https://www.unionleader.com/news/business/money_sense/marc-a-heberts-money-ense-faqs-for-those-approaching-retirement/article_30258824-adbb-5540-a78f-5084a93a8da1.html

Marc A. Hebert's 'Money $ense': FAQs for those approaching retirement

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RETIREMENT is a great milestone to achieve in life. It could mean more time to spend with family and friends or the flexibility to do work that you love. But retirement also comes with uncertainty and requires careful planning. One of the areas that is most difficult to figure out for those approaching retirement involves income needs. The following are a handful of frequently asked questions by near-retirees to help you determine how to support your retirement.

When is an appropriate time to begin taking income from my retirement assets? The answer here depends on your timeline for retirement and when you anticipate needing supplemental income from your savings. If you retire before being eligible for Social Security, you may need to tap your retirement funds until you begin Social Security benefits. You may want to delay Social Security benefits past your full retirement age, however, in order to earn 8% annual increases on your benefits.

How much annual income am I likely to need? One of the best places to start is by looking at your budget or creating one. Review your current expenses and approximate what these will look like in retirement. This will provide you an idea of how much income you may need to support your retirement. Keep in mind that due to the decline of traditional company-funded pensions and the stress on Social Security funding, future retirees may need to depend more on income produced by portfolio investments.

How much money can I withdraw for annual living expenses? When determining how much of your assets you can withdraw every year, there are many factors to consider such as your health and life expectancy, the rate of return on your investments, and inflation. With each of these variables, you may want to make conservative assumptions. There are a wide range of outcomes here: The market may return less than you expect, you may need more income than how much you project, or you could live longer than anticipated.

When planning distributions for income, is there an optimal strategy for which accounts are withdrawn first? One potential strategy is to withdraw from taxable accounts first in order to preserve the tax deferral on any retirement accounts. You could incur capital gains with this strategy, so consider selling positions with a loss to offset current or future gains for tax purposes. When you evaluate which positions to sell, don't forget about your target asset allocation.

This is your mix between different asset classes such as stocks, bonds and real estate. It could be a good idea to consider selling asset classes for which you own too much, which is called being over-weight in the investment world. Rebalancing the portfolio like this allows you to maintain the amount of risk that you are comfortable with.

Another strategy could be to consider tapping assets from tax-deferred accounts. This could be a good idea if you have not yet started receiving Social Security benefits and are anticipating having a higher amount of taxable income.

When crafting an investment portfolio to meet your retirement needs, be sure the portfolio generates enough growth to mitigate the risk of depleting assets in your later retirement years. Consider maintaining an allocation that achieves the goal of earning a rate of return that exceeds the pace of inflation.

Retirement planning is a complicated process, so you may want to consider meeting with a certified financial planner to discuss your individual situation.

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