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FINANCIAL PLANNING

How to Prepare for Retirement

You probably have a variety of financial goals you are striving for, and retirement is probably one of them. Saving for retirement is like planting a garden. At first, it may seem like a daunting task to cultivate a bountiful harvest, but every garden begins with a single seed. The key to a fruitful outcome lies in having a well-crafted plan. Utilize this checklist in collaboration with your financial advisor to cultivate a strategy that will nurture your goals and help them flourish.

Plan:

The journey begins by gaining a comprehensive understanding of your retirement aspirations. From there, you'll want to work with a trusted advisor to devise a tailored strategy that will enable you to retire how you envision.

Review your current financial situation.

- Begin by assessing your current financial standing, taking into account your income, expenses, assets, and debts. This will serve as a starting point for your retirement planning.
- Fill out an expense worksheet to gain a clearer understanding of your spending habits and identify areas where you can potentially increase savings. Additionally, this worksheet will help you identify which expenses may persist into retirement.

Outline:

- Start by envisioning your ideal retirement, including the desired retirement age and your spending goals during that phase of life.
- Consider other financial goals you may have such as funding your child's education. It's important to discuss and evaluate any trade-offs that may be necessary to prioritize these goals effectively.

Determine:

The amount you need to retire depends on the income you will require from your portfolio during retirement. If retirement is far away, your financial advisor may use your current lifestyle as a reference to estimate your spending, taking inflation into account. As you get closer to retirement, your spending goals and income needs will become clearer. Three key factors can have a major effect on your strategy's success:

- How long you invest
 - How much you invest
 - The return on your investments
- It's important to stress-test your retirement savings and investing strategy to account for different market conditions and life events. This will help you identify any adjustments that may be necessary. Even small changes can have a positive impact on your long-term goals.
 - If you find yourself falling behind in reaching your goal, prioritize what you have control over. Instead of taking unnecessary risks, be proactive in saving. Take the time to assess different options and consider trade-offs, such as postponing retirement and utilizing catch-up contributions.

Prepare:

While it's impossible to predict the future and be fully prepared for every outcome, there are proactive steps you can take to increase your flexibility in case of unexpected events:

- ❑ Build a financial safety net by setting aside an emergency fund equivalent to around six months' worth of living expenses if you are the sole earner, or three months' worth for dual-income households.
- ❑ Explore strategies to mitigate major risks, such as income loss from job termination or premature death, market downturns, inflation, or unforeseen healthcare expenses.
- ❑ Work with an estate planning professional as needed to help ensure your beneficiaries, will, trust documents, advance directives, and other legal documents are up to date and fulfill your objectives.

Position:

- ❑ Align your investment portfolio for both anticipated and unforeseen events. Once you have established your retirement goals, calculated the necessary savings, and considered potential unexpected circumstances, you will be better equipped to make informed investment decisions.

Decide:

- ❑ Be honest with yourself as you think about your tolerance for risk, and be sure to familiarize yourself with the trade-offs between the different types of risk inherent to any portfolio. Your advisor can help you balance the amount and types of risk required to attain your goals.
- ❑ Gain insight into your risk tolerance to stay committed to your strategy despite inevitable challenges.
- ❑ Although every investor's circumstances are unique, we recommend a general approach of allocating investments towards growth during the early stages of saving, gradually transitioning to a more balanced allocation as retirement approaches.

Develop:

Consider your strategy to monitor and rebalance your portfolio. Meet with your advisor annually and before/after major milestones to reassess your situation and to help ensure your investment portfolio and financial plan align as your life and goals evolve.

Consider:

- ❑ Any life events or modifications to your retirement objectives
- ❑ Your investment portfolio to help ensure it aligns with your goals and risk tolerance
- ❑ Actual investment performance compared to expectations
- ❑ Insurance policies and beneficiary designations

