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A RETIREMENT PLANNING CHECKLIST FOR THE NEW YEAR

Goodbye 2021 and hello 2022! The start of a new year is here. The mood? Dare we say, hopeful. After all, a new year offers the chance to do things differently. Better, even.

Beginnings lend themselves to reflection and focus. How far have you come? Where are you now? Where do you want to be in the future? Now is a great time to take stock and take steps to achieve financial wellness and your goal of a healthy retirement.

Making financial resolutions you can keep means first taking a candid look at your current situation. So, why does taking that first step feel so hard at times?

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Why People Avoid Planning

Among adults, money is the second most common source of stress, according to the American Psychological Association.[1] It makes sense, then, that many people avoid thinking about their finances altogether. Because the human brain is hardwired to prioritize the urgent over the important, too often people focus on short-term obligations or wants at the expense of long-term goals.

While you may be tempted to put off planning for the future, avoiding making financial and investment decisions could put your retirement and legacy goals in jeopardy. Taking a closer look at your financial health today can help you feel more in control of your tomorrow.

COMMONLY OVERLOOKED RISKS

When it comes to planning for a healthy retirement or financial future, there are a few factors people commonly underestimate or overlook:

Longevity—People are living longer than ever. Research from the Society of Actuaries shows that, overall, Americans tend to underestimate their life expectancy. It's important to keep in mind that your retirement horizon could be 20 years or more,[2] so you may need to make your savings last for longer than you think.

Healthcare costs during retirement—Healthcare costs have also exceeded inflation in recent years. The lifetime healthcare costs for a 65-year-old couple retiring in 2021 are projected to be $662,156, per research from RBC Wealth Management.[3]

Impact of inflation on purchasing power—Inflation reached a 40-year high, up 7% in December 2021 over the year prior, according to the Bureau of Labor Statistics. That's the fastest increase since June 1982. Because inflation erodes wealth, it's important to make sure your retirement portfolio generates the level of return needed to counter its corrosive impact, or that you're putting enough aside to be able to cover your spending needs after inflation.

Education costs—The cost of education has skyrocketed over the past several decades, having risen at twice the rate of inflation up until the start of the coronavirus pandemic. This means you may need to save more than you had anticipated if you are planning to fund these education costs for your children or grandchildren.

Unexpected early retirement—For reasons unexpected, such as illness, inability to work, caregiving, job loss or a global pandemic, sometimes people are forced to retire early. In 2021, more than a quarter of all U.S. workers surveyed said the coronavirus pandemic prompted them to retire sooner than planned, per the National Institute on Retirement Security.[4]

[1] American Psychological Assocation. *Stress In America 2021*. October 2021. https://www.apa.org/news/press/releases/stress/2021/decision-making-october-2021.pdf

[2] Greenwald and Associates and Society of Actuaries Project Oversight Group. *Longevity Perceptions and Drivers: How Americans View Life Expectancy*. January 2020. Society of Actuaries. https://www.soa.org/globalassets/assets/files/resources/research-report/2020/longevity-perceptions-drivers.pdf

[3] Michael Armstrong, Thomas Sagissor and Ann Senne. *Taking control of healthcare in retirement*. 2021. RBC Wealth Management. https://www.rbcwealthmanagement.com/_assets/documents/insights/taking-control-of-health-care-in-retirement.pdf

[4] Tyler Bond, Dan Doonan and Kelly Kenneally. *Retirement Insecurity 2021: Americans' Views of Retirement. February 2021*. National Institute on Retirement Security. https://www.nirsonline.org/wp-content/uploads/2021/02/FINAL-Retirement-Insecurity-2021-.pdf

2022 RETIREMENT PLANNING CHECKLIST

☐ **Take stock of your financial health and create a budget.**

It's not uncommon for many people to lack clarity about how much they're spending from month to month versus how much income they're bringing in. The beginning of a new year is a great time to take inventory of your assets (savings or income/property you own) and your liabilities (debt/spending).

