Annual Retirement Review Checklist

Retirement has a lot of moving parts and when you consider that it could last for thirty years or more, it should come as no surprise that it will have several distinct phases. Sixty-five will look different from seventy-five, which will look different than eighty-five. The world, your health, your finances, your responsibilities, and your priorities, will be dynamic and ever changing. Because of that, it's important to review your planning and circumstances each year and make whatever course corrections are necessary to keep you on track. Below is a list of questions to ask yourself each year to help determine if any changes or adjustments are in order.

1) **Is my withdrawal rate sustainable?** The answer to that question depends on many things, including investment performance, inflation, how long you live, and, not surprisingly, luck. Running out of money is not a pleasant option, so you should periodically evaluate your distribution strategy to see if it is sustainable. A good rule of thumb is to keep withdrawals at 4 percent or less of your overall portfolio. Everyone's circumstances are different, however, so meet with your adviser to make sure your income lasts.

2) **Is my income still sufficient and keeping pace with inflation?** Inflation is constantly eroding the purchasing power of your money. That means you will likely need to pay yourself more and more with each passing year simply to buy the very same goods and services. Consider a day in the hospital. In 1980 it cost $340. That same day in 2010 cost $5,310. To offset the impacts of inflation, most people need to continue to grow their portfolio, even after retiring. That means you can't shun risk altogether. You'll likely need a well-diversified portfolio of stocks and bonds in order to keep pace. That leads us to number three.

3) **Is my asset allocation appropriate?** Simply put, asset allocation is the process of spreading your investments among stocks, bonds, cash, real estate, commodities, and foreign securities. Research shows that asset allocation is extremely important. Not only does it help to minimize risk, but studies show that it is responsible for nearly 90 percent of your overall return. As markets fluctuate you will likely need to rebalance your portfolio to get your allocation back to your intended target. In

the same way, if your goals and objectives change, you should adjust your allocation to match.

4) **Is the amount of risk I'm taking still appropriate?** Too often people discover their tolerance for risk only after they have exceeded it. This can be a painful lesson any time, but it is devastating to someone in retirement. This is easy to see when you consider the arithmetic of loss. Any investment loss you experience requires a considerably larger gain just to get back to even. For example, if your portfolio loses 50 percent, you would need a 100 percent return just to get back to where you started. Most people in retirement don't have the luxury of waiting around for 100 percent returns. Better to avoid the loss in the first place.

5) **Has the value of my assets changed significantly?** Once you retire, you need to turn your assets into an income stream. The bigger the asset, the bigger the potential income stream. Big swings in net worth, like a large inheritance or a significant market loss, affect the amount of income your portfolio can generate. You don't want to run out of money by taking too much or live miserly by taking too little. Any time the value of your assets changes significantly, reevaluate your withdrawal rate and your asset allocation to make sure they are still appropriate.

6) **Are my beneficiary designations up to date?** You might not realize that your beneficiary designations (like those on your IRA, 401(k), and life insurance policies) override your will. If your will leaves your life insurance to your kids, but you never updated the beneficiary designation on the insurance policy after your divorce, your ex is getting the money. As you can see, it's important to periodically check your beneficiary designations to make sure that they reflect your current intentions.

7) **Have any of my sources of income been impacted?** Personal savings is only one source of income during retirement. You will likely also receive Social Security and possibly a pension. If your spouse dies, that might cause the pension to go away or be reduced. Worse, if the company you worked for goes bankrupt, your pension might get taken over by the Pension Benefit Guarantee Corporation and be significantly reduced. Social Security is on an unsustainable path and your benefits there might be altered as well. Any changes to these other sources of income will put more of the burden on your personal savings, so monitor them closely.

8) **Has mine or my spouse's health changed significantly?** At some point, the desire to live close to the beach might give way to the desire to live close to a good medical facility. As you age, investigate assisted living areas and medical facilities in your area. You might eventually need to sell your home to move into a facility or even move to another state if you want to be closer to friends or family that will be involved in your care. Do as much of this planning as possible while you are still healthy so you can easily transition into the next phase.

9) **Is my estate plan up to date?** Your estate plan should not be a static document. As your life changes, your planning must change with it. Getting married or divorced would likely significantly change how you want to distribute your property. Likewise if there is a death in the family. Each year you should review your documents, including your will, trust, and powers of attorney to make sure that they still reflect your wishes and still have the correct people taking charge if you were to die or become incapacitated. Also, if you move to another state when you retire, meet with your attorney to make sure that your documents will be valid in your new state of residence. Make revisions as necessary.

10) **Have my insurance needs changed?** Not surprisingly, your insurance needs will change over time. It's a good idea to periodically review your policies and make changes as necessary. Is Medicare adequate or do you need additional coverage to fill certain health care gaps? Do you anticipate that you or your spouse will need assistance with basic daily activities? If so, you might want to consider a long-term care policy. Does your pension go away when you die? Will your death burden your heirs with a large estate tax bill? If so, changes to your life insurance may be in order.

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