6 Questions to Consider for Retirement Success

Fisher SMB

No matter your age or how close you are to your last day on the job, these six questions can help you avoid unpleasant surprises and plan for the retirement you want.

1. Do you have retirement savings goals?

We all bring different feelings to the idea of retirement. A goal can help you turn those feelings into positive action. Common goals may include:

- Avoid running out of money
- Maintain or improve lifestyle
- Increase wealth

2. Are you maximizing your savings?

It's never a bad time to boost your retirement savings. If you're young, consider deferring a little more to take advantage of compounding investment growth. And if you're 50 or older, you're allowed to save even more per year in your 401(k) to accelerate your savings as you approach retirement.

3. Do you have a retirement budget?

There are two factors that affect your retirement budget. There's how much money you need right now (which can affect how much you're able to save) and how much you'll need when you retire. And remember, costs such as health care can increase as you age, so in your budget, try to balance the lifestyle you want to have with rising expenses.

4. Will you have additional income sources in retirement?

If you're planning to have additional income sources in retirement, like a hobby job or investing in real estate, you may be able to stretch your retirement savings further.

As you plan your retirement, consider jotting down how much you think you can draw as income from each source.

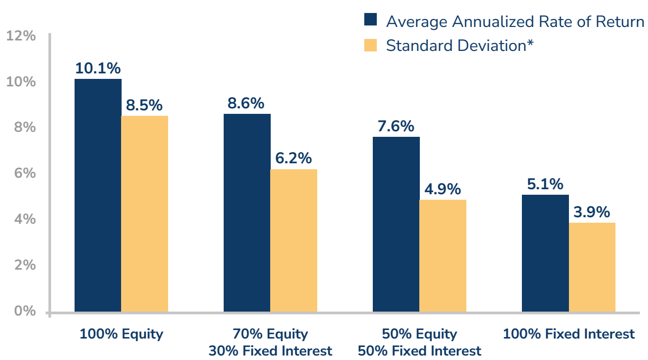
- Hobby job
- Social Security
- Pension
- Real estate
- 401(k)
- Other liquid assets

5. Do you know your investment time horizon?

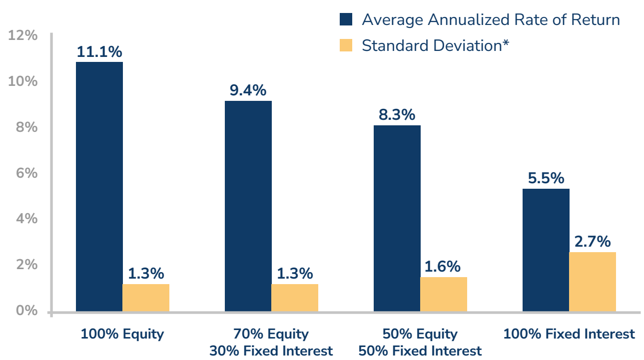
Your investment time horizon is the length of time you need your money to last during retirement so that you can achieve your long-term financial goals.

Take a look at the charts below. A five-year time horizon tends to be volatile because one big year or one bad year can significantly affect returns. Historically, equities (stocks) have been more volatile than fixed income (such as bonds) on a year-by-year basis, which means losses can be bigger if you invest 100% in equities. However, over a 30-year time horizon, the volatility of equities tends to smooth out, allowing you to earn stronger returns compared with fixed income assets.

5-Year Time Horizon[1]



30-Year Time Horizon[1]



*Standard deviation represents the degree of fluctuations in historical returns. The risk measure is applied to 5- and 30-year annualized returns in the above charts.

6. Does your asset allocation match your goals and life expectancy?

It's important to understand that the more you take out of your 401(k) per year, the sooner the money could run out. Many professionals suggest withdrawing no more than 4% of your retirement fund's starting value annually (adjusting for inflation) to avoid running out of savings.

For example, if you withdraw 10% each year from a portfolio that's mostly bonds, your money has almost no chance of lasting 30 years. However, if you withdraw 3% each year from a portfolio that's mostly stocks, the chances are very good that your money lasts 30 years and beyond. This is why it's so important to base your asset allocation on your goals and life expectancy.

Retire on your terms

If you have any questions, contact us at **888-322-7586** or **contact401k@frs.net**.

[1]Source: Global Financial Data, as of 12/31/2022. 5- and 30-year rolling returns from 12/31/1925 to 12/31/2022. Equity return based on the S&P 500 Total Return Index. Fixed income return based on Global Financial Data's USA 10-Year Government Bond Index.