401(k) Educational Series – Winter 2016

RetireReady

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Retirement Checklist:

5 Steps to Help You Get Back on Track

Although the painful recession may be in our rearview mirror, the aftermath may have you concerned that you won't have enough money to retire when the time comes. But you can still take control of your retirement, despite market volatility and an uncertain economic climate. It all boils down to having a plan—and sticking to it.

Don't Go It Alone
You work too hard for your money to go it alone. Consult your financial advisor about your retirement planning strategy.

Creating a checklist can help improve your chances of attaining retirement readiness. Here are five key steps to help jump-start your planning or get you back on track. And, remember, when you participate in your workplace retirement plan, you've already taken a step in the right direction.

ACTION STEP	CONSIDERATIONS
1. Review your contribution amount.	• Increase your contribution rate to boost your retirement savings. (In 2015, the IRS deferral limit for defined contribution plans is $18,000.) Even a small increase now can make a difference later. If your employer matches contributions, be sure to contribute enough to take full advantage of the match. • Direct any "newly found" assets toward retirement. For example, if you pay off a loan or pay down credit card debt, take the amount you were paying and redirect it to your retirement account. The additional contribution could have a positive impact on your savings. • If you are 50 or older, make an additional catch-up contribution (up to $6,000 into a defined contribution plan in 2015).
2. Review your retirement progress and your lifestyle.	• Use the tools available on your plan's website to establish a savings target, and monitor your progress toward it. • If it looks as if you have a savings gap, you may need to consider working longer. If you're in good health and have the option to continue working, you may be surprised at how much you can accomplish by postponing retirement—even for just two or three years. • Review your spending habits, and make small lifestyle changes. It's essential to get back to the basics: save more, spend less, and get out of debt. Create a line item in your budget for "retirement savings," and "pay" it every month.

3. Review and rebalance investments.	• Check your portfolio regularly—at least once or twice a year—and make changes to keep up with your goals. As you get closer to retirement, you should check it more often. Has your tolerance for risk changed? If so, you may want to reduce your exposure to stocks. • As markets rise and fall, asset allocations tend to shift. For example, a portfolio that has been divided evenly between stocks and bonds could have become unbalanced as a result of market activity. It may be time to evaluate your current positions and rebalance back to your original allocation.* **Diversification does not ensure a profit or protect against a loss.*
4. Determine an appropriate withdrawal strategy, and consider postponing distributions.	• Having a defined withdrawal strategy is important, so you don't outlive your assets. You may even want to postpone withdrawals. Why? Because, even after you retire, you can boost the long-term income power of your tax-advantaged accounts. You may want to tap your taxable investments first and postpone withdrawals from your workplace plans and traditional IRAs for as long as you can—up to age 70½. • Although there is a risk of losing additional principal by delaying retirement, for each year that you postpone withdrawals on your tax-advantaged accounts, you get another year of tax-deferred earnings potential. That might not seem like a big deal early in retirement, but the compounding effect over the course of a long-term retirement can be considerable. Remember, today's life spans and retirements are longer.
5. Don't go it alone—consult a financial advisor.	• Uncertain economic times sometimes lead to poor decision making. It's often at the turning points—both at market highs and lows—that individual investors make the biggest mistakes, such as selling out when prices are low. Working with a financial advisor can provide an emotional buffer and help you stay focused on long-term goals. • A financial advisor has the knowledge and experience to help you stay on track, regardless of what's going on in the markets. Coaching and support from an experienced professional can provide valuable perspective and help you make decisions with confidence.

If you follow these steps, you can be that much closer to having a solid retirement plan and sticking to it. It's also a good idea to consult a financial advisor about your situation.

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