

Eight important facts about retirement planning

Written by 'Layin' it on the line' By Lawrence Castillo Guest Columnist
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Retirement can mean many different things to many people. For some, it will be a time to travel and spend time with family. For others, it will be a time to start a new business or begin a charitable endeavor. Regardless of what approach you intend to take, here are nine things about retirement that might surprise you.

1. No age restrictions on when you can retire

In the past, most people retired around age 65. However, retiring later in life has become more prevalent in recent years. In fact, there's no age restriction on when you can retire. As long as you have the financial means to do so, you can retire at any age.

2. Retirement income can be taxable

Depending on your retirement account type, you might have to pay taxes on your retirement income. If you have a traditional IRA, you may owe taxes on the money you withdraw in retirement based on your overall income. If you have a Roth IRA, you won't owe any taxes on the money you withdraw.

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3. You might need to adjust your withdrawal rate

The 65-and-older population is the fastest-growing age group in the United States and has grown by 34.2% over the past decade. The percentage of money you can safely withdraw from your retirement account each year depends on several factors, including the size of your nest egg and how long you expect to live. However, as a general rule of thumb, you should withdraw no more than 4% of your nest egg each year.

4. Consider delaying your Social Security

You'll receive a reduced benefit if you start collecting Social Security benefits at age 62. For example, suppose your full retirement age is 67, and you start collecting benefits at 62. In that case, you'll receive only 70% of your monthly benefit. If you wait until age 70 to start collecting, you'll receive 132% of your monthly benefit.

The average Social Security retirement benefit is \$1,536 per month or about \$19,000 per year. The maximum possible Social Security benefit for someone retiring at full retirement age in 2020 is \$3,345 per month or \$39,000 annually.

5. Don't forget the cost of nursing homes

Most health insurance plans don't cover the cost of long-term care, such as the cost of a nursing home. Consider purchasing a long-term care insurance policy or set aside funds to cover any future care costs. The average cost of nursing home care in America is expected to be more than \$8,000 a month by 2023. However, actual costs will vary from state to state.

6. You might have to downsize your home

If you plan on downsizing your home in retirement, you might be surprised to learn that the cost of living in some areas is quite high. For example, the cost of living in Manhattan is more than

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double the national average. As a result, you might have to downsize your home to a smaller apartment or condo.

7. Consider working in retirement

If you don't have enough saved for retirement, you might need to work during retirement. In fact, about 1 in 4 Americans over the age of 65 are still working. Working during retirement can help supplement your income and allow you to stay active.

8. You might need to save more than you think

The amount of money you need to save for retirement depends on a number of factors, including your lifestyle and how long you expect to live. However, as a general rule of thumb, you should aim to have at least 10 times your annual income saved by retirement. For example, earning \$50,000 a year, you should aim to save at least \$500,000 by retirement.

Bonus fact about retirement: Don't forget about inflation

Inflation will have a significant impact on your retirement savings. For example, if inflation is 3%, the cost of living will be 33% higher after 10 years. As a result, you'll need to save more money for retirement than you think.

The future points to one conclusion: The 65-and-older age group is expected to become larger and more influential. Have you made arrangements for health care expenses? Are you comfortable with your decisions? Have you considered market volatility? Inflation?

Research shows that the average American has \$95,776 saved for retirement, and 1 in 3 Americans have no retirement savings.

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Suppose you don't have enough saved for retirement. In that case, you should consider working during retirement, downsizing your home, or delaying your Social Security benefits. You should also be aware of the potential costs of nursing care and long-term care. Finally, remember that you might need to adjust your withdrawal rate as you get older. With careful planning, you can ensure a comfortable retirement.

A retirement strategy is not a "set it and forget it" proposition. You should review your strategy annually to ensure you are on track to reach your goals. How have you prepared for retirement? Are you on track to reach your goals? Have you even defined your goals? Take a few minutes and conduct a personal evaluation.

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