FAST TRACK YOUR FINANCES

2020 RETIREMENT GUIDE

A SIMPLE GUIDE FOR ANYONE WHO WANTS TO TAKE THE RIGHT STEPS TOWARDS FUTURE FINANCIAL FREEDOM

Introduction

Retirement is a lifestyle. It is not any different from your previous life, well, apart from the fact that you will spend those senior years fulfilling your desires and passions. Retirement time is all about you and even though sometimes that may not come to be, you should be prepared for it.

Imagine being the wealthiest person in the world? Every single day of your life would almost feel like retirement because you are able to do what you want while living your dream life. But dreams and imaginations are wilder than we think and that may not be the case. To simply put it, retirement is not necessarily having all the money in this world, it is a more personal thing.

While there is a lot to ponder on about retirement this guide is going to take you through some of the most important things about it. You will gain tips on how to save for retirement, when to start, how to keep that retirement stash untouched and generally, how to ensure a comfortable retirement.

Now let's start by looking at some basics about retirement, shall we?

WHAT YOU WILL NEED FOR RETIREMENT

Gone are the days when retirement was a somewhat uniform shape. Back then, most retirees would move back with the loved ones or continue living alone in their homes. While there are people who still do that up to date, things have changed now. Even retirement homes were mostly meant for people who had mental issues and in addition, they were expensive and hard to get into. Now they know better and have over the years adjusted their programs to suit a wider demographic.

Depending on where you live, the full retirement age today varies from 65 to 67. And although many people want to retire at that time, that may be impossible. That's why many financial planners will recommend having an early retirement plan because anything is bound to happen before one gets to that age.

The thing is, most people who purpose to retire at the age of 65 ends up retiring earlier and also a good number of people who plan to retire early end up working even longer.

The Ideal Retirement

The term 'ideal retirement' is different to everyone. To some people, it is time off to relax and treat yourself but to others, it is more of a new life with a different experience. Even in the context of spending retirement time, people have different opinions and preferences. Some people want to spend their retirement in senior retirement homes, others want to build their dream retirement homes, other people want to live big and travel the world to see what it has to offer.

When the question of what an ideal kind of retirement is asked, you probably start thinking of how well-prepared you are for your golden years. That holds true for every other person. But when you get down into the details, everyone has a unique journey planned out for themselves which they may or may not accomplish.

It is agreeable that the idea of an ideal retirement means having enough to sustain your retirement life. However, with the expected health complications as well as other uncertainties like shrinking pensions, there are factors common to what an ideal retirement is. That said, there are a number of measures that make up an ideal retirement portfolio.

Let's take a peek behind the curtain to see some of these factors;

Good health

This is a no-brainer. No one wants to spend the rest of their retirement life bed-ridden or struggling with some sort of mental illness. Without good health, you will not enjoy a dime of the savings and investments you worked so hard on for most of your life. Good health is not only about how long your health allows you to stay active but is also what it allows you to do.

If you are a frequent gym-goer, you probably meet a couple of 50 pluses there working as hard as you to stay fit. This should tell you something.

Good health is precious, and good health does not only mean physical fitness but it also includes mental fitness. These two are equally important and go hand in hand to giving you the freedom of living the kind of life you want after retirement. Your health translates to your wealth and it doesn't matter whether you succeeded in your retirement plan, if you are not in the position to live how you had planned then what's the point?

Financial freedom and adequate diversity

The concept of financial freedom is a big one when it comes to retirement. It is more of your personal experiences and having enough income and the time to do what you planned for yourself. It doesn't matter whether you want to work your way through retirement or even quit your job to start or grow your business.

When investing for retirement, you want to create a diversified portfolio. This is a common aspect among investors seeking to grow and expand their retirement investments.

Close and meaningful relationships

Friends are good, and you want to tighten your bonds with people who mean the most to you in your golden years. You will need healthy social connections even as an elderly person and that also helps to explain the idea of an ideal retirement. Have you ever wondered why some people get divorced in their 50's or after retirement? Lack of common shared interests between spouses, lack of individual identity, and spending too much time together, just to mention a few, are among the leading causes of such divorces.

