

NAVIGATING THE NEW RETIREMENT

Develop a Strategy to Fund Your Lifestyle Today and Tomorrow



Retirement once signaled the end of an era, a withdrawal from work life and a retreat to a more restful time.

Today, the very notion of retirement is changing. People are living longer, healthier, more active lives. Many are working past the conventional retirement age to stay involved and because they love what they do. Technology allows people to live in vacation-like settings and do what they want, where they want. As a result, some people may never “retire” in the traditional sense. What’s more, economic conditions have changed dramatically. Even if you have been saving prudently and investing wisely for years, you may still have seen the value of your retirement savings decline. Even millionaire households, while well positioned for a comfortable lifestyle, now have concerns about maintaining their lifestyle and achieving their financial goals.

WHY EVEN THE AFFLUENT NEED TO BE PREPARED

There are several financial issues that also must be taken into consideration when planning for retirement, such as:

- Rapidly rising healthcare costs;
- The impact of illness on income, if you should become disabled;
- Your earnings potential near- and long-term;
- The possibility of taxes going up long-term;
- The ability to keep up with inflation to maintain your purchasing power and lifestyle; and
- Longevity risk (the risk of outliving your wealth).

Not surprisingly, many people are now concerned about retirement and are looking to their advisors to help them re-evaluate their financial plans, adjust their portfolios and develop new strategies so they can achieve their goals and feel more secure about their future.

QUESTIONS TO CONSIDER

- How would you describe your retirement lifestyle?
- How much annual income do you think you will need in retirement?
- How confident are you that your current financial assets will secure your retirement dreams?
- Will your investment strategy help you achieve your goals?



MAINTAIN YOUR FOCUS

Even during periods of market volatility, it is important to remain focused on your long-term goals. One of the best things you can do is look at the things you can control. For example, you can decide to cut back on major expenses, revisit your retirement income plan and perhaps look at ways to augment your income.

If you are 10 or more years from retirement

- Make sure you have enough risk control assets to cover six months or more of living expenses and potentially even more to cover “asset emergencies” such as tuition and other major expenditures you foresee over the next one to three years.
- Utilize risk assets to fund longer-term goals. These assets may include alternative investments such as real estate, emerging markets and private equity.
- Keep contributing to your 401(k), IRAs and other tax-advantaged retirement savings plans. You could benefit from dollar cost averaging of buying securities at lower prices.
- Minimize income taxes and explore other tax-saving strategies.
- Cut down on debt, particularly credit card debt.

If you are about to retire

- Be strategic about when to begin drawing Social Security benefits.
- Track your discretionary spending and limit major purchases such as trips or gifts.
- Determine the right retirement withdrawal strategy from a tax perspective. You may want to begin with taxable investments and let tax-deferred investments grow for as long as possible.

If you are already retired

- Make sure you have at least one year’s worth of expenses in cash or cash equivalents.
- Consider adjusting your income withdrawal strategy to make your savings last longer.
- Supplement your income with work, even if it’s part-time.
- Don’t put off plans to downsize; while your home may have gone down in value, so have other properties.
- Consider protecting your income from inflation by using Treasury Inflation-Protected Securities (TIPS) and other strategies.



STEP 1: ASSESS

Identify and define your goals

STEP 2: INVENTORY

Financial analysis

STEP 3: RECOMMEND

Strategic and tactical ideas

STEP 4: IMPLEMENT

Integrated strategies and resource alignment

STEP 5: MONITOR

Oversight of your financial plan and portfolio performance

STEP 6: EVALUATE

Adjustment for changing market conditions and lifestyle needs

TAKE CHARGE OF YOUR RETIREMENT

Whether retirement is just around the corner or far off on the horizon, it's essential to develop a strategy that will help you achieve your goals.

This six-step process can help take the guesswork out of the ongoing planning required to stay on top of your money and investments in every phase of retirement.

A TIME OF REDISCOVERY AND REJUVENATION

At Northern Trust, we take a holistic approach to helping you plan for all stages of your retirement. Our approach begins with listening, then developing a deep understanding of your retirement goals and gaining insight into how you envision your future.

FOR MORE INFORMATION

To learn more, contact a Northern Trust professional near you or visit northerntrust.com/retirewell.



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