Have retirement goals in place by mid-life

MID-LIFE IS often the time to evaluate our current status and put in place a strategy for financial independence in our later years. Does that sound like retirement? Possibly, but not necessarily so?

The word "retirement" carries different meanings to each of us. Regardless of its interpretation, your finances play an important role as you move from wage-generated income to wealth-generated income.

The freedom that comes from such a transition open doors to new opportunities — starting your own business, travel and leisure time freedom, among others.

Retirement is one of the areas normally addressed in every financial plan. However, by the 40s and 50s, your retirement plan should be formalized. While changes may occur and revisions made, you will have a definite goal to work toward. The following steps should be taken to begin planning for financial security at retirement:

1. Review your pension plan. Obtain income estimates under the various retirement options. Are your pension benefits "portable," when will you be vested and how will that affect your career mobility?

2. Obtain estimates from Social Security for all family members. The Social Security Administration offers a summary of past earnings and a benefit estimate free of charge.

3. Analyze your current expenses and prepare estimates at your anticipated retirement age. Some items normally decrease (clothing, education) while others normally increase (vacation, utilities). These vary from family to family, but this piece of data is important since your plan must be constructed around your desired lifestyle.

4. After estimating your income and expenses, consider inflation and project its effect. Select a reasonable level for inflation using current 3-4 percent and past 10-12 percent as a basis. Monthly expenses today of $2,000 would equal $6,414 in 20 years at 6 percent inflation.

5. What is the role of your savings and investment assets? Will they be needed initially or at a future point in retirement to generate income? What real rate of return are your assets earning and how will that affect your retirement security? Are they currently accumulating and building wealth or being depleted by taxes and inflation?

6. Taxes will undoubtedly be present even in retirement. Project your retirement income and estimate the effect of taxes, both federal and state, on it. Remember that Social Security is also taxed at certain income levels. Consider distributions from your retirement plans and attempt to minimize taxes on them.

7. Other issues in retirement planning include transferring assets to your heirs and survivors without depletion by estate and inheritance taxes. Legal counsel should be consulted to have proper documents prepared to achieve this end. Planning for your survivors is imperative. Prepare income and expense projections for this situation and determine if their needs will be met. If you died tomorrow, would the family lifestyle decline?

Building a comprehensive financial plan for retirement requires a team of advisers central to which are an attorney, a certified public accountant and a certified financial planner. Do you have a "patchwork" of advisers or is there coordination among them? Retirement planning requires long term strategies, not short term solutions. Will you be part of the "affluent" older population that is projected in some studies? Taking steps in your 30s, 40s and 50s can help make a future that is the best it can possibly be!