Picture this; You got married to your partner when you were 25, started a family shortly afterward and now those kids are grown and already have left your home to focus on their lives. You are a 50-year-old retiree living in the city but planning to move back upcountry to pursue your passion, farming. Your spouse, on the other hand, wants to stay in the city and continue working for 5 more years (assuming you are the same age). After that, she will want to by an RV and travel around to a few dream destinations.

When you planned for your retirement, you envisioned the two of you together in your farm growing vegetables and rearing animals. But your partner had other plans way different from yours.

At this point, there is no way you can meet in the middle. Every one of you wants to pursue their passion and goals and the chances of splitting with your partner are very high. You are now thinking to yourself since you got approximate of 30 more years to live, you can still find another spouse sharing your interests.

And that ends up being your reality.

Moral of the story?

Your partner will also be part of your big transition but if you don't involve them in your plans then they may not be there in reality. Ask yourself how you want to spend the rest of your life and ensure to share this with your partner. Find out their story as well and start mapping out your retirement life together. Don't wait until you are retired but instead develop interests with your partner as early as you can because you want to transition into that phase of life together.

Purpose

You have probably lived your entire career life looking forward to the day you will retire so that you could do something you really love. This could be coaching, giving back to society, or even growing a small business or a side hustle into your main business. Maybe you want to join a non-profit organization and travel to different countries in order to help the less fortunate.

Or perhaps you want to pursue new adventurous hobbies like hiking and mountaineering. Talking of purpose, the point hits home hard for people who don't get the kind of satisfaction they want in their current job or career, but it is also seen as a critical factor of the idea of what an ideal retirement should be.

Growth aspect

When investing your money in stocks, you are expecting that money to grow over time and the same case goes for someone who invests their money in bonds. A retirement plan will grow over the years until one decides to leave the workforce. So, it is right to say that retirement plan graphs move toward the same direction ignoring the few factors that hinder that growth.

The Gap

There is a very huge gap between the expected life after retirement and the actual life after retirement. You may want to retire as early as 50, but what are the odds that you will? Surveys have shown that most people don't retire at the time they plan to do so. The gap between when they plan to retire and when they actually do is significant.

Most early retirements are unplanned for and a lot of employees find themselves in such situations due to uncertainties. It could be because of a health problem, company restructuring, or even the need to attend to pressing family issues.

The truth of the matter is, coping with unexpected early retirement is hard especially if you were unprepared. It means rethinking and regrouping the assets you have to sustain you as you look for alternative ways to grow your portfolio.

That is why it is important to have an emergency fund kit enough for about 3 to 6 months of your needs. This could be the amount of time you may need to get a new job. Also if you could get a part-time job to help cover immediate bills, even better for you. It will give you time to rethink your retirement plan and come up with a new strategy to help you get through the pitfalls.

Also, when developing your retirement plan, you need to compare your notes with what is actually happening in the outside world. Yes, your plan won't look the same as that of your friend but what does reality look like out there? Faced with hurdles and a lot of unforeseen circumstances, there is information you cannot afford to ignore.

With that in mind, below is a quick rundown of a few of the recent statistics of retirees;
Saving statistics

- The average amount of money recommended by most financial experts today is a percentage of your income and in numbers, something between $1,000,000 and $1,500,000.
- Most Americans aged between 55 years and 64 years have an 88% shortage of the income they require for retirement.
- Annual health care expenses cost the average retiree a whopping $4300 of their own money.
- 64% of people of working age worry most about not having enough saved for their retirement. This is said to be the most pressing financial worry.
- To retire comfortably, an average couple will have to spend about $280, 000 to cover for their post-retirement health care costs.

Statistics on the number of retirees

- According to the US census data, the number of people aged 65 and more is 14.9% of the total population and this percentage represents 47.8 million citizens. Their net worth averages to $170, 516, with an average of $38, 515 in annual incomes.
- 63 is the average retirement age.

Social security statistics

- 65 years is considered the best age for an individual to start collecting their social security benefits.
- On average, the monthly social security payment for retirees is $1,413.
- After 2035, social security may drop causing a 21% drop in benefits. This is as a result of funding shortfalls, and social security has been fully funded up to the same year.
- 75% of Americans qualified for the saver's credit are not aware of its existence. Low and moderate-income workers are eligible for this benefit.

An approximate of 3.5 billion adults worldwide know nothing about financial concepts.

