

BY ROBIN YOUNG

Turning a retirement nest egg into a monthly “paycheck” is one of the biggest challenges facing retirees. Your retirement planning strategy should include creating a lifetime stream of income that you can’t outlive. This process of creating a paycheck from investments reduces stress and allows you to focus on enjoying life in retirement.

A recent industry survey showed that retirees with a pension were one third more satisfied with their retirement than those without and felt more in control of their financial future. This is not a new concept but has become more imperative with recent market declines and volatility.

The first step is to determine your retirement income need. You can predict certain fixed costs, such as housing, taxes and insurance. As for discretionary spending, perhaps you’d like to travel and buy a new car every five years. Creating a budget helps people focus on priorities.

Another critical factor is whether your portfolio will last your lifetime at that

spending level. Many studies show that you can safely withdraw at a rate of 4-5% of the total investment portfolio each year and there are many retirement calculators online that you can use online but it is strongly recommended that you get a second opinion. Results vary greatly with assumptions on taxes, investment returns, inflation rates, and life expectancy.

Once you are comfortable with your retirement income amount, the final step is to build a cash reserve of 5-7 years of retirement income into your overall investment plan. There are volumes written on the subject of asset allocation and it’s strongly suggested that you consult a Certified Financial Planner when creating one. Your fixed income or income portfolio should be invested in “safe” vehicles such as CD’s, bonds, bond mutual funds and savings accounts. This reserve will help alleviate the need to sell out of the stock portion of your portfolio at the worst possible time, during a market downturn.

Once you have a plan to turn your portfo-

lio into a retirement “paycheck”, you can relax and enjoy your summer!

Robin Young CFP®, Registered Life Planner and owner of Northstar Financial Planning, Inc. in Londonderry, NH, a Fee-only Financial Life Planning and Wealth Management firm. Visit www.northstarfp.com or contact Robin at 603.216.9226.



Robin Young



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Debra LeClair Psy.D.
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