



# focus on Retirement

## Understanding Inflation

Warning: Inflation could foil your retirement. But you don't have to let it. You can manage inflation by employing strategies, like the ones below, to keep it at bay.

**Stick with stocks.** While you'll probably want to move more of your money into investments that preserve your principal before you retire, consider staying at least partially invested in stocks. You could be retired for 20 or 30 years or longer. Although past performance is no guarantee of future performance, historically, stocks have earned inflation-beating returns over the long term.

**Pay attention to your pension.** Will you or your spouse be eligible for a traditional pension? Choose carefully when it comes time to decide how to receive those benefits. Over time, monthly payments may lose ground to inflation. Taking a lump-sum distribution and rolling it over to an individual retirement account may be an option worth considering. But the analysis is complicated, so be sure you consult your financial professional to figure out what would be best for your situation.



**Size up Social Security.** Benefits are adjusted for inflation annually. Consider strategies for maximizing them. Waiting until your full retirement age and beyond to begin collecting can increase your monthly benefit significantly.

**Ditch your debt.** If possible, pay off your mortgage and other debts before you retire. Having fewer financial obligations means you'll have more money available to you for living expenses and other things.

**Balance your budget.** Create a workable spending plan before you retire and then adjust it as prices and your retirement lifestyle evolve.

# Meet Your Retirement Challenge Head On

What will *your* retirement be like? A lot depends on your ability to recognize and overcome the potential financial challenges. Consider some of the challenges you might face in the years ahead.

## Keeping Tabs on Expenses

Your retirement budget may be a lot different from your budget while working. By the time you retire, you may have paid off your mortgage and eliminated most of your other debt, such as credit card balances and car loans. And you won't have commuting and other work-related expenses. But if you plan to travel or pursue hobbies, the costs of those activities may be significant, at least in your early retirement years.

Retirees may see their expenses decrease in mid-retirement when they may be less active, only to rise again later on as health care costs increase. Keep in mind that health care may represent a substantial portion of your retirement spending, so plan accordingly. Longer life expectancies can make budgeting for health care costs one of your biggest challenges.

## Balancing Investment Risk

You want to be confident that your savings will last throughout your lifetime. But investing too aggressively in retirement can be risky. Falling stock prices could cause your portfolio to suddenly lose value, leaving you with far less savings than you anticipated. On the other hand, investing too conservatively could prevent your investments from earning returns that stay ahead of inflation. Finding the right balance between risk and potential return will be another challenge as you get ready to enter your new stage of life.

## The Social Security Dilemma

The decision of when to begin receiving Social Security benefits can make a big difference in your retirement income. You can claim reduced benefits starting at age 62. Delaying benefits until your full retirement age (FRA) increases your benefit significantly. For each year after your FRA that you wait to collect, up to age 70, your annual benefit increases by 8%. If you're married, you may be able to take advantage of strategies, such as file and suspend, to maximize your benefits. Your financial professional can help you determine the claiming strategies that are the most advantageous for you.



## Withdrawing Assets

You've spent your working years building your assets so that when you retire, you'll have enough money. But choosing a withdrawal strategy that preserves your nest egg isn't always easy. If you don't manage their impact, market fluctuations and income taxes can take their toll on your portfolio. Holding several years' worth of living expenses in a low-risk account is one strategy to consider.

Retirement planning has its challenges. Preparing to meet them can put you in a better position to enjoy your retirement years.

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*Retirement—one of the best feelings in the world is not having to set your alarm clock.*