56% of Americans can't sleep once they think of retirement.

Almost one-third of homeowners who have reached their retirement age still have mortgage debt.

While these statistics may or may not directly affect your retirement plan it is important to be in the loop of such information because you never know when it may come in handy for you.

Do you have what it takes?

Having all your finances right at retirement is important, but that is not enough to see you through those years. You need to check yourself as well. There is no doubt that retirement comes with its own challenges and for your plan to work, you may need to have more than just savings stowed away for yourself. Having some specific skills and qualities will go a long way to helping you secure the kind of retirement life you have always wanted. Here are some of those qualities;

Resilience

If you are incapable of overcoming adversity, your retirement years will not be as easy as you think. You want to keep going despite the different challenges you may have to face and most importantly, having knowledge about how to overcome and recover from those situations is important.

A knack for dealing with the unknown

Let's face it, folks! Your retirement life is only imagined, and you have no idea how it is going to turn out. The scariest part is that the outcome can be good or bad, and you have to be prepared for either of those two situations.

Ability to create and stick to a routine

For the better part of your life, most of your activities are dictated by external factors. That is not going to be the same for you when you retire. You will have to come up with your own daily routines or you will find yourself living a life without direction and purpose. A clever thing to do is to find a new hobby that you can always indulge in every day.

Capability to maintain a good social connection

The last thing you want to be after retirement is lonely. The effects are ugly and that is why you need a couple of good friends in your circle. Find a buddy for your walks or call up your ex-workmate for coffee or lunch dates every once in a while. You will definitely need it!

Cash flow mastery

Unlike your employment days, you will have a fairly strict budget to work with after retirement. You need to be able to keep track of your assets and know-how and when to spend your money. Be careful when making huge financial decisions and learn how to balance your budget.

Capacity to have a purpose for yourself

Retirement time is the time to discover (if you haven't already) and follow your passions. That is why you need a retirement plan in the first place. Remember you will be the one to pay for the cost of your ignorance, and the last thing you want is to be left with a feeling of unfulfillment and restlessness.

Ability to relax

Not all people like the idea of retirement. In fact, you probably know someone who will be comfortable with working for the rest of their life (or at least until they can't). Some people thrive when working. If you are that kind of person, find something to fill the void left after retirement.

SETTING GOALS

You may want to invest more time in setting goals for your retirement plan. Your life is at stake, and poorly set goals may badly affect your investments and even negatively impact your well-being. You want to set these goals at the right time and develop ways that will help you achieve them.

Retirement goals

When setting up your retirement plan you have to keep your goals at the back of your head. Setting retirement goals is a critical process and you need to clear your mind to allow yourself to properly analyze the decisions you make. You need to know that it is not going to be a one-time event.

To achieve your set goals and maximize the available opportunities you may want to consider;

- Writing down each individual goal and how you plan to attain it. You need to direct your efforts to what you have control over, as long as it helps you get where you want.
- Coming up with a plan that is going to help you track your progress.
- Making adjustments where necessary to ensure that you remain on track.
- Maintaining discipline and being true to yourself.

As mentioned earlier, creating your goals is not going to be an overnight achievement. You need to understand that your retirement journey is a critical process and that you will have to prepare yourself for any unanticipated possibilities.

With that in mind, here are some of the things you may want to think about when setting your goals;

Lifestyle - By now, you probably have an idea of the kind of life you would like after you retire. This is life only imagined but to make it a reality it is necessary to make plans that are going to help you achieve it. Think carefully about the kind of lifestyle you want to live after retirement. Is it simple or is it fancy? Do you want to spend it with other elderly people and make new friends while at it? You have the power to decide and plan for whatever you want.

Retirement age - Your retirement age is a crucial element to consider when planning for your retirement because retiring at 40 may need extra work and efforts as opposed to retiring at 67. If you are planning to retire later in life, a contingency plan is necessary in case you are forced to retire at an earlier date. On the other hand, start stocking away money in your 401(k) as soon as you can because you will need it in the event of early retirement.

Working After Retirement

If you are considering working after retirement, your post-retirement needs may remain the same but would differ from a situation where you don't want to work after retirement. However, you don't want to stress yourself as you will be vulnerable at that age. So you may want to consider part-time work but also remember that the likelihood of you getting a job might be too low at that age. As such, you have to be ready for such challenges and possibilities to avoid unnecessary surprises.

