5 tips for Financial Wellness In Your Retirement Years

LIFE EVENTS EBOOK SERIES FOR FINANCIAL WELLNESS

Catholic Financial Life®

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In this ebook: moving from saving to spending, keeping taxes at a minimum, managing your money in retirement, when something bad happens, leaving a legacy

TIP # 1
MOVING FROM SAVING TO SPENDING

Congratulations, you're retired! Now what?

- **Make sure you have an emergency fund.** Keep 3-6 months of living expenses in an easily accessible account in case an emergency arises. Doing this will ensure you won't have to sell your investments at a bad or unplanned time.
- **Gradually shift more of your funds to conservative investments.** Continue to keep a portion of your money in stocks, especially in the early retirement years, as they will still have the potential to produce returns that outpace inflation. Gradually begin shifting some of your savings away from an aggressive portfolio and into more conservative investments.

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Continued... TIP # 1 MOVING FROM SAVING TO SPENDING

- **Be aware of inflation.** As you saw during all those years you were diligently saving for retirement, inflation has an impact on the future buying power of your money. Inflation will always increase, and even a low inflation rate can erode your savings over a long retirement period.
- **Plan for a long retirement.** Today, some retirees can be retired for more than 30 years and are still active well into their 80s. If you're in good health when you begin retirement, it probably doesn't make sense to splurge on extravagant vacations and material things that could quickly erode your savings.
- **Monitor your plan and consult with your financial professional.** It's always a good idea to monitor your financial plan frequently and consult with your financial professional and/or Catholic Financial Life advisor when you have questions—especially when there is a change in your life, however big or small, our advisors are here to help.
- **Remember, retirement is the end of your working life, not your financial life.** You still need to maintain a budget, plan for the unexpected and control your expenses so you are best able to monitor your savings.

QUESTIONS? WE'RE HERE TO HELP.
CONTACT AN ADVISOR TO GET THE CONVERSATION STARTED.

TIP # 2
KEEPING TAXES AT A MINIMUM

The order in which you withdraw money from your investment and savings accounts can have a big impact on how long your money could last. Generally speaking:

- **Leave your IRAs, 401(k)s and other retirement accounts untouched for as long as possible.** There are certain government rules and regulations one must follow, but you can reduce your annual tax payments by keeping your money in an IRA or 401(k) for as long as you can. Once you reach 70 ½ the government requires specific minimum annual withdrawals from most tax-deferred retirement accounts. Steep penalties are enforced for failing to take the required amount out of your retirement account, in some cases a 50% tax penalty plus income tax on the amount that should've been withdrawn is enforced.

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Continued... TIP # 2 KEEPING TAXES AT A MINIMUM

- **Spend your taxable income first.** Income from pensions, dividends, interest income from accounts other than IRAs and 401(k)s, Social Security payments, and any earned income from a retirement job should be spent first.
- **Consider a rollover.** You can defer taxes on an eligible distribution from a tax-deferred retirement account if you roll the distribution over to an individual retirement account (IRA). When done correctly, you won't have to pay taxes on your savings and IRA investment earnings until you withdraw money out of your IRA.

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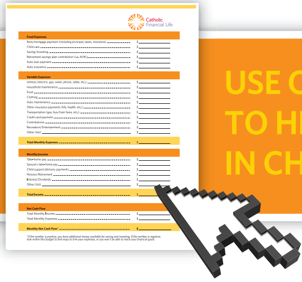
TIP # 3

MANAGING YOUR MONEY IN RETIREMENT

You've worked for decades and have successfully saved enough to live on in retirement. You followed your advisor or financial planner's advice to ensure you won't outlast your retirement savings. So how do you make sure you'll still be able to live the retirement of your dreams with the savings you have?

- **Create and stick to a budget.** Use our helpful budget worksheet to help you get started. First, write down your monthly income. Then list all of your monthly bills (phone bill, insurance, groceries, home expenses and maintenance, etc.) Creating a budget can help you realize how much is left for the extras like travel, hobbies, dinners out, charitable contributions, etc.

