



## **RETIREMENT FUNDING – HOW MUCH IS ENOUGH?**

Many financial advisors attempt to come up with “the number” of how much their clients will need before they can retire. While the quest for “the number” is a noble quest, coming up with a “one size fits all” estimate is quite challenging.

The reason this can be so challenging is that, in almost all cases, the scenario for retirement differs from person to person and household to household. I would suggest that the two biggest factors are: 1) What is your current lifestyle and its associated costs? 2) What is your future lifestyle projected to be, and how much will that cost?

In order to answer these 2 questions, I suggest that the retirement planners have their clients fill in two budget templates. You guessed it,

- 1) What is the current budget?
- 2) What is the projected retirement budget?

Sound easy? Item #1 is fairly straightforward. But what about the projected retirement budget? Well, that depends on a lot of variables.

### **AGE**

How old will you be when you take the plunge? As you might imagine, retiring at 50 years of age is quite a different feat than retiring at, say 65 or 70. You’ll likely need more in funding the younger you are when you retire.

### **WHERE WILL YOU LIVE**

Different parts of the country, or the world for that matter, have different costs of living. For example, below is a link to an article as to how much \$1 is worth in different parts of the country:

<https://www.usatoday.com/story/money/2019/05/25/us-dollar-how-much-its-worth-value-in-every-state/39501091/>

Where you choose to live matters – a lot!

### **HOUSING**

What kind of housing will you desire? Current home? Beach home? Retirement community home? 2 homes? 3 homes? Etc. You can see where I’m going here.

How will this/these homes be financed? Mortgages? Cash? Rent? Other?

I’ve maintained the position with many of my clients that retiring with a mortgage is very much a different scenario than with house(s) completely paid for.

## **RETIREMENT ANNUITY INCOME**

Will you have a pension when you leave for the beaches? How about the Social Security amount when you decide to enroll? Spouse annuity? Significant other's income?

Money that regularly comes in will have a large effect on how much you'll need to dip into the retirement fund(s) and savings to cover your retirement budget expenses.

## **RETURN ON INVESTMENT**

What kinds of investments are you using for retirement funds? Aggressive funds? Growth Funds? Conservative Funds? What is the annual return on investment that you have built in to your retirement equations?

## **PART TIME WORK**

What will you be doing in retirement? Golf? Fishing? Lounging? Or will you get some part time work or hobby that you've been longing to try while you were at the former job working to cover the budget expenses?

Some of my clients (me included) are looking for that dream job that they enjoy doing so much that it doesn't really feel like they're working at all.

## **HEIRS**

Are your heirs part of the retirement equation? If so, how much would you like left behind? Many times while on the road I see the bumper sticker, "I'm out spending my children's inheritance." Is that your stance? What about gifts to charities that you'd like to leave behind?

## **HEALTH CARE**

And, of course, there are health care expenses to consider. This is the wild card of wild cards. With so much uncertainty about the future of health care costs, 'how much will be enough?' is a difficult question to tackle.

## **CONCLUSION**

So, having considered the list of choices in retirement, what's the magic number? Still think it's an easy question to answer? My advice, print out your list of retirement options and choices and complete the retirement budget template for your needs and desires. Total up the expenses, estimate your lifespan and there you have it – your personal magic number to cover retirement needs.

Oh, did you plan on having a boat when you retire...?

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