When planning for retirement, most people don't factor in possibilities for change and that is what you want to avoid. Things are prone to change so flexibility is important as it helps you prepare for whatever comes your way.

Setting your goals

It cannot be stressed enough how important it is to set smart and desirable goals: these goals are specific, measurable, attainable, realistic, and timely.

Specific: To set yourself in the right direction, clearly define your goals. For example, don't just plan to travel the world after retirement. Get into the finer details of where you want to travel to, with who you will want to travel, how you will want to travel, and everything else you will want to do as you travel. With a clear itinerary and activity board, then you will be able to easily estimate what to slate for your ventures.

Measurable: Goals will allow you to track your progress along the way, so develop criteria to help you ensure that you remain focused on the course.

Attainable: Whether you are just beginning to plan for your retirement and have a few years left until you leave the workforce, or if you have started saving at an early age you want to avoid setting goals for yourself that will be hard to achieve.

Realistic: You want to be true to yourself and set goals that are relevant to the kind of life you want in your golden years. Take your time and be reasonable about what is within your reach then try to work with that.

Timely: Do you have a timeline? Timelines create urgency so be sure to have yours specified for obvious reasons.

Retirement Financial Goals

All the roads from your retirement plan lead to one destination, your finances. That means your financial goals play a huge role in aiding the accomplishment of your plan. So, don't take them for granted.

Now, take a look at the below list of some of the smart retirement financial goals you ought to give thought to;

Have different incomes streaming in

Imagine how devastating it could be losing your job and having nothing to fall back to. Or even failing in your business and having to build it again from zero, all along without another income stream to depend on. Your light bulb moment doesn't have to be after a failure, you want to outdo yourself and wisely build your income portfolio.

Relying on a single stream of income may work but it may not be a very good option. Having multiple streams of income will help you to spread your risks, pay off debts, and create a more sustainable lifestyle for yourself. The best thing is to start thinking of how to invest differently with the intention of reinforcing your retirement plan.

Dig yourself out of debt

Debt is unpleasant, whether it is a good debt or a bad one. The more you get into debt the more your retirement plan is getting sabotaged. You want to reap all the benefits in your retirement nest egg without having to think of unpaid mortgage balances or any other debts you have.

Being debt-free means that you have more money to invest and save, and it also gives you all the control you need over your income. You will have less to worry about and a stress-free mind to enjoy your retirement years.

Take it as you may, but debt is the last thing you want to go carrying around as a retiree.

Have a good stash for your emergency fund

An emergency fund is an important tool for money management. It will not only work as a short-term financial goal but also has long-term significance which includes your retirement. Having a good amount of money in your emergency fund will clear your worries as you are assured of financial safety even in tight situations.

Your emergency fund stash will also help cushion hard blows, for example, large medical bills or even unexpected job loss. These are some of the instances which leave you in huge debt and even deplete all your retirement income within a very short time span. Wild swings in the stock market will not scare you as it gets easy to tolerate them knowing that you don’t solely depend on a thriving market.

Have enough insurance

Having enough insurance for contingencies is indispensable. As it is, you don’t want to find yourself in the group of people paying way too much insurance than their coverage, neither do you want to find yourself in that of people paying less than it is enough for their coverage.

Just do your homework well and work with an insurance agent knowledgeable enough to walk you through your decision.

Plan to retire early

Planning for early retirement does not necessarily mean that you will stop working at the time you plan for it. It simply helps you get prepared for any issues that may arise before retirement making it difficult for you to continue working. Family circumstances may force you to retire when not ready, and poor health among other issues may make it difficult for you to work.

A lot of people are forced to retire early by circumstances out of their control and this leaves them without enough savings in their retirement nest eggs. Having an early retirement plan will get you ready for such surprises, and what’s more, you will still be able to continue working if you want to.

There is no magic in attaining financial independence in life. It all boils down to the work you put into actualizing your goals. You want to set good financial retirement goals and develop a plan on how to get there. Translate these plans into your daily habit and you will be on your way to achieving the financial success you desire later in life.

