



Client Articles

Retirement Planning: Better With an Advisor?

Description

Estimating your financial needs in retirement can be difficult. How can working with an advisor help you?

The past few years have been harsh ones for retirees as a volatile stock market and economic uncertainty have made retirement planning especially challenging. That said, it is important not to neglect one of the most important tasks in successful preparation for your later years: conducting a retirement needs calculation to estimate how much money you will need for ongoing expenses.

Unfortunately, more than one-third of retirees with financial advisors had not estimated how much money they would need to maintain their current standard of living throughout their retirement.¹ This is a glaring omission because research has shown that those who have done a retirement needs calculation are likely to be more confident that they are accumulating enough assets.² They also are likely to have higher savings goals, which may be an indication that completing the needs calculation has given them a realistic assessment of how much they need to save.

Help From a Financial Advisor

If you are uncertain about how to conduct a needs calculation, it may be helpful to consult a financial advisor. More than 6 in 10 (61%) of retirees who participated in a recent survey had a relationship with a personal financial advisor. Retirees with financial advisors were more likely to engage in some aspect of financial planning and were somewhat more willing to take a degree of investment risk, but not to the point of aggressively managing household assets.

If a financial advisor is not available to you, an online calculator or a worksheet can help you estimate how much you will need. Surprisingly, when workers polled by the Employee Benefit Research Institute were asked how they went about conducting a needs calculation, 42% said they guessed and 9% read or heard how much was needed.² These offhand estimates may not be as reliable as a financial advisor or a tool that takes into consideration your current level of retirement assets, your estimated expenses, your time horizon, and other variables.

There's no question that the past few years have heightened feelings of uncertainty, but try not to let these feelings cloud your planning. Doing the math of retirement is a wise investment of time and effort in your financial future.

Source/Disclaimer:

¹ Sources: International Foundation for Retirement Education; LIMRA; the Society of Actuaries, "The Financial Recovery for Retirees Continues: The Impact of the 2008-2011 Financial Crisis," 2011.

²Source: Employee Benefit Research Institute, Issue Brief, March 2011.

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