

Determining Your Retirement Income Needs





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What is it?

Determining your retirement income needs is a process that helps you identify your retirement planning needs based on your desired standard of living and the resources you'll have available. Today, you can typically no longer rely on Social Security benefits and a company pension check to fulfill all your retirement income needs. Social Security benefits will probably satisfy only a fraction of your overall retirement income needs, and generous company pensions have largely been replaced in many cases with employer-sponsored retirement plans that are funded largely with employee dollars. A successful and rewarding retirement requires you to plan ahead in order to help ensure that you have sufficient retirement income to last you for your entire retirement. Determining your retirement income needs requires a discussion of the various stages of retirement planning, including preretirement, the transition into retirement, and retirement.

Preretirement

Your retirement is sometime in the future--maybe 10 years, maybe 30 years down the road. If so, you've got a little breathing room. The single biggest mistake that you can make right now is to put off thinking about your retirement. The more time you have, the more you can hope to accomplish, so the sooner you start, the better off you should be. You've got a lot to think about. There are many factors to consider, including your expected sources of retirement income, your retirement income needs, and how you can use those sources of retirement income to fulfill your retirement income needs.

The transition into retirement

If retirement is right around the corner, you've got some important decisions to make. If you haven't done so, spend some time forming a good picture of your retirement financial position. To the best of your ability, estimate your retirement income and expenses as discussed in preretirement. As retirement approaches, though, you have to consider the impact of when you retire. Early retirement and delayed retirement, through choice or necessity, can raise certain issues you'll want to understand.

Retirement

When you retire, there are still some retirement issues that you may need to consider. These include the effect of working during your retirement, and the impact of other sources of income on your Social Security benefits. Also, required minimum distributions from your IRA or employer-sponsored retirement plan may be an issue.

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