Retirement savings

Before delving into the main part of this discussion, it is fair to say that a good number of people has a retirement plan in place but other people remain unbothered by the whole thing. However, the essence of retirement savings and investments is highly misunderstood by many, and yes it may not be what you think it is.

If you were thinking of it as some cash merely stashed away for retirement years, you may end up getting disappointed sooner or later. Why? It is obvious there is the full retirement age bracket which mostly falls somewhere between 65-67 years, but some people want to retire as early as 30, 36, 40, 42, and so on.

And here is the twist,

Retirement savings should not be something you fall back to after leaving the workforce but instead, it is the income meant to sustain your lifestyle after retirement. A thing or two might change, and your needs may increase or decrease depending on factors like when you want to retire and what you want to do after retirement.

You may want to retire early and cruise across the continent, or perhaps you may want to become a lifestyle coach or even wait until you are 66 to retire to an elderly home. Life in these different scenarios will be totally different with varying needs, and that is why it is important to think about what you want to save up for to amount to enough income to sustain these years.

How much is enough savings?

You now understand what retirement savings are but you have no clue of how much savings will be enough for your older self later in life. It is a crucial retirement plan decision which if not properly looked into, may leave you with a massive deficit to work with later on after joining other retirees.

And that is not what you may want your retirement life to look like.

Determining what savings are enough for retirement is a tough decision which even gets harder especially with different external factors like future tax increase and inflation, or even personal issues like health deterioration working against you.

But, you can easily come up with a rough estimate of what should be stocked away to ensure that retirement years will be a walk in the park for you as often desired by most people. A good rule of thumb is to always save 15% of your annual pre-tax income. It is a good place to start but no one is forcing it down your throat if you have different plans.

There are multiple ways to reach the end goal, and different financial experts will have something different to say to you when it comes to the retirement amount you should save. In a recent report, Aon recommends that the most sufficient amount of income for retirement should be 16.4 times your retirement salary. But again, that is among the many ways to determine the amount you will save for your retirement.

Then there is the 80% rule

Chances of having a financial planner recommending the 80% rule to you are pretty high and this is for one reason, it is a good beginning point. As for this rule, your needs will decline after retirement and 80% of your pre-tax, pre-retirement salary will be enough to sustain you. It is realistic to also acknowledge that this may be more of a gradual change than an immediate one.

Financial planners argue that you won't need to account for some expenses like payroll taxes, house and car debts, and expenses purposed for retirement itself (6% of the salary of the average American goes to retirement savings).

Regardless, all arrows point in one direction. So, do your math and if there is still a gap for you to fill with little time left, develop a plan to fill it before it gets difficult to deal with deficits once in retirement.

The Retirement Calculator

Decide what you want to do after retirement to make it easier for you to calculate how much you will need to live. If you are planning to make a major change in your life like moving to a new state or country, then you will need more than just the 80% rule. You can use a calculator to determine your post-retirement income needs.

Also, you can use this Social Security Administration calculator to evaluate your life expectancy based on their data.

A situation where you have social security, annuity, and a retirement pension under your sleeve is perfect. Bearing in mind that these three are inflation-adjusted every year, you will have enough money to live comfortably as a retiree.

You may consider adhering to saving 15% of your income and combine it with social security or pension or have it any other way you may please. There is totally nothing wrong with having 'too much money' at retirement, and if the numbers blow over the top of what you expected them to be, it presents a window for living a retirement life better than you have always imagined it.

Reaching your retirement saving goals

You need goals to facilitate your retirement plan. When writing down your financial goals you need to know how you will move from one point to the other. You may have all the goals you want but lacking a clear process of how you will achieve them may make you lag behind. You don't want to start figuring out what to do later in life when you are supposed to be focused on other things. Here are a few tips on how to reach your retirement goals,

Earn, save, invest, repeat…

It is good to think and act smart. You just don't want to save money for retirement, you also want those incomes to grow. A dollar saved is still a dollar, but if you invest in that dollar it is going to multiply and make more money for you.

Contribute to your 401(k)

If your employer gives you an option to contribute to your 401(k), then don't miss out on that opportunity if you are eligible for it. It doesn't matter whether it is a traditional 401(k) plan which allows you to contribute pre-tax money or a Roth 401(k) which is mainly income after taxes, the 401(k) plan is a good way to keep retirement money stashed away.

