Retirement Planning for the Busy Professional

(Published as a newspaper column by a financial planner)

If you are a professional in your 40s or 50s – an executive or a physician, for instance – chances are you have been too busy to think much about your retirement. However, just like in your professional life, preparation pays off when it comes to your post-work life.

Going straight from a busy work life to “retired” can be frustrating and difficult if you haven’t mapped out your path. Preparing yourself effectively involves both financial and lifestyle choices. Here are some ways to make the transition to an enjoyable retirement:

Paint a picture. What will your life look like as a retiree? What will your day be like? Write down your goals and be specific. If you want to do volunteer work, determine what type of volunteer work, what organization you will work for, and write it down. If your goal is to spend more time with your family, write down where and how: Will you take the family on vacations? Where? Being specific will not only help you focus and set your goals; it will also help you estimate your future expenses.

Estimate your expenses. It can be difficult to “run the numbers” when it comes to your retirement, because you’re not there yet. As a Certified Financial Planner™, I frequently help people make these estimates and run different financial scenarios taking into account variables such as investment returns, inflation, taxes, health-care costs and life expectancy. In order to feel secure, you need to come up with an estimate of your monthly costs post-retirement, based on your assets, income and costs.

Review your financial plan and investments. If you don’t have a detailed, written financial plan, now is the time to create one. A written plan provides you with a roadmap and a decision-making tool as you head toward retirement. Your plan should address how you can reach your goals within your desired time frame. Your review should include your investments, budget, insurance, tax planning and estate planning. Is your portfolio properly diversified and yielding growth? Are you taking full advantage of your retirement accounts?

Cut expenses, eliminate debt. After you retire your income is likely to fall significantly. Cutting expenses now will not only help you save more money for retirement; it will also get you accustomed to living within a tighter budget and keeping your expenses under control. Write down all of your expenses and find places to cut. A vital aspect of cutting expenses is to cut or eliminate debt. Carrying debt with interest costs makes it harder for you to save and invest before you retire and makes it harder for you to make ends meet after you retire.

Review your advisor relationships. If you work with a financial planner and/or other advisors such as accountants and estate planners, ask yourself whether these relationships are still paying dividends. Do your advisors actively keep in contact with you and help you plan your future beyond providing investment suggestions? If not, consider making a change. If so, go beyond the current relationship and schedule a special meeting to discuss ways to improve your financial picture with a particular focus on retirement planning.