

# A Spending Plan for Retirement

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Pre-retirees should take the time to assess their future expenses and develop both an investing and a withdrawal strategy that can help ensure their savings will last throughout their retirement.

Congratulations, you're about to retire! Your many years of hard work have paid off, and now it's time to finally take it easy. So, how do you plan to spend your time? Traveling? Golfing? Visiting your relatives? However you want to enjoy your retirement, you need to think about how you're going to spend your money.

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## Don't Rush In

It's important not to be impulsive when you first retire. While you may feel you deserve an exotic vacation or a new car, immediately splurging might not be a smart move. You should determine how much retirement money you can afford to withdraw each year.

## No False Assumptions

Make sure you carefully calculate how much you will really need to withdraw from your savings. If you just make some general assumptions, you could end up taking out more than you should and risk running out of retirement funds down the road.

Also, don't assume you won't need retirement income for very long and, thus, that you might as well spend a lot of your money right off the bat. Depending on your age at retirement and how healthy you are, you could be retired for over 30 years. With many retirees living active lives well into their 80s, you may want to prepare for a long retirement so that you don't risk outliving your savings.

## Keep Track of Expenses

Write down all the expenses you anticipate you will have once you retire. Work-related expenses will likely be reduced. Depending on your anticipated lifestyle, recreational and travel expenses may increase. If you plan to relocate, remember to figure in all the costs associated with moving. And, if you will have to pay for part or all of your health care, make sure you include those expenses, too.

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## Look at Your Investments

While you may focus on the amount of retirement savings you've accumulated, also project the investment return your savings will generate. The higher your return, the longer your savings are likely to last. In recent years, you may have shifted more of your portfolio into fixed-income investments to help preserve the value of your principal. However, you may want to keep a portion of your funds in stocks so that your portfolio will have the potential to produce returns that outpace inflation.

## Anticipate Inflation

During your saving years, inflation had an impact on the future buying power of your money. Inflation will continue to have an impact once you retire, especially if your retirement lasts a long time. Over a 30-year retirement, even a low inflation rate can erode the value of your savings. So consider the rate of inflation when you determine your savings withdrawal rate.

## Talk to Your Financial Professional

When it comes to spending your retirement savings, it's important to get it right. Your financial professional can help you figure out how much you can withdraw from your savings so that you achieve your retirement goals and have enough to last throughout your retirement.

## Monitor Your Plan

Once you retire and have a spending plan in place, you'll want to review your plan periodically. You may need to make adjustments if your investment returns are lower than anticipated, the rate of inflation increases, or your spending needs change significantly.

