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RETIREMENT PLANNING FOR BABY BOOMERS

BY
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Recently, I spoke at a seminar in Charlotte, North Carolina, titled, "Retirement Planning for Baby Boomers." The seminar focused on all aspects of retirement, including financial planning, planning in conjunction with Social Security benefits, Medicare and other healthcare costs, estate and disability planning, and planning for the new retirement lifestyle.

Baby boomers are those individuals who were born between 1946 and 1962. Currently, there are an estimated 79 million baby boomers in the United States, many of whom are retiring now or planning to retire in the next few years. The median net worth of baby boomers is approximately \$164,000, and the average income for baby boomers is \$58,672 (based on 2005 figures). Retirees today are significantly more active than retirees in the past due largely to the attitudes and active lifestyles of baby boomers. People are healthier and they live longer than ever before, and these factors require more planning today than in times past. Many baby boomers who have not adequately planned for retirement find that they are struggling to maintain their desired lifestyle.

Planning for the financial change that retirement brings is, or should be, a top priority for almost every retiree, especially if the individual is early in the planning stage. Financial planning is two fold; the first part involves reviewing one's current investments and investment strategy. An individual's investment strategy should change during retirement. It is important to review investments with an experienced financial advisor to determine how one's strategy should change. If an individual has not been working with an advisor in the past, then this individual may need to seek some advice from a fee-based financial advisor.

The second part of financial planning includes income planning. Many individuals underestimate the amount of income they will need in retirement. Typically, expenses do not decrease during retirement, because retirees have more free time available, and more leisure time leads to greater expenses, like those for shopping, traveling, and hobbies. Because a retiree no longer draws a regular salary, the question of how to pay monthly expenses arises. If the retiree is one of the few who have pension benefits, then the pension may cover the retiree's expenses. Perhaps drawing from an IRA or 401(k) plan will be the best way to generate income, or perhaps the retiree has other income producing assets that will adequately supplement Social Security income. In any case, those contemplating retirement should review with an experienced financial advisor not only their investments and investment strategy, but also income their needs and funding strategies.

When looking at income planning, one top priority should be to pay off any outstanding debt, including the home mortgage, which is typically the individual's largest monthly expense. Paying it off will give the individual more disposable income on a regular basis. On the other hand, some advisors suggest that retirees actually pull equity out of their houses to invest in the stock market. While the rate of return in the stock market may be greater than the return from real estate, from an income standpoint, the monthly mortgage outlay may leave an individual in an undesirable financial position. This is another issue to discuss with a financial advisor.

Oast & Hook also recommends that individuals review their estate and long-term care plans. As one's financial needs change, one's estate planning needs may change as well. Retirees may find that they want to provide for their grandchildren instead of their children; they may also find that they have a taxable estate and need to do some estate tax planning. Estate planning documents may simply need to be updated to comply with the most current laws.

Retirement is typically a good time to explore long-term care options, including the purchase of long-term care insurance. There are a number of options available in long-term care insurance that will help keep costs low, and new products are available that provide both a care benefit and also a death benefit if the policy is never used.

The attorneys at Oast & Hook are able to assist clients contemplating retirement, or who have already retired, with their estate planning, long-term care planning, and insurance and financial planning.

Letha Sgritta-McDowell is an elder law attorney with Oast & Hook

Speakers

If you are interested in having an Elder Law attorney from Oast & Hook speak at an event, then please call Jennifer Lantz at 757-399-7506.

Oast & Hook

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