- **Take advantage of senior discounts.** Restaurants, department stores, theaters and grocery stores often have special days or times when they offer discounts to seniors. Some senior association groups also offer members discounts on everything from travel and hotel rooms to clothing and merchandise.



USE OUR **BUDGET WORKSHEET** TO HELP KEEP YOUR FINANCES IN CHECK.

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- **Consider downsizing.** Since you're not commuting back and forth to work each day, you may find that you and your spouse no longer need two vehicles. Now that the kids are out of the house, you may find your home to be too large or requires too much maintenance and upkeep. Consider moving to a smaller home, a condo or even an apartment that offers the amenities you're looking for (a smaller yard, an active adult community, a single level home, etc.)
- **Get a part-time job.** With the rising cost of everything from food, utilities, prescriptions and other day-to-day living expenses, you may find that your retirement savings aren't doing enough for you. Consider a part-time job and earn a few extra bucks to sock away in your savings or travel fund. Many retirees have a difficult time adjusting to having a lot of extra free time in retirement and find that a part-time job helps them maintain balance in their life, both mentally and financially.
- **Continue saving in retirement.** Switching from saving to spending mode doesn't mean you should abandon saving entirely. Start small and try to increase your savings each month. Remember that budget? By looking at your budget you'll be able to see where your money is spent each month and if there is any additional savings you can put back into your account.

- **Be aware of financial scams and identity thieves.** Unfortunately crooks prey on retirees and seniors. Guard your personal documents, copies of your will, financial records, etc. and lock them in a safe or safe deposit box at the bank. Take care to shred any documents that have personal information on them. Don't fall for scams that require you to send money for a chance to win money—if it sounds too good to be true, it probably is. Never give your personal information (i.e. your Social Security number, bank account or credit card numbers) to anyone over email or the phone, especially if they called you—chances are the caller is "phishing" for information from an unsuspecting senior.

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TIP # 4

WHEN SOMETHING BAD HAPPENS

Sickness, divorce, death, these are things that can happen to anyone, to any family, and at any time. Dealing with serious issues often makes it difficult to think clearly and logically about what needs to be done. Plan for the unexpected. Don't just think "that'll never happen to me," because bad things can happen—and not just in retirement. A little advanced planning can go a long way if the unexpected happens.

- **Get a living will or an advanced directive** if you don't already have one. If you're unable to speak for yourself due to an illness or accident, your medical power of attorney can speak on your behalf. A living will is different than a traditional will or estate plan, and typically you'll need both. We cover the importance of having a will in our **40s-50s Ebook**. An estate planning professional or a lawyer can help you draft a plan that meets your needs and all necessary legal requirements.

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- **Death of a spouse.** Contact your attorney (if you have one) before committing to any funeral arrangements to ensure your spouse's final wishes will be carried out as he or she had intended them. Contact your financial advisor. Locate important documents like any insurance policies, your will, etc. You'll need to obtain multiple copies of your spouse's death certificate so you can apply for death benefits through a life insurance policy or Social Security benefits. Contact the funeral home to make arrangements. Often the funeral director will report the person's death to the Social Security office, in order to do so, they'll need the deceased's Social Security number to make the report.

- **Dealing with an illness.** Be sure to review doctor bills, hospital bills and insurance claims thoroughly—mistakes do happen and errors can be costly. If you can't afford your medical bills, ask the hospital's billing department how you can pay your bill on a monthly installment plan or if you qualify for financial hardship—which could reduce your bill. Ask about government programs or charitable organizations that may be able to assist you if you cannot afford to pay.

- **Divorce.** Like all of the other hardships above, divorce too can happen at any time in a person's life. If you're considering divorce, be sure to consult with a lawyer before making any hasty decisions, as uninformed decisions can be costly. Cancel all joint credit cards and start to build your own credit history independent of the marriage. If you decide to change your name, don't forget to notify the three major credit bureaus and the Social Security Administration. Be sure to update the beneficiaries on your will, your life insurance policies, retirement accounts, any savings bonds you may have, checking and savings accounts, etc., as you'll want to ensure your money goes to the intended people upon your death.

