



Retirement 101



Will you be able to retire?



Yes, if you start planning now with this simple—but not easy—process.

Figure out what you have, what you want, how to get what you want with what you have, and close any gaps.

Income Sources

Retirement income may include:

- ✓ Earned income (eg, a part-time job)
- ✓ Social Security
- ✓ Pension/retirement plan withdrawals
- ✓ Rental income
- ✓ Installment sale of a practice
- ✓ Interest income
- ✓ Annuity income
- ✓ Investment withdrawals
- ✓ Reverse mortgage
- ✓ Sale of assets
- ✓ Gifts/inheritances

Evidence suggests that you would be wise not to count on earned income and gifts/inheritances.

Unfortunately, there is no simple “one size fits all” answer to this question. For example, will your debt obligations (eg, mortgage, credit card debt, car and student loans) be eliminated at retirement? Will your kids be self-sustaining? Will you need to care for an aging parent, grandparent, or special needs child? How much will your retirement lifestyle cost? How much will you spend on healthcare? How much money will be coming in? How long will you live?

Although “rules of thumb” are consistently clumsy, Fidelity Investments (fidelity.com) claims that if 8 times the desired annual income can be accumulated, a retiree can be in fair shape.¹ So, if \$50,000 in annual retirement income is desired, \$400,000 should be accumulated. Conventional wisdom also holds that at least 75% of current income will need to be replaced in retirement; however, if you are debt-free, with modest needs and wants, you may get by on far less.

The best solution? Estimate monthly expenses (yes, that means a budget!) and then gauge monthly income. The retirement planning process, although not always easy, is simple and straightforward:

- 1. Estimate future sources of income**
- 2. Estimate future expenses and/or uses of income**
- 3. Subtract #2 from #1**

If you do not like what you see, you should consider how to increase your income and/or decrease expenses.

PERSONAL REVENUE

For most Americans, Social Security will play a big role; the Economic Policy Institute (epi.org) claims Social Security retirement benefits provide the majority of income for about 60% of the retiring population.² So, those approaching retirement should check their expected Social Security benefits. Deciding when to begin collecting

Social Security benefits could be one of the most important retirement-income decisions you will make. Although you can claim Social Security at age 62, most experts recommend waiting until your full retirement age (66–67, depending on your birth date) or even to age 70 if possible, because waiting permanently increases your monthly benefit.

Likewise, couples need to maximize their amount of Social Security income to ensure a surviving spouse is not left penniless, because the survivor of a 65-year-old couple is more than 70% likely to reach age 85, according to the Society of Actuaries.³ There are hundreds of different claiming strategies, and getting this wrong could easily cost you or your spouse more than \$100,000 (see **Social Security Strategy Resources**).

BE PREPARED

Veterinary professionals in private practice should consider the following tips:

- ✓ Consistently live below your means
- ✓ Own a veterinary practice
- ✓ Own the practice building as well as the land
- ✓ Grow the value of the practice (have it valued periodically)
- ✓ Do not sell the practice until absolutely necessary
- ✓ Adopt a small-business retirement plan, such as a 401(k) or SIMPLE IRA, and contribute the maximum amount allowable every year



- ✓ Contribute to an IRA annually
- ✓ Aggressively build liquid assets (eg, stocks, bonds, cash)
- ✓ Work longer
- ✓ Upon retirement, sell the practice, but not the real estate
- ✓ Retire debt-free
- ✓ Carefully consider the myriad of Social Security options and strategies available
- ✓ Enroll in Medicare at age 65
- ✓ Consider long-term care insurance.

BOTTOM LINE

Figure out what you have, what you want, how to get what you want with what you have, and close any gaps. And don't forget to live happily ever after! 🗨️

See **Aids & Resources**, back page, for references & suggested reading.

Social Security Strategy Resources

Retirement Income Calculators & Planners

- Retirement Income Calculator from T. Rowe Price (troweprice.com/ric/ricweb/public/ric.do)
- Retirement Income Planner from Fidelity Investments (fidelity.com/calculators-tools/retirement-income-planner)

Social Security Benefits

- Official Social Security website (ssa.gov)

Social Security Claim Services

- Social Security Solutions (socialsecuritysolutions.com)
- Social Security Choices (socialsecuritychoices.com)
- Maximize My Social Security (maximizemysocialsecurity.com)

Life Expectancy Estimator

- Living to 100 Life Expectancy Calculator (livingto100.com/calculator)