Manage your life style's frequency

There is nothing wrong with having a relatively expensive lifestyle. The problem comes in when you are always spending without limiting your frequencies. If you are used to eating out four times a week, cut it down to half and instead, go out two times. Apply this principle to all your areas in life and you will have it easy saving for your retirement.

Automate your savings

There is no easier way of saving for your retirement than automating your savings. It is not only a clever way of keeping those savings consistent but it is also considered paying yourself. So find an automatic investment plan you feel comfortable with and get started right away.

Get your priorities right

To save as planned, you need to set your priorities right first. Look at what is least important to you and make adjustments there. With your priorities right, you will know what is avoidable and what isn't then instead save that money for your retirement. You want to make sure that your daily habits don't hurt your retirement financial goals.

Open an IRA

Just like with 401(k), there is both traditional and Roth IRA. Saving money in a traditional IRA means that your assets are tax-deferred and will only be taxed upon withdrawal. A Roth IRA is the opposite and allows you to save income that is already taxed meaning you don't get charged for taxes when you decide to withdraw your money. Before opening an IRA, ensure to have ample information under your sleeve and if possible seek professional advice.

Create and stick to a budget

This is as easy as it sounds. Calculate an estimate of how much you will need for your retirement period. This will help you develop a savings culture that will give you the results you want. Create a budget for yourself then slate a certain amount for these savings.

Fully commit to your goals

Dedication to your retirement savings is key. You don't want to under-commit to them unless you want to fail. If you started late then opt for more aggressive strategies instead of passive investments because you will be required to make up for the late start. Be realistic when setting your goals, so don't set any that will be difficult for you to follow. Think long-term and be ready to go big if you want to get to where you want. Committing too little towards your retirement plan may lead to future shortfalls that you don't want.

Start today

The thing about saving for retirement is that there is no early time to start. If you are already earning, you can consider starting to saving as early as today and let your money work for you thanks to compound interest. The earlier you start the better and the lesser you will have to pay.

Don't wait until your retirement years come knocking to start thinking of your exit strategy because that will weigh heavily down on you and keep you on your toes. What's more, starting later in life will take a huge plunge on your earnings and you may be forced to alter your lifestyle so as to accomplish your retirement plans.

Keep Your Retirement Savings Out of Reach

The biggest mistake you will ever do to yourself is using your retirement savings to scratch your financial itches. Those savings are not meant to solve your day-to-day problems. Furthermore, in the event of accessing your money before retirement, you may face penalties and strict rules when it comes to most retirement plans especially those sponsored by the government.

When planning for retirement, having an emergency fund in place will help ensure that you don't touch your retirement savings even during tough financial periods in your life. This will keep the savings intact and allow them to grow without getting tampered with.

TAKING ACTION

After you have written down your retirement plan and set clear goals, you want to take action. This could be anything from opening an Individual Retirement Account(IRA) to evaluating your priorities. Whatever your action steps are, you want to make sure that they are clear and that you are not setting a minefield for yourself.

Action steps to saving and investing

Find a planner

You want someone to help you analyze your goals and above all someone who will help you to keep a lid on your emotion during times when the market is faced with volatility. Your certified financial planner will also be responsible for helping you manage your retirement savings.

Pick the right tools

The kind of tools you pick for your retirement savings plan is vital. You want to consider what your short term goals and the long term goals and then pick the tools that will suit them. Also, you may not necessarily have to pick one tool if you feel like you need more than one.

Record your progress

With clear progress of your savings, you will be able to know how well your efforts are paying off and where to make adjustments.

Compensation for shortfalls

The sad truth is that a lot of people have huge deficits in their retirement plans. The retirement income gaps are increasing and people are faced with the dilemma of how to fill in this gap. As the cost of living goes high, your retirement income gap continues to widen.

You may be forced to alter your lifestyle in order to compensate for these shortfalls. For example, if you have a retirement income gap of $200, 000 to bridge over in around 3 years you may not be able to do so unless you find ways to compensate for the shortfall.

It is good to stay open to possibilities like working after retirement even when you were not planning to do so. You don't have to work full-time, you can look for a part-time job to help live comfortably and fulfill your retirement needs.

