be a better deal long term (7.5% is greater than 6%) than a lump sum. If the number is below 6%, then you likely can do as well (or better) by taking the lump sum and investing it, and then paying yourself each year. 6% is an industry average of expected returns over time if invested in the S&P 500, so it serves as a guide to factor in when weighing lump sum vs. monthly pension.

Example:

If your monthly offer is $1,000 and your lump sum offer is $160,000:

$1,000 × 12 = $12,000

$12,000 ÷ $160,000 = 7.5%

This means that the monthly pension may be better in the long term because the lump sums percentage is higher then 6%

If you would like to speak to our team to help determine whether you should take the lump sum or monthly pension, click below.

Schedule Review

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64. *Consider your projected longevity.*

If your employer offers a pension, consider how you might be affected at the time of a payout. Remember, the longer you live, the more valuable the monthly pension amount will likely be worth to you.

65. *Review what type of pension your employer offers.*

Does your employer offer the type of pension that is solely based on your life expectancy, or does it extend to your spouse? Consider this when reviewing your pension options.

66. *Consider whether or not your pension is guaranteed.*

Find out if the Pension Benefit Guaranty Corporation (PBGC) will back up your payments if your former company paying the pension goes out of business.

67. *Find out if your retirement package includes health care.*

If you don't qualify for Medicare yet, you should determine if your retirement package includes health care. If so, this is one expense you won't have to worry about in your early retirement.

68. *If you're offered a lump sum, use the buyout to cover expenses.*

You could budget your buyout and use it as income until it runs out and hold onto your retirement savings for when you truly need it.

69. *If you're offered a lump sum, use the buyout to cover debt.*

If you received a buyout, using this cash windfall to pay off your debts can be a smart move. Pay off your mortgage, your car, or get rid of credit card debt to reduce your overall expenses.

70. *If you're offered a lump sum, save the buyout and find a new job.*

An unplanned retirement doesn't mean you have to stop working entirely. If you can find a job in your field or take on a part-time job doing something you love, go for it. This way, your retirement package is simply "found" money and can be put into your savings.

Budgeting & Savings

71. Skip the fancy toys.

Wealthy retirees don't necessarily own BMWs, Mercedes, $3,000 watches, or $5,000 suits. In the research for Wes Moss' book *You Can Retire Sooner Than You Think*, we've found that many wealthy and happy retirees are content to drive around in cars that don't fall under the luxury category.

72. Pay off your mortgage.

Try to pay it off in full without dipping into your retirement fund. If you can't pay it off in full all at once, make larger payments of $100-300 each month. Those slightly larger payments can shave a full decade off a 30-year mortgage.

73. Save your raises.

While it's tempting to spend that extra money on a vacation or a new car, instead consider saving at least half to pay taxes or put it in your retirement or brokerage accounts. It should compound for a larger return later.

74. Avoid temptation.

Leave your credit cards and wad of cash on the dresser when you go shopping and stick to a list. Limiting your options avoids impulse buys and over-spending.

75. Liquidate your junk.

Clean out the basement, garage and tool shed. Sell off what you don't need or use. Yard sales are a blast. But if that's not your cup of tea, donate your clutter to charity and take a nice little tax write-off.

76. Invest for the long-haul.

Get rich quick schemes won't help you accumulate the wealth you desire. Focus on working with a trusted advisor who can present you with options that will serve as sound long-term investments. Be sure to diversify and pay attention to the market — but don't react to every market correction that occurs. Take a long-term view with your investments.

77. Shop smart.

Financially successful people avoid paying full price for anything. Always seek out discounts and special deals for anything you buy.

78. Become a "Master of the Middle."

Happy retirees are savvy spenders. Sure, they may have had times when they were carrying too much credit card debt or struggling financially. But, for the most part, they've prioritized saving over spending — and they don't deprive themselves needlessly.

Buy your dream house or remodel when you are still working

79. Don't move or renovate.

Make sure you are happy with your home before you stop working. Moving and renovating are extremely expensive and stressful undertakings that can drain resources and lead to unhappiness in retirement. Buy that dream house or remodel the kitchen while you still have a job and the money to pay for them.

80. Buy the big stuff before you retire.

Make big purchases — cars, upgraded appliances — while you are still working and have the cash flow to pay for them. This will also help you keep your taxable income lower in retirement.

81. Know your rich ratio.

The rich ratio is a basic formula that will help you understand your financial situation. It's simply the amount of money you have in relation to the amount of money you need.

If you would like assistance in determining a spending plan, click the button below.

Schedule Review

82. Set a goal to get a rich ratio over 1.

To calculate your rich ratio, take the income you have coming in every month (Social Security, pension, investment income, etc.), and divide it by the amount you need to cover your monthly expenses. So, if you have $8,000 monthly income from all sources, and you need $7,500 per month to live the dream, you have a "rich ratio" of 1.067.

Example:

If your monthly income is $8,000 from pension, investment income, etc. & you need $7,500 to cover monthly expenses

$8,000 ÷ $7,500 = 1.067

This means you have a "rich ratio" of 1.067. Knowing this can help you set and work towards your retirement goals.

83. Set goals.

Plan and work toward the financial goals you've outlined for retirement. Have a clear vision of what you want, and take the steps necessary to get there.

84. Steadily save and invest.

Remember, every dollar you put into your 401(k) is pre-tax which helps to reduce your overall tax burden and adds to your nest egg. Many companies will match a percentage of your contributions, an optional bonus. Start early and stay consistent.

85. Ask for professional advice.

Know what your strengths are, and if they don't lie in investing, taxes and financial planning, then leave it up to dedicated professionals.