Write everything down. Every credit card, mortgage, car loan, source of income, property you own, etc. Create your own balance sheet, so you can see how much money you're bringing in versus how much is going out each month. Only then can you create a budget, adjust your spending accordingly, and know how much you can invest toward your retirement or other goals.

☐ **Review your retirement timeline and contributions.**

Are you still on track to retire when you want? If you had to retire early, how much money would you need to maintain your lifestyle or what adjustments would you need to make now to be able to do that?

Take a closer look at whether you're contributing enough to your retirement plan. Consider contributing the maximum possible or making "catch-up" contributions if there is a significant gap between your expected retirement income and expected spending. If you've already maxed out contributions to your employer-sponsored plan, look at whether starting an IRA or other type of individual retirement account makes sense.

Keep in mind that you have until April 15, 2022 to contribute to your IRA accounts for the 2021 tax year.

☐ **Revisit your financial goals and set new ones.**

Are the retirement goals you set for yourself still meaningful? Still achievable? Define what it is you plan to do when you retire, where you'll live, how you'll want to spend your time and money. One's priorities and desires in life can change, so be sure to revisit your goals to make sure they are still relevant to you.

☐ **Manage your debt.**

Nearly 25% of retirees say debt has made it more difficult to live comfortably in retirement, per the EBRI 2021 Retirement Confidence Survey. Ideally, debt should be used as a tool or means to an end—buying a new home, for example, or using credit cards to establish a strong credit history. You don't want to carry excessive debt into retirement. If you are carrying excessive debt, create a plan to systematically pay it off. For example, consider paying down your highest-interest loans or credit cards first.

☐ **Prepare for the unexpected.**

If the past two years of the pandemic have taught us anything, it's that life can take you by surprise. The least expected event—a job loss for example—can knock you off track financially. If you haven't already, start an emergency fund to help you cover expenses in the event of a personal crisis. The general rule of thumb is that you should stockpile away three to six months' worth of cash for expenses, perhaps in a separate savings or money market account. Your emergency fund should be liquid and available when you need it.

Now is also a good time to consider how much more you might need to invest in your retirement to be comfortable, should you need to retire early due to an unexpected crisis, like illness or a need to take on a caregiving role.

☐ **Make sure you have the insurance you need.**

Insurance can offer security to you or your loved ones or even a more tax-efficient way to grow and transfer wealth. Because premiums for life insurance and long-term care insurance increase with age, don't wait too long or insurance could become unaffordable to you. When trying to decide if a particular type of insurance or policy makes sense for you, discuss your specific situation with a qualified insurance or financial professional.

☐ **Create an estate plan.**

Most people don't like contemplating the end of their life. But having an estate plan may help lessen your loved ones' burdens during an already stressful and sad time. And it can help ensure that your money gets distributed in support of the people and causes you care about most.

Typically, an estate plan includes but is not limited to the following:

- Will
- Power of Attorney
- Healthcare Proxy and Living Will or DNR order if desirable
- Named guardians for dependents
- Named beneficiaries for assets, financial accounts, and insurance

Ensure you keep these documents safe once they have been created and notarized. It's also a good idea to record important personal data—like passwords, account numbers, Social Security numbers, etc.—and keep them somewhere safe, yet accessible in the event something happens.

STRUGGLING TO GET STARTED?

All the tasks and decisions involved in creating a healthy financial future can feel overwhelming. If you're struggling with getting started, contact a qualified financial professional who will act in your best interests. A trusted financial professional can help you navigate the planning process one step at a time.

Do you find yourself avoiding looking at your financial situation due to fears that, if you do, you'll discover you've fallen behind? Know that you are not alone—it is a natural human tendency to want to avoid negative news.

This is another great reason to speak with your trusted financial professional, someone who can reassure you or help get you back on track to feeling more positive about—and in control of—your financial future.

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