

Retirement Planning



MCKAY WEALTH MANAGEMENT

Living in Retirement in an Up and Down Market

Welcome to the good life...retirement. At least, we hope it's turning out to be the good life. Now that you're living off the nest egg that you worked so hard to build, you'll probably find (if you haven't already) that you're taking a very different view of things from when you were collecting that regular paycheck. No matter how well

you've mapped out your retirement, there are challenges you can easily encounter that can put your financial welfare at risk. Living on a somewhat fixed income in a fluctuating rate environment is one of those challenges.

It is suggested that you will likely need 70%-80% of your pre-retirement

income, creating a comparable comfy lifestyle for 20 – 30 years. Sort of like a 30-year vacation.

Even if you do all the right things and save enough money, you could find your nest at risk with many years of retirement still staring you in the face.

Points of Interest

- LIVING IN AN UP AND DOWN MARKET
- PENSION PLANS
- THE EARLY DAYS
- WITHDRAW CAREFULLY



Pensions Plans

Pension Plans can come in a couple of different forms. There are plans set up so the employer says, "When you retire, I will pay you \$X each year." Then, each year, the employer must put in enough money to make sure that there will be enough in the kitty to

fulfill the promise. The amount that they have to put into the plan will fluctuate as the workforce changes.

It's easy to see that this type of plan would get more expensive for the employer as the employees

get older and the number of years available to fully fund the plan goes down.

Another type of plan (and more common today) is the type of pension where the employer says, "I will put \$X (or percent of your income) into a pension plan

and when you retire, we'll see how much is in the kitty and then you can generate an income from that amount." This type of plan is obviously better for the employer because the amount that goes into the plan is known ahead of time.

Retirement Planning

PLAN
YOUR
INCOME
FROM A
WORST
CASE
POINT OF
VIEW

The Early Days of Retirement Can Set Your Stage

No matter what the markets are doing when you retire, whether they are at their peak...or not; it's a good idea to plan your retirement income from a worst case scenario outlook.

Many retirees decided to quit working when the markets were high and

interest rates were good, only to find their monthly income dwindle when the bull turned bearish.

If you know you need \$4,000 per month in income, for example, make sure your portfolio can generate that income from a "low" interest rate point of

view. Then, if things are booming and your portfolio is actually generating \$6,000 or \$7,000 per month, well good for you. If you don't, you could find yourself dipping into your principal reducing the size of the "egg" you need to grow into the future.



Withdraw Carefully

As retirees, we can often under-estimate the lure of our money and withdraw at a higher rate than perhaps we should. If you withdraw too much too early, you risk depleting your retirement resources at the worst possible time in your life; when you're in your seventies, with 10-15 years out of the labor market, and fewer

employment prospects in sight.

A prudent withdrawal rate is probably less than you think. If you're facing a 20- to 25-year retirement, you may consider keeping your initial withdrawal rate in the 4%-to-5% range. If you're expecting to spend 30 or more years in retirement, you may

even cut back to a 3%-4% withdrawal rate.

If you structure your portfolio properly, and if it keeps pace with inflation, you can give yourself a raise each year to make sure your income is keeping pace with prices in the economy.

INITIAL
WITH-
DRAWAL
RATES
SHOULD BE
BETWEEN
3-5%