86. Maintain a good credit score.

The better your FICO score, the lower the interest rates you will pay on your mortgage and car loans. This will be important as you seek ways to pay off debt or make major purchases before retirement.

87. Consider what will impact your savings.

Review things like debt payments, health care needs, and assess how these factors will impact your savings.

88. Apply a strategy for continuous success.

Besides your savings, come up with other investment strategies that will maintain a consistent income flow during retirement.

Estate Planning

89. Assign or update beneficiaries.

Make sure that your beneficiary designations are up to date on life insurance policies, retirement accounts, or other beneficiary designated assets.

90. Get your power of attorney lined up.

When it comes to getting a power of attorney, there are a few different types. Make sure you review them all and are covered in the event you become disabled or incapacitated and are no longer able to make your own medical or financial decisions.

91. Keep an inventory of your assets and key documents.

Keep a master list of your accounts, policies and important legal documents. Make sure a trusted advisor knows where this list can be found.

92. Keep your estate plan up to date.

Visit your estate planning attorney periodically to make sure important documents, such as your will and trust, are updated and validly executed.

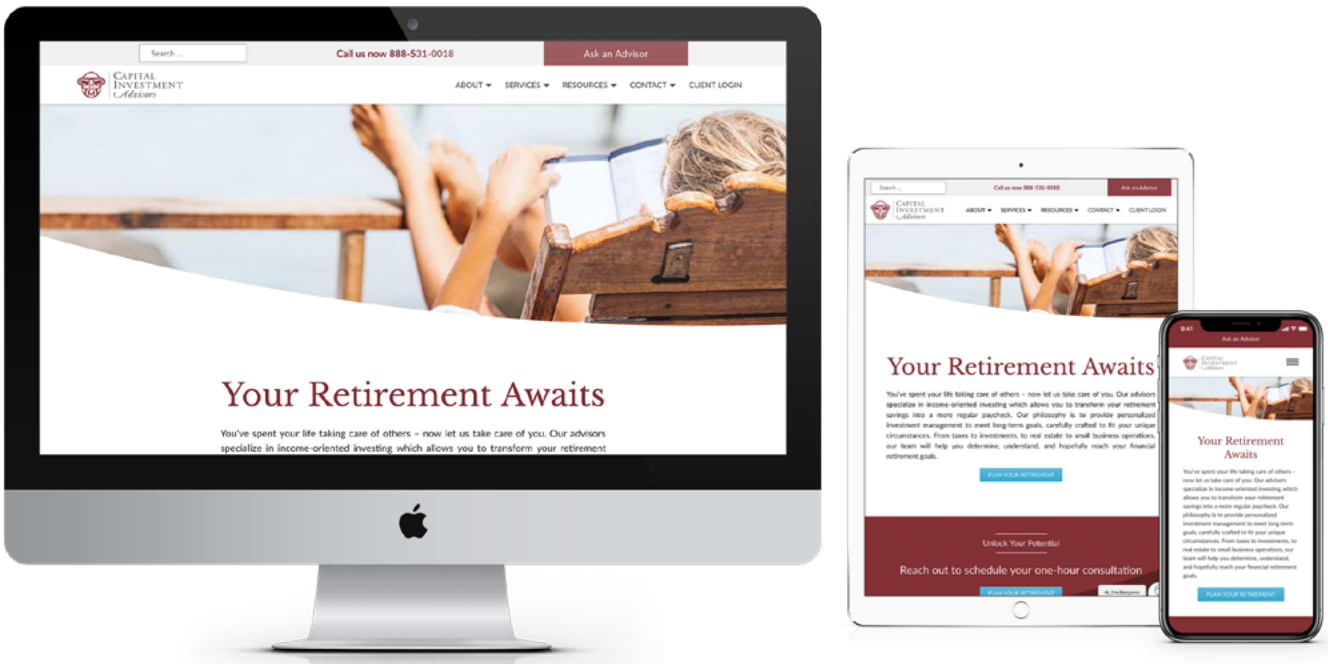
93. Decide who will inherit your assets.

Before writing your will, research your family first and make a wise decision on who will inherit your assets.

Free Tools & Resources

Use this quick reference list for free tools & resources

that will help you plan your retirement



94. Retirement Calculator

Use the Simple or Detailed version of this retirement calculator to determine how much you will need in retirement.

95. Social Security Maximizer

Use this free estimator to determine your optimal Social Security filing strategy.

96. Ask An Advisor Tool

Get objective financial advice by submitting your question to our team of financial advisors.

97. Money & Happiness Quiz

This quick quiz will help you learn which retiree group you fall into along with several suggestions that might help you tune up your money happiness quotient.

98. Eldercare Locator

Find community support for aging parents and family members with this tool.

99. Long-Term Care Resources

Research and gain an understanding of your long-term care options.

100. Centers for Medicare and Medicaid Services

Review resources for Medicaid and Medicare options.

101. AARP Discounts

Take advantage of your senior benefits through AARP.

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As you prepare for a happy retirement, remember to stay vigilant with your investments!

Too many bored retirees start playing the stock market, looking to cash in on the next "hot stock." This usually results in an unhappy outcome. You funded your retirement by investing strategically and saving regularly for years. Stick with that method.

Remember to keep a positive attitude about your retirement. Fear and pessimism do nothing to support your dreams. The happiest retirees envision a future and work consistently toward that future with optimism — secure in the knowledge that while the economy and stock market can be volatile, the long-term trend has been decisively positive.

Keep these 101 tips in mind as you prepare for retirement and share them with others who could benefit from them.

If you'd like help planning your retirement or need a second opinion, our advisors are happy to help!

Schedule a free consultation today at
yourwealth.com/contact/schedule-appointment

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