FIRST COAST WEALTH ADVISORS

Taking the Pulse of Your Retirement Savings

5 FACTORS TO KEEP YOUR RETIREMENT PLAN ON TRACK

How does your retirement savings measure up?

You've been diligently saving for retirement. Now, you're wondering how your savings stacks up. How does what you've saved for retirement compare to others in your income bracket? Have you saved enough -- and what constitutes *enough*, anyway? Taking the pulse of your retirement savings is a great idea but is a lot more complicated than simply looking at the amount you have in your 401(k).

For starters, comparing yourself to others is tricky, because what counts as "enough" savings depends on a wide variety of personal factors. Income and lifestyle are two such factors -- the ideal retirement plan will allow you to continue to enjoy your current standard of living once you stop working. If your current income is high but you have major ongoing expenses, you may need a great deal more in your savings than someone who lives fairly frugally. But these concerns are just the tip of the iceberg.

400 North Ponce de Leon Boulevard
Saint Augustine, Florida 32084

Phone: (888) 876-7605
www.firstcoastadvisors.com

The five critical factors to consider when you are taking the pulse of your retirement savings are:

1. Your health
2. Mortgage and car payments
3. Pension
4. Business interests
5. Inheritance

In this white paper, we will take a closer look at the impact that each of these factors can have on your retirement savings.

Factor #1: Your Health

Rising healthcare costs can be a massive drain on your savings over the course of retirement. Fidelity tracks changes from year to year in the average amount that retirees will spend on healthcare. Currently people who retire at age 67 will spend an estimated average of $220,000 on healthcare costs over the course of their retirement years. Those who opt for early retirement may spend even more -- an estimated average of $271,000.

With the costs of healthcare so high, it is critical that you anticipate and plan for these costs as you save towards retirement. A complicated medical condition can burn through even a deep savings cushion quickly. Even for those that manage to remain in good health, the regular costs of

insurance, prescriptions, and related expenditures will continue to increase.

While you can't know exactly what the future will hold, if you have chronic conditions or a family history of illness you need to plan ahead. In that case you may need much deeper retirement savings than someone who remains in relatively good health.

On the flip side, remaining in good health can save you a lot of money. Cultivating good habits, like regular exercise, healthy eating, and mental well being now can make you happier, and can make your retirement savings go much farther. Healthy retirees will spend less on healthcare and more on simply enjoying their retirement. It's hard to put a price tag on good health!

Factor #2: Mortgage and Car Payments

If saving money on health care can make your retirement happier, imagine how not having a regular mortgage or car payment could make you feel! Whether or not you expect to make regular payments on a house or a car should be a major consideration when checking the pulse of your retirement savings. An investor who has $250,000 extra in savings, but who also must make large mortgage payments, may see some or all of those savings gobbled up. Money that has to be earmarked for paying down a mortgage is money that is not available for spending on things that might make your retirement more enjoyable.

The same factors are at work if you go into retirement with an auto loan. Having your car paid off before retirement frees up that monthly payment to make room for more vacations, travel, or leisure activities. Because of this, it is highly recommended that as you approach retirement you prepare by paying off mortgages and car loans.

Waiting until after retirement to make a major purchase or start on an expensive home renovation is usually not a good idea. In addition to the reasons stated above, there can be issues with loan approvals, unwanted tax issues, and higher loan interest rates. All these problems will have to be funded out of your all-important nest egg.

Financial reasons aside, perhaps the number one reason to avoid carrying debt with you into retirement is peace of mind. People who enter retirement free from these concerns are generally happier. Keep this in mind as you plan for your golden years.

Factor #3: Pensions

If you are retiring from certain industries, especially one that is unionized, you may expect to enjoy the benefits of a pension. At first blush, receiving a modest $1,000-$2,000 payout each month may seem like small potatoes compared to a well-stocked 401(k). However, consider this: the payouts from a pension are, in theory, never exhausted. If you beat the averages in terms of life expectancy, then a pension really starts to come into its own.

Most pensions are also immune to the fluctuations of the stock market, which can be a big relief if the market tanks. Because of this dependability, you can count on them to meet certain expenses. If you have a regular pension, however modest, consider it a valuable asset and an excellent sign of a healthy retirement plan.

Factor #4: Business Interests

Do you own a company? Are you a partner in a business? Do you own a share of a business? All too often the revenue from business interests are discounted as a source of retirement savings, but they should not be!

Business interests are often undervalued because the business owner, or perhaps their spouse, doesn't know how to properly estimate their value. The current value of the company's assets should be considered along with its potential future earnings. Investors are typically willing to pay for future earnings.

As an example, imagine a company with $1 million in assets that makes $250,000 a year. If the going rate for selling such a business is 2.5 times yearly earnings plus assets, then the business could potentially sell for $1,625,000, nearly twice what its assets alone are worth. While the market and industry specifics will always determine the actual value of such a transaction, it is important not to discount a business that you've built up through hard work and careful investment. It can still pay you back in retirement as much as, or more than, any 401(k).

Factor #5: Inheritance

If you expect to have a large legacy coming to you, you may be tempted to estimate its value to your retirement savings ahead of time; however, it is important not to count money or assets that you don't actually have in possession. While the prospect of an inheritance can be very exciting, in practice, large bequests often come with strings attached. This is assuming that you get everything you hoped was coming to you in the first place.

Protracted legal battles over wills are not uncommon and can represent a major drain on the value of the inheritance. They can also delay the receipt of bequests by years. This is to say nothing of the costs to your time, energy, and family relationships incurred while the will is being contested.

It is also common for the bequest itself to prove smaller than anticipated. Expensive end of life medical care can eat into an estate. The individual leaving the inheritance may outlast everyone's expectation and use up much more of it than was expected. Unforeseen expenses may arise. The point is, until you have the money in hand, you just don't know.

When it comes time to factor in an expected inheritance into your retirement savings, a good idea is to start by cutting the amount you estimate you'll be receiving by at least half. You certainly should not plan your entire retirement around a bequest that you have not yet received, especially when you don't know when you will receive it or what its actual

value will be. Hope to be pleasantly surprised, but plan for a more realistic outcome.

How healthy is your retirement plan?

These five factors should give you a better barometer for evaluating the health of your current retirement savings. The most important thing to remember is: the question of how much you need to save can't be answered by simply comparing traditional retirement savings accounts or income levels. It depends on a wide variety of individual considerations, including your health, whether or not you are making monthly payments, whether you have a pension, any business interests you may own, and expected inheritances.

Saving for retirement is a complex subject. It is possible that after evaluating all these factors, you may find you're still not certain where you stand. The experts at First Coast Wealth Advisors can help. We have years of experience with retirement and wealth planning for high net-worth individuals and families, and can evaluate your retirement savings to suggest the best options for ensuring you will have a happy and prosperous retirement.

Call us today at (888) 876-7605 to schedule your financial check-up and begin taking the steps to a healthier retirement plan.

Securities and Advisory services offered through Geneos Wealth Management. Member FINRA / SIPC.
Copyright 2015 First Coast Wealth Advisors. All rights reserved.