SCHAUM WEALTH MANAGEMENT
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Tips for Improving Your Financial Health into Retirement

Schaum Wealth Management
502 E Atlantic Suite 209
Delray Beach, FL 33483

SchaumWealthManagement.com
561-212-0075

Tips for Improving Your Financial Health into Retirement

Retirement is a significant milestone in life that, for many people, brings both excitement and apprehension. As you approach this phase, ensuring your financial health becomes paramount. It's the time when you should reap the fruits of your hard work—without having to worry about money.

Estimate Your Retirement Budget

Start by creating a comprehensive budget that reflects your expected income and expenses after you stop working. Be as specific as possible about your goals in retirement. For example, do you wish to travel, invest in a second home, or spend your free time with friends and family? An active retirement can be exciting, but you'll want to budget accordingly.

Your budget should reflect all aspects of your life, from daily expenses to retirement savings. A well-structured budget can help guide your spending decisions and keep you on track financially throughout retirement.

Track Your Spending

Tracking how much money you have—and where it's going—doesn't have to be restrictive or tedious. However, it's important to understand how much money you have to better understand the amount you can comfortably spend and save each year.

Certain tools and resources can help track your spending, including budgeting apps, spreadsheets, and financial software. Regularly reviewing your expenses can reveal key areas where you can cut costs or adjust your budget to better align with your savings and life goals.

Key steps to help improve your financial health and make the most of your retirement years.

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Create a Plan for Debt

Common forms of debt include credit cards, mortgages, and auto or student loans. However, not all debt is equal. For example, you may pay your mortgage slowly over time, especially if you have a low-interest rate. Other types of debt may be more burdensome than beneficial. One example is high-interest credit card debt, which can quickly put a strain on your budget. You may also be juggling medical debt or student loan payments—whether for your own education or that of a child or grandchild.

One strategy is to focus on repaying high-interest debts first. If facing difficult circumstances, you may also want to consider debt consolidation or refinancing options to reduce interest rates and make your debt more manageable. Not every strategy is right for each person, so it's important to find the appropriate strategy for your situation, goals, and timeline.

Create a Plan for Emergencies

Life can change quickly. Are you financially prepared for the unexpected? An emergency fund can reduce the risk of relying on your retirement savings (or more debt) to cover unexpected medical bills, car repairs, home maintenance issues or other surprises—good or bad.

To guard against financial shocks, it's essential to build a dedicated emergency fund. Putting aside even a small amount of money can help ease the financial burden of unplanned expenses. An emergency fund should ideally cover at least three (but ideally six) months of living expenses.

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Not all debt is equal

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Look for Ways to Cut Expenses

As you prepare for retirement, assess your expenses, then look for ways to downsize. This might include paying off your mortgage early or moving into a smaller or more affordable home or condo, for instance.

Beyond housing, other strategies to consider include canceling unnecessary subscriptions, selling a second car or home you no longer need, or booking trips during the off-season, when costs tend to be lower.

Review Your Insurance

Insurance is a crucial component of a comprehensive retirement plan. But are you paying too much for certain policies, or do you have enough coverage? As you approach retirement, make sure that your current insurance policies reflect your needs and circumstances.

Some key insurance considerations include:

- Health insurance: Healthcare costs can add up in retirement. Evaluate your health insurance coverage and understand how it will work with Medicare if you're eligible once you turn 65. Understanding your plan options, and their unique benefits, can align your needs with the appropriate plan. Consider supplemental coverage to address potential Medicare coverage gaps.

- Life insurance: Does life insurance make financial sense in retirement? It depends. Life insurance can help cover final expenses, including estate taxes, debt payments, and leaving an inheritance. However, it might not make financial sense if you're debt-free or you don't want to leave a larger inheritance.

- Long-term care insurance: An estimated 70 percent of Americans over the age of 65 will require some type of long-term care assistance.[1] Assess whether long-term care insurance is appropriate for you. It can help keep your assets safe if you ever require extended care in a nursing home or through home health services.

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Plan a Tax-Efficient Withdrawl Strategy

Even after you're done working, you may still pay taxes on your income. Depending on your retirement plan, you might owe taxes on distributions from your retirement savings accounts, as well as on your pension or Social Security income. Before retiring, familiarize yourself with your tax liability based on your retirement income sources, total annual income, filing status and other factors.

Determine When to Claim Social Security Benefits

When you begin claiming Social Security benefits can affect how much you receive. Although you're eligible to start receiving your benefits at age 62, delaying longer, up to age 70, can increase your benefits and provide a more substantial income stream. If you can wait until the optimal age to start drawing Social Security, you may receive a higher amount, but if your situation is such that you will need the income sooner, you might not want or be able to wait. Social Security is a crucial source of retirement income for many Americans. Knowing when to claim your benefits can significantly impact your financial outlook for retirement.

Revisit Asset Allocation in Existing 401(k) Plans

It's a good idea to revisit any old 401(k) plans to confirm your asset allocation still supports your retirement goals and that the investments are aligned with your overall time horizon and risk tolerance. You may want to move your funds from your employer's account, over to an investment account.

There are four different actions you can take with your old 401(k) plans:

- Keep it with your former employer.
- Roll it into an IRA.
- Roll it over to a current employer's plan.
- Cash it out (but this is not typically advisable, as you may be subject to potential and significant penalties, taxes and fees).

Familiarize yourself with your tax liability

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Rebalance Your Portfolio

We've all heard about "balanced portfolios," but this is especially important as you head into retirement years. You'll likely need to rebalance your portfolio so your asset allocation reflects your changing time horizon, goals and risk tolerance in retirement.

Rebalancing a portfolio, or changing the weighting among your portfolio's asset classes, is an opportunity to consider your most comfortable risk levels while minimizing risk exposure. You may buy or sell assets to rebalance your portfolio in a desirable way.

As you rebalance your investment portfolio, keep in mind any taxes you may owe after selling profitable investments.

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Let's Connect

Let's meet to check-up on your retirement readiness and to discuss any concerns you may currently have as you look toward your retirement years.

David Schaum

David Schaum
Wealth Manager

561-212-0075
schaumd@ceteranetworks.com
schaumwealthmanagement.com

Learn More!

Rebalancing is important as you head into retirement years.

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1) Painter, Kim. "Understanding Long-Term Care Insurance." AARP, 13 October 2021, https://www.aarp.org/caregiving/financial-legal/info-2021/understanding-long-term-care-insurance.html.

Learn More!

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Schaum Wealth Management leverages years of experience and robust firm resources to deliver highly-personalized, comprehensive wealth planning solutions. Our mission has been to build close, cooperative, and enduring relationships with clients while judiciously helping them preserve and grow their wealth.

With access to the full range of services necessary to help design and implement truly comprehensive wealth management plans, Schaum Wealth Management is here to help you find solutions for the many complexities of managing significant, multigenerational wealth, so you are free to enjoy its rewards.

Our clients have worked hard, and in many cases for many generations, for the success they have achieved as well the wealth they have created. They come to Schaum Wealth Management for our assistance in creating highly customized strategies to help protect and over time prudently grow their capital, maintain their lifestyles and create a legacy for future generations to come.

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