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FINANCIALJOURNEYS

FINANCIAL & RETIREMENT PLANNING FOR LIFE

Retirement choices go global

More than ever, retirees are finding exotic locales that complement their monetary needs

If the prospect of a pleasant retirement in an exotic locale appeals to you, you're in luck because the options for retiring abroad are expanding. The numbers of expat English-speaking communities are growing in countries that offer safety, low taxes, attractive residency options and excellent healthcare facilities.

Life in a foreign land is not for everyone, of course. There is almost certain to be an element of culture shock. However, the attractions of an adventurous lifestyle tip the scales for many retirees. Retirement experts caution against making hasty decisions to move abroad.

Try approaching the idea systemically by researching questions such as:

1. How will your family cope with distances and costs?
2. Have you thoroughly investigated your chosen country and visited two or three times?
3. How do you plan to deal with health issues that may arise?
4. Can you handle inefficiencies and delays?
5. Are you ready to embrace both the highs and lows of a totally new experience?

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Retirement choices go global (cont.)

DESTINATION: RETIREMENT

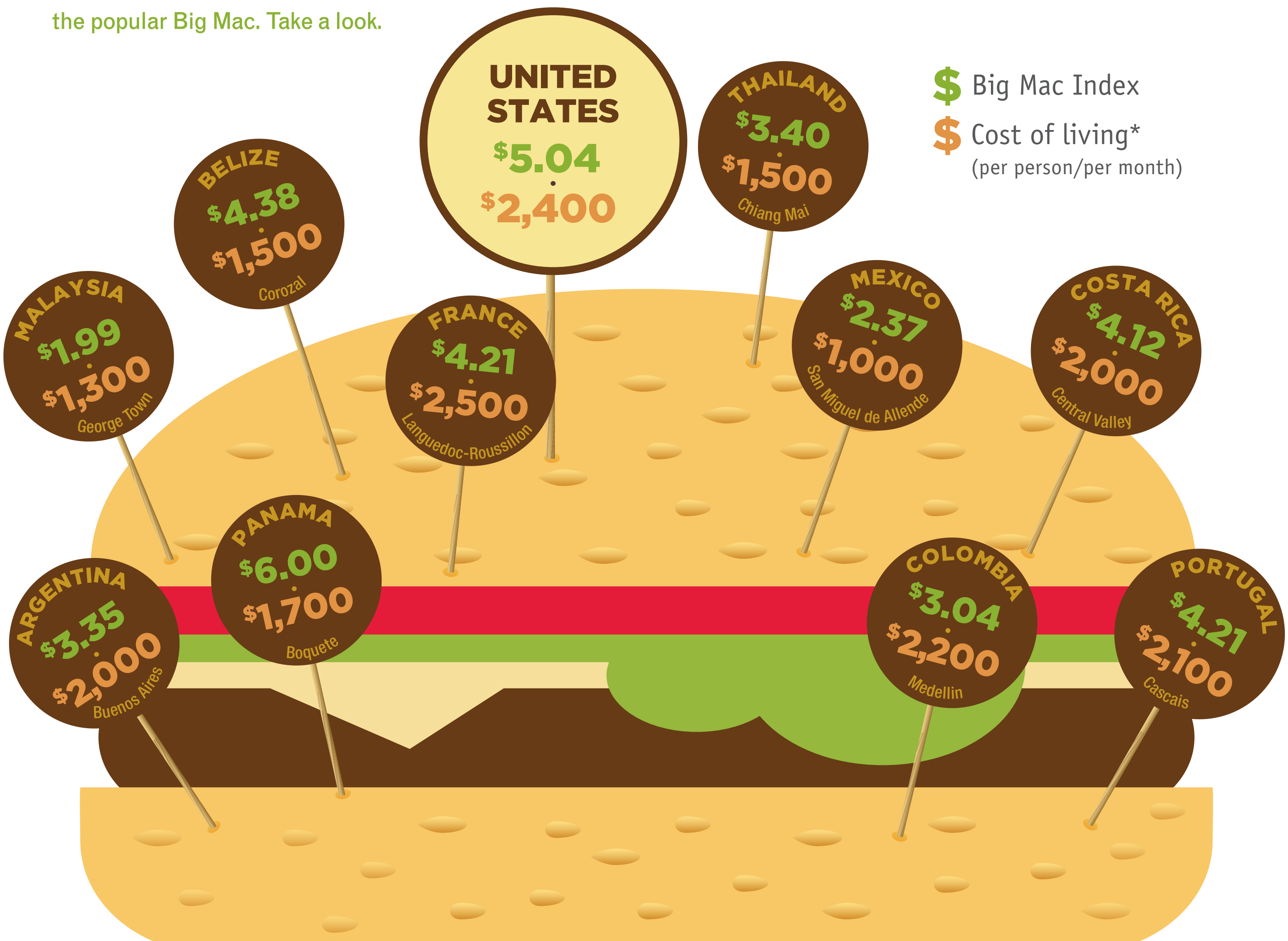
The countries listed here have successful English-speaking retirement communities, and all are high on various well-researched lists of foreign retirement destinations. ■

NEXT STEPS

Ask yourself:

- Where can I see myself enjoying retirement?
- What are my needs and limits for cost of living?
- Will I be happy in that location long term?

The Economist's Big Mac Index gauges the relative value of currencies using the popular Big Mac. Take a look.



