Recipe for Creating a Successful Retirement Plan

by Scott McClatchey, CFP®

Do you have a well thought out, comprehensive, and written financial plan laying out your path to and through retirement? Studies show those who do generally have more successful retirement outcomes.[1][2] Planning for a retirement is challenging, not only because of the long timeframes and multiple unknowns, but because as 'life happens' so too does change. During my financial planning career, I've learned that, when planning for retirement, each client is different and comes with a unique set of goals and circumstances. But there are a few common themes or principals that cut across all successful retirement plans. I'll offer up 15 in this article, knowing full well there are at least 50 more I could provide given the time and word count.

Common Themes or Principals for a Successful Retirement Plan

1. Decide what's important to you and your partner (and family) early on
2. Set specific goals for your retirement, with numbers and dates and actions
3. Develop a written plan; or better yet have a CERTIFIED FINANCIAL PLANNER™ create one for you; they're trained and have software and other tools available to create a better plan
4. Start saving and investing at an early age to take advantage of compound interest

5. Take control of your finances – know how much you spend, and don't run up credit card balances; tracking your spending is crucial, whether you maintain a formal budget or not
6. Increase your savings rate as often as possible, especially after getting raises and promotions
7. Don't waste money – buy reliable used cars (e.g., single-owner lease), make your own coffee drinks, bring a lunch to work, don't overspend on cellphone or cable/satellite/streaming packages or gym memberships, buy nice clothes but avoid expensive brands
8. Make sure you're protected - e.g., life and disability insurance, auto/home/liability insurance, healthcare insurance, long-term care insurance
9. Plan to have enough money and resources to retire by age 60, so you'll be ready financially even if you decide to work longer; many expect to work into their 60's, 70's or even 80's, but find they can't because of health or other issues
10. Be prepared to take some investing risk in order to build up an adequate retirement portfolio – it's not possible for *most* people to save enough money to fund their retirement by stashing their spare change in bank or money market accounts; they need to take advantage of higher returning asset classes (e.g., stocks, bonds, and alternative investments)
11. Incorporate updates to your plan – think of your retirement plan as a living document, which needs to be updated periodically to incorporate changes in your personal and work life, investment portfolio growth, and updates to your goals or timeframe
12. Hire professionals as you need them – starting out, many can handle their own tax filings or employ a low-cost robo-advisor platform to create a diversified allocation model for their investments; but over time, most successful people need professional help with taxes, investing, estate planning, and insurance; hiring these professionals if you need them will likely <u>save</u> you money because, for example, you'll make fewer mistakes and (potentially) reduce your taxes and achieve better after-fee investment results
13. Develop multiple income streams for retirement and have contingency plans in place – things don't always go as planned, and it's a good idea to have a backup or contingency just in case; with retirement income, relying on Social Security alone won't provide adequate income for most retirees; it's better to have 3 or 4 income sources if possible (e.g., Social Security, stock/bond portfolio income, bond ladder, annuity income, private RE or credit fund, rental property income)
14. As your investment portfolio grows and your life becomes more complex, make sure to put an estate plan in place and update it periodically – at a minimum you need a will, healthcare directive, financial and healthcare POA's, living trust, and final arrangements document
15. Consider your legacy – many successful people hope to leave a legacy to support organizations and causes important to them; there are different ways to accomplish this (e.g., donor-advised fund, personal foundation, charitable remainder trust); some prefer to begin their planned giving while still alive, whereas others prefer to wait until their passing for these provisions to kick in

I hope this gives you something to think about as you plan for your retirement and consider what's important to you and your family. Maybe this exercise will help you achieve a successful retirement and, with any luck, a happy and productive life along with it.

(1) *The Top 6 Benefits of Financial Planning*, Sam Jones, AFC, November 19, 2020 https://savology.com/6-benefits-of-financial-planning

(2) *This Simple Step Makes It Way More Likely You'll Meet Your Retirement Goals*, Ben Geler, CEPF®, February 10, 2022 https://smartasset.com/financial-advisor/financial-plan-financial-goal

Scott McClatchey is a wealth advisor and CERTIFIED FINANCIAL PLANNER™ with WWM Financial in Carlsbad, CA, an SEC-registered investment advisor. He can be contacted by phone on 760-692-5190 or by email at scott@wwmfinancial.com .