

# BUILDING BLOCKS FOR RETIREMENT

## Retirement Planning Essentials

### Making a Financial Plan and Checking It Twice

Want to give yourself a really valuable and lasting present? How about a financial plan? Promise yourself that once the holidays are over, you'll take time to *thoroughly* review your finances -- and come up with a strategy for reaching all your goals.



#### **Begin With a Budget**

Do you know where your money goes? A spending plan can help you keep track of your income and expenses and set priorities for spending your paycheck. Make sure you put a set amount of money into a savings or investment account every month. If you have trouble coming up with the extra cash, look for ways to cut your spending.

#### **Choose the Right Investments**

When it comes to investing, everyone is different -- even members of the same family. Spouses may not be willing to take the same amount of risk or feel comfortable with the same kinds of investments. So, it's important for spouses to talk over their feelings about risk. The investments you choose should reflect your goals, time frame, and risk tolerance. Remember, too, that you want your investments to earn returns that will beat inflation, especially if you're investing for a long-term goal.

#### **Think About Retirement**

It's generally easier to save money if you set a goal. So you'll want to estimate how much money you'll need for retirement. How do you know how much you'll need? Think about the retirement lifestyle you want. Maybe you want to travel or focus on your hobbies. You may plan to relocate, or just relax at home. You might even decide to work part-time. In any case, compare your anticipated expenses with your current expenses to see how much you're likely to need.

The next step is to figure out where the money to pay those expenses will come from. Consider how much you can expect from your investments, an employer's qualified retirement plan, any pensions you have, and Social Security. If your income from these sources will fall short of your goal, find ways to put more money aside while you're still working to make up the difference.



### **Plan for the Unexpected**

If you were to die or become disabled, would your family be able to maintain its standard of living without your paycheck? Disability and life insurance coverage can replace lost income and allow your loved ones to continue their current lifestyle.

Also think about naming someone to manage your affairs should you become incapacitated. A *power of attorney* is a legal document that allows the person you name to make financial decisions for you if you're unable to do so. A *living will* or *durable power of attorney for health care* states your wishes with regard to health care decisions.

### **Create an Estate Plan**

You don't have to be wealthy to have an estate plan. At the very least, everyone should have a will. A will spells out how you want your assets divided, names a guardian for any minor children you have, and appoints an executor or "personal representative" to distribute your assets and pay your final bills. A will also allow you to take advantage of certain planning opportunities that may reduce estate taxes and preserve your assets for your heirs.

Plan today to build a solid financial plan for your future.

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