*Cost of living estimates are for one person per month. Shared accommodation and other factors generally mean that couples can live for considerably less than double the monthly figure.
**The Big Mac Index was devised by The Economist magazine as an easy-to-understand way of gauging the relative value of currencies.

Sources: internationalliving-magazine.com; aarp.org; economist.com; expatistan.com; numbeo.com

Tune in to levels of control

Know what you can tweak to find your ultimate retirement income mix

As much as some of us would like to control everything, the truth is we can't. Many retirees harbor a distant fear that their money may not last as long as they need it to. When it comes to something as important as your retirement income, knowing what you can control and by how much may help save your energy for the things you can change.

THE SPECTRUM OF CONTROL

DIRECT CONTROL

Where your money lives

How and where you put your money is one of the largest areas of influence you have. Work with your advisor to ensure your asset allocation reflects your risk tolerance, your time horizon and your short- and long-term needs.

How much you spend and save

Save as early – and as much – as possible, and live within your means. Your advisor can help you decide on a withdrawal rate to keep you comfortable during a long and fulfilling retirement. Depending on market returns, this rate may need adjustments.

SOME CONTROL

How long you work

While you may want to work in retirement, nearly half of retirees in 2014 left the workforce before they planned to due to health concerns, caregiving responsibilities or company changes.

Your health

While you don't know for sure what will happen, you can increase your chances of a long, healthy life through better healthcare, preventive care and good nutrition.

Asset allocation does not guarantee a profit nor protect against losses.

OUT OF YOUR CONTROL

The what-ifs

No matter how much you try, there are always unknowns that you can't exactly plan for. Build in a contingency plan by creating a financial cushion should you need cash on short notice and by mitigating risks with proper insurance coverage (e.g., long-term care insurance).

The markets

Even with thoughtful planning, no one has ever been able to predict what the market might do. Consider what you'll do if you encounter a series of less-than-ideal market returns.

The cost of living and taxes

Things cost more over time. The inflation rate for retirement-age Americans is higher because they spend more on items that rise fastest in price, such as healthcare and housing.

As for taxes, without knowing when the government may implement a change that may affect you, be sure to take advantage of savings in tax-favored accounts, particularly those geared toward retirement.

You are your best advocate when it comes to fulfilling your retirement dreams, so be sure to exercise your power thoughtfully and proactively. Your advisor can help you stay ahead of the game and implement a plan that reflects what's most important to you. ■

NEXT STEPS

- Review your budget regularly as your needs evolve.
- Overdue for a doctor's appointment? Schedule that belated visit today.
- Test your financial plan with your advisor for what-ifs and worst-case scenarios.

Smart retirement withdrawal strategies

For many, tapping into your retirement principal causes some anxiety. Whether you're months or years from retirement, work with your advisor to develop a withdrawal strategy that gives you confidence that your money will last as long as your retirement does.

SOMETHING FOR EVERYONE

Fortunately, there are flexible strategies that can be used alone or in combination. With each of these strategies, it's a good idea to start with a conservative withdrawal rate and increase it as your portfolio grows.

Constant withdrawals – This method advocates estimating your expenses and withdrawing a set dollar amount every year to cover initial spending expectations. You would adjust the amount for inflation and withdraw the new dollar figure.

Strength: A predictable amount of yearly income
Consideration: Should your wants and needs deviate from your budget or the market become unpredictable, your measured withdrawal plan may not keep up

Percentage-based withdrawals – Percentage-based withdrawals are based on the current value of your portfolio. You can withdraw a constant percentage or take a more variable approach. A percentage-based withdrawal may make more sense for those who rely on their retirement savings mostly for discretionary spending.

Strength: Flexibility to allow for larger or smaller withdrawals depending on portfolio performance
Consideration: Annual income varies with the markets and the size of your portfolio

SOPHISTICATED STRATEGIES

These main strategies have further variations, each with its own benefits and considerations.

Flooring – Flooring relies on guaranteed income from Social Security and annuities to cover your retirement expenses. You then tap into your portfolio for discretionary spending.

Good for: Those with long life expectancies; risk-averse investors who prefer a steady "paycheck" with less risk
Consideration: This strategy is best suited for those using their savings mostly for discretionary spending

Bucketing – With bucketing, the idea is to invest a portion of your portfolio in relatively safe investments (think cash and cash alternatives) so that you feel confident that your short-term needs will be met. The rest would be dedicated to growth investments that align with your long-term goals.

Good for: Those who prefer a safety net when drawing down the value of their portfolio
Consideration: Cash sits idle and your investments may not grow enough to meet your long-term goals.

ADJUST AS NEEDED

Even with a carefully planned withdrawal strategy, you can't account for everything. In anticipation of the unexpected or periods of rocky market performance, talk to your advisor about potential adjustments you can make. They can also help you set realistic expectations for what you can comfortably spend during what should be the best years of your life. ■

Withdrawals from tax-deferred accounts may be subject to income taxes, and prior to age 59 1/2 a 10% federal penalty tax may apply. Withdrawals which exceed earnings will reduce the principal value of your retirement savings.

NEXT STEPS

- Consider your weekly, monthly and yearly budgetary needs.
- Take into account all sources of income, such as Social Security.
- Work with your advisor to determine which withdrawal method best suits your needs.