

MAKING SURE YOU HAVE SUFFICIENT RETIREMENT SAVINGS

By Steven W Shirley

Planning Relieves the Panic

Ensuring you will have enough money to live comfortably in retirement can be an intimidating responsibility. But don't panic. There are many proactive things you can do to help achieve the financial stability you want during your retirement years. Setting out a clear path well ahead of when you plan to retire will go a long way to ease the burden when the time comes to actually take the plunge into retirement. Here are some suggestions to create a retirement strategy.

Peer Into the Future

Trying to figure out how far you'll have to stretch your retirement savings is a lot easier if you are able to make a reasonably educated guess about how long you'll live. Online life-expectancy calculators, such as the one available at livingto100.com, take into account diet and exercise habits, as well as family history, in estimating how long (barring any freak accidents or bad luck) you might be expected to live.

And this isn't just science fiction: the calculator's creator, Dr. Thomas Perls, is the founder and director of the New England Centenarian Study, the largest existing study of centenarians and their families. The project was done in conjunction with Boston University.

Reallocate

Ideally, as you approach retirement, you've been gradually shifting the mix of stocks and bonds in your portfolio from heavy on the equities to less-risky plays. If not, you're overdue to consult with your financial advisor about how to best transition your portfolio for your retirement years. "You invest to accumulate assets in a different way than you invest after you've stopped accumulating," says David Wray, president of the Profit Sharing/401k Council of America. "You don't want to have heavy equity exposure the day before you convert a lot of assets into cash – if you pick a bad moment, you could be too exposed to the stock market." If you're close to saying sayonara to your cubicle, make sure to move your assets into more stable investments. It would be a shame to have to delay retirement or scrimp on retirement plans just because of short-term market cycles.

Make a Budget

Your budget in retirement may differ significantly from your pre-retirement spending depending on what your idea of retirement is. If your ideal day during retirement includes eight hours at the local fishing hole, your budget will obviously be significantly

lower than if you dream of spending, say, eight months each year at European luxury resorts. Other things to take into account: you most likely won't be paying as much in income taxes or on a daily commute. You may downgrade to a smaller home or make a vacation home permanent, selling off your primary residence. Ideally, you'll have paid down your debts by the time you leave the workforce further freeing up finances.

Make Some Adjustments

If you see that your investment plan will not support your projected retirement budget--or if you are one of the lucky few who have more than enough in your retirement accounts--it's time to make some adjustments. According to the shortfall or surplus, you may need to ratchet up your savings, push back your retirement date or (dream on) retire earlier. "There are all kinds of ways people adjust, but you can't adjust if you don't know what your budget will be," says Wray. "You want to be doing this adjusting while you're employed and have more financial flexibility." Another factor to consider: For each year you postpone retirement, you can expect to reduce your retirement-savings needs by 5%, according to the Congressional Budget Office.

Update Your Resume

Traditionally, retirement has meant the end of work and the beginning of fishing, gardening, visiting the grandkids, and what have you. But that paradigm is shifting as Baby Boomers begin to leave the workplace and find that they want--or in some cases, need--to keep working at least on a part-time basis to retain their standard of living, or their sanity. According to a recent retirement study, 42% of individuals say they want second careers post-retirement, adding that they want an outlet through which to share and pass along their knowledge to others. Agencies are springing up that cater to retired workers, placing them in temporary positions or part- and flex-time jobs in the same industries in which they build their careers. One resource to look for post-retirement jobs is <http://www.retirementjobs.com/>, or try AARP's site for a list of job banks that cater to older employers.

Or, Phase Out Gradually

Workers looking to beef up savings or pay down debt ahead of retirement might be well served talking to their employers about creating a long glide path to retirement, instead of diving head-first into the leisure pool. While phased-retirement programs are still rare, interest in the concept is growing. A 2005 study by AARP found that 19% of older workers surveyed had heard of the term "phased retirement" -- or, a gradual reduction in hours worked for a career employer -- but that 40% expressed interest in the concept after reading a description of it. Among employers interviewed for a study cited by AARP, 73% permitted employees to reduce hours before official retirement, but only 14% had a formal, written phased retirement policy. A large financial services firm, meanwhile, found in its most recent Retirement Study that 71% of adults said it would be ideal to keep working in some capacity during retirement. Almost half of those who

plan to work during retirement say they don't plan on ever completely bowing out of the workforce.

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Pre-retirement planning is a good time to take stock not only of what you might still need, but what you already have – and how you might want it managed should you not run through it all during your retirement years. Update your will with your lawyer to take into account not only recently acquired assets, but tax-law changes and current estate-planning rules. Otherwise, money that you had intended for family or charitable causes could end up in government coffers instead. And if you've saved enough that you'll never be able to outlive your cash, you may want to consider annual gifts to family members or charities; the first \$12,000 in gifts to any one person annually is not taxed.

Whatever Else You Do, Make a Plan

Through 2008, the federal estate-tax exemption is \$2 million. Feeling anxious about your retirement preparedness? You may be better set than you think, and just not realize it. A recent nationwide survey of more than 5,000 adults found that only one-quarter of baby boomers say they feel very prepared or fairly prepared for retirement. But those feelings had less to do with dollars in the bank than with the level of planning that's gone into preparing a plan for retirement savings and, eventually, the spending of those assets.

Financial Professionals Can Help

Creating a road map or retirement plan will help you to make smart decisions. Everyone has different retirement planning goals, however, so consult with your financial professional to make sure a financial plan is completed with your family's specific goals in mind .

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