- **You can't pay your bills.** Sometimes when we think we've crossed all the "t's" and dotted all of our "i's" something happens that is beyond our control. If you're having trouble paying your bills, making a credit card or loan payment, the important thing is to be as proactive as possible. Contact your lender or the company that holds your debt and negotiate a payment plan for a long-term and workable solution. Consider a credit counselor if you have a large amount of debt—they can help you develop a recovery plan at little or no cost to you.

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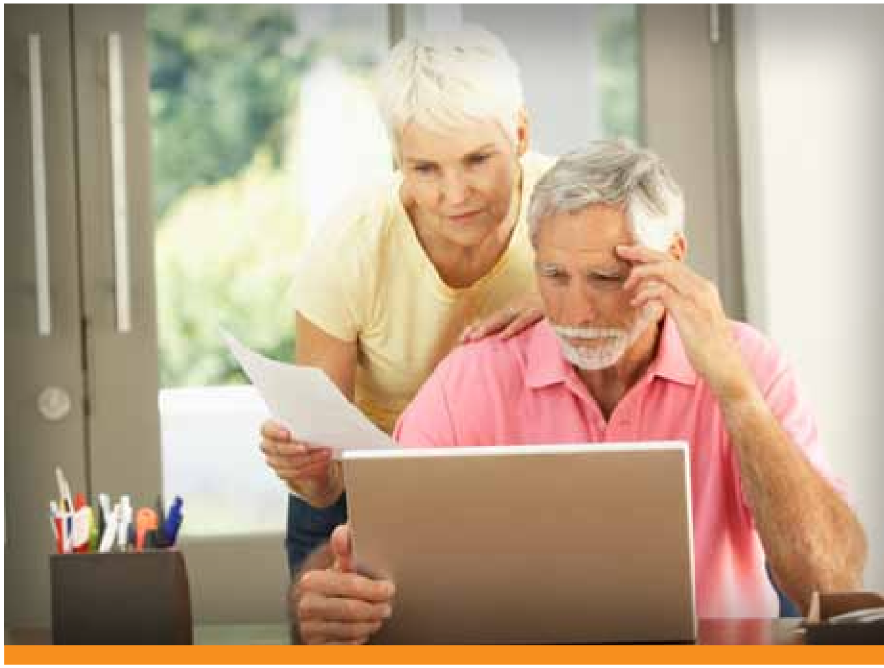
TIP # 5
LEAVING A LEGACY

What will your legacy be? Will it include all of the things you have dreamed of and more: a retirement home, vacations to warm destinations, spending time with loved ones? Sometimes retirement isn't all that you dreamed of. For some, retirement means divorce, depression, sickness, loneliness, death of a beloved spouse, or financial troubles. Money alone does not guarantee a happy retirement, and often retirees will begin to figure out that money is only just a piece of the retirement puzzle. What will your retirement legacy be? Read on for three simple steps on how you can leave a lasting legacy for your family.



- **Plan for the inevitable.** In the Pre-Retirees Ebook we talked about the importance of a will and having an estate plan. Having a solid plan in place for what happens to your assets and possessions will provide your loved ones with a legacy long after you're gone.

- In order to ensure a happy retirement, **surround yourself with positive people.** Being satisfied in retirement is often driven more by attitude than how much money is in the bank. We tend to overestimate material possessions and underestimate social connections. After all, you can't take your money with you when you're gone.

- **Continue to be active in retirement.** Find a hobby, play golf, play tennis, take long walks and socialize with others. Active retirees tend to have great social networks and studies show they are happier than those who aren't active.

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About Catholic Financial Life

Catholics have trusted Catholic Financial Life to safeguard their financial security for more than 140 years. With $4.9 billion of insurance in force, and assets of $1.2 billion, Catholic Financial Life is the second largest Catholic not-for-profit financial services organization in the United States. Being membership-owned, we put your interests first. You'll see it in the personal conversations we'll have as we help you protect your dreams. You'll feel it, knowing you're an important part of our family. You'll be proud to be a part of an organization that puts Catholic values into action by enriching your life, while serving God by serving others.

For more information visit catholicfinanciallife.org

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