



RETIREMENT INCOME SOURCES THE FULL PICTURE

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Retirement. For many of us, it's what we've saved for and dreamed of, pinning our hopes to a magical someday. Is that someday full of traveling? Is it filled with grandkids? Gardening? Maybe your fondest dream is simply never having to work again, never having to clock in or be accountable to someone else.

Your ability to do these things all hinges on income. With the money to support these dreams, even a basic work-free lifestyle is sustainable. That's why planning for your income in retirement is so foundational. But where do we begin?

SOURCES OF INCOME

Thinking of all the pieces of your retirement expenses might be intimidating. However, once you have laid everything out, you can begin to sort things into categories.

Once you have an excellent overall picture of where your expenses will lie, you can start stacking up the resources to cover them.

SOCIAL SECURITY

Social Security is a guaranteed, inflation-protected federal insurance program playing a significant part in most of our retirement plans. From delaying until you've reached full retirement age or beyond

to examining spousal benefits, as we discuss elsewhere in this book, you can do plenty to try to make the most of this monthly benefit. However, as with all your retirement income sources, it's essential to consider stretching this resource to provide the most bang for and buck for your situation.

PENSION

Another reliable source of retirement income for you is a pension if you are one of the lucky people who still have one.

Because your pension can be a central part of your retirement income plan, you should consider answering basic questions about it.

How well is your pension funded? Since the heyday of the pension plan, many companies and governments need to adequately fund their pension obligations, causing a persistent problem with this otherwise reliable asset. However, research by the Pew Charitable Trusts showed a collective increase in assets exceeding half a trillion dollars in state retirement plans fueled by solid market investment returns in fiscal 2021. Pew estimates that state retirement systems rose to 80 percent funding for the first time in 2008.

Consider the factors at play, though. First, pensions had been underfunded and gained a boost from solid market performance in

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PUZZLED?**

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With our four-step process, we can identify your goals and create a customized strategy to help you achieve them. The process emphasizes the five planning areas that are key to enjoying a successful retirement: tax, health care, income, investment and legacy.

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2021. So, what happens to the solvency of those pension funds if the market declines?

It can be worthwhile to keep tabs on your pension's health and know your options for withdrawing it. This may be a foregone conclusion if you have already retired and made those decisions. If not, it pays to know what you can expect and what decisions you can make, such as taking spousal options to cover your husband or wife if he or she outlives you.

Also, some companies are incentivizing lump-sum payouts of pensions to reduce the companies' payment liabilities. If that's the case with your employer, talk to your financial professional to see if it might be prudent to do something like that or if it might be better to stick with lifetime payments or other options.

YOUR 401(K) AND IRA

One "modern way" to save for retirement is in a 401(k) or IRA (or their nonprofit or governmental equivalents). These tax-advantaged accounts are, in our opinion, a poor substitute for pensions, but one of the biggest disservices we do to ourselves is not take full advantage of them in the first place. For example, according to one article, only 41 percent of Americans invest in a 401(k), though 68 percent of employed Americans have access to a 401(k)-benefit option.

Also, if you have changed jobs over the years, track down any benefits from your past employers. You might have an IRA here or a 401(k) there; keep track of those so you can pull them together and look at those assets when you're ready to look at establishing sources of retirement income.

DO YOU HAVE...

- **Life insurance?**
- **Annuities?**
- **Long-term care insurance?**
- **Any passive income sources?**
- **Stock and bond portfolios?**
- **Liquid assets? (What's in your bank account?)**
- **Alternative investments?**
- **Rental properties?**

If you are going through the work of sitting with a financial professional, it's essential to look at your complete retirement income picture and pull together all your assets, no matter how big or small. From the free insurance policy offered at your bank to the sizable investment in your brother-in-law's modestly successful furniture store, you want a good idea of where your money is.

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