

Fine-tuning your retirement plan

Suppose that you're 20 years away from retirement. Your goals and your strategies to meet them have, perhaps, only begun to take shape. With a career to manage, children to raise and a myriad of other obligations, planning for the leisure phase of your lifetime probably seems premature.

Now, flash forward ten years. Your vision of retirement is likely to be solidifying, and your expectations and needs may be coming into sharper focus. And, with each passing year, you will begin moving from the "big picture" and start filling in the details.

Integrating your investments

Most likely you have been investing for retirement for many years now in a company plan, Keogh or traditional or Roth IRA. Have you thought of them as a single unit, along with your nonretirement investments?

Perhaps you are similar to many other investors who have, over the years, accumulated a wide variety of unrelated and, possibly, incompatible holdings. At the time, and in context, each of the investment decisions may have made sense. But set side by side, do all of your investment holdings come together in a cohesive portfolio?

Reviewing and reallocating

Be sure to review the goals and assumptions that you may have made previously about your financial needs in retirement. Are the estimates of the income that you expect to receive and the expenses that you're likely to face still valid? If not, you'll want to readjust your capital needs accordingly. And, if that's the case, your investment strategy may need more than just fine-tuning.

If your asset allocation strategy hasn't changed recently (in your plan account or personal portfolio), the question to ask, then, is: Did you make a conscious decision to stay the course, or simply fail to act? Certainly, as you move closer to retirement, you will want to address what changes in your overall investment strategy may be in order. For instance, does a greater need for income suggest that you add (or add more) dividend-paying stocks to your

portfolio? Or, if you are more concerned about risk once you are no longer receiving a regular paycheck, should bonds play a more important role in your portfolio?

Finalizing your retirement plan payout strategy

A full explanation of how to handle your retirement plan payout would take up much more space than we have here. But a few key points are essential to mention:

Review your choices carefully. You may be allowed to keep your funds in the company plan for a time. You may take the cash in hand, pay taxes and invest it. Or, you may roll over your distribution to an IRA.

The latter choice is a popular one. Your money can continue to grow tax deferred until you reach age 70 1/2. Thanks to recent changes in the minimum required distribution rules, the amount that you must withdraw has been reduced, allowing more of your money to grow tax deferred for a longer period than ever before. But make sure to arrange for a direct rollover from the company plan to an IRA. If you don't, and you receive the money in hand, your employer is required to withhold 20% of your payout for taxes.

Managing your real estate

With some luck (and advance planning), the mortgage on your home will be very low or paid off when you retire. Consider what steps you might want to take to free up the equity in your home.

Wall Street Journal columnist Jonathan Clements has offered some suggestions about how to tap the equity in your home. If the children are grown, and the nest is empty, perhaps you don't need all your current living space. "Trading down" to a smaller home not only will provide you with more cash to invest, but also allow you to reduce some of your fixed expenses—property taxes, home maintenance, insurance, utilities, etc. Or you may want to tap your equity by way of a reverse mortgage. The money received (by a monthly check, in a lump sum or as a line of credit) doesn't have to be repaid until you die (at which time the amount owed can't exceed the home's value).

Reevaluating your insurance needs

As you near your retirement, a comprehensive review of your insurance is in order, especially your medical care coverage. There is a sea of questions: What benefits, if any, can you expect from your employer? What will Medicare cover or not cover? What do Medigap policies

offer you, and which one is the best in your situation? If you are a veteran, are there medical or prescription benefits that might be available to you?

Is your life insurance paid up? You may want to explore reallocating that expense to premiums on long-term care insurance (LTCI) coverage. According to the EBRI's 13th annual Retirement Confidence Survey, eight out of ten people have given little or no thought to the need for long-term care insurance. But most people should at least do the research. LTCI can offer both nursing and home care, and provide a wide range of coverage options. As you do your retirement planning, take a look at what's available in LTCI coverage. Recognize that the longer you wait to make a decision, the higher the premiums that you'll pay.

There's always much to do

Of course, there may be many more steps that you need to take as you enter retirement (when to start receiving Social Security benefits springs to mind). We've touched upon only a few of them here. We would be glad to discuss your retirement planning needs and assist you in making the right choices. Taking the time now, before any doors of opportunity close, will help ensure a happy, financially secure retirement.

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Any developments occurring after January 1, 2008, are not reflected in this article.