Also, instead of paying huge property taxes and bills for upkeep, downsize to a smaller home and save some of this money instead. If you don't want to part with your house yet, consider a reverse mortgage as your retirement plan. This may be more than enough money to help sustain you through your retirement years, but make sure to find an authentic lender because that market is filled with cons and scams. Optionally you may also want to consider moving to a new place with a lower cost of living.

Falling short of your retirement income may translate to extending your workforce a little bit more if you had planned for early retirement. And the reward in the end? You will be able to max on your social security and don't forget, since you are still earning, you will be able to save more than you initially had in your nest egg.

Additionally, you will have a shorter time for asset distribution because your life expectancy will be lower retiring at your full retirement age as opposed to retiring before that time.

If you had planned to travel a lot, pursue an expensive hobby or move to a better place after retirement, you may want to consider scaling back because it will help you cut on your retirement expenses. You may not end up in the life you have always imagined but it will be less stressful and easier for you to handle.

Retirement Investment Options

When it comes to retirement investments there is a wide array of investment vehicles to choose from. If you are capable of investing in more than one option, then the better for you but if you can only invest in one or two of them ensure to do extensive research to establish the best investment for you.

Without further ado, here are some of the most common retirement investment options you can choose from.

Pensions

This is one of the most common retirement investment options there is. With pensions, your employer will be responsible for making the payment for you but you will collect the pensions yourself after retirement. However, it is important to understand that pensions have no cost-of-living adjustments so the amount will remain constant even during bad economic times.

Annuities

Annuities are a form of insurance where the insurance company guarantees a variable or specific return to a policyholder after they make a capital investment with them. Payments can be made to you or your beneficiary immediately or later in life over a specific time period- this can also be a lifetime.

You can choose to invest in a term, immediate or variable annuity depending on your post-retirement needs. More advantages of annuities are that the principle has a tax-deferred growth until its distribution and you are allowed to invest in whatever amount you would like since there are no limits.

Mutual funds

Another great investment option is mutual funds which are simply a pool of investments from different investors. These assets are used for further investments and the income generated is distributed among the investors.

Bonds

Through buying bonds, you get to benefit from the interests they create over a certain period of time. When you buy a bond, you are simply giving the government, municipality or corporation a loan that is set to generate a certain amount of interest. It also matures at a point and you get your principal back once it does.

Real Estate Investment Trusts (REITs)

Just like mutual funds, Real Estate Investment Trusts operate the same apart from that REITs own real estate. You and other investors inject money into the REIT and get interests from the property managers after a certain time span.

Defined contribution plans

These are offered by employers(not all) and the most common is the 401(k), 403b, 457 and TSP. If you choose to participate in any of these plans ensure that you choose the one you are comfortable contributing, and check to see if it suits your interests.

Individual Retirement Accounts(IRAs)

You can also open an account with a financial institution of your choice and save on a tax-deferred basis. There are 3 main types of IRA that include the traditional IRA, the Roth IRA and the rollover IRA, so make sure to do your homework to see the one best for you.

Real estate

Investing in real estate may come with a lot of responsibilities, but it can provide a substantial amount of income flow for your retirement. Before getting into such an investment, you may want to consult with a Registered Investment Advisor to guide you through different Real Estate investment options.

What to Expect

You have done everything in your hands to turn what you envisioned for retirement to be a reality. But you wouldn’t know what it is like to be retired unless you actually experienced it. Your retirement life may not turn out to be what you have always expected it to be, heck there are one or two factors that may affect how you retire.

Here, take a look at factors that will in many ways affect how you retire.

Personal risk factors - You will not be able to control what life throws at you, be it good or bad. You become more vulnerable to old-age diseases and that is why retirement is there in the first place. Your risk for these diseases goes high although if you have been keen on your health for the better part of your life, you may end up on the safer side.

Also, with the dramatic rise in the cost of health care, your income needs may be higher than you expected them to be especially if you need consistent health care attention.

The stock market - It is unpredictable, and you don't know if it will work to favor you or against you. You don't want to stress yourself over whether the stock market is going to fail or thrive but instead, you want to be prepared come what may. All the same, you need to keep in mind that it can and will change and you will have nothing to do about it, so you might as well have another source of income for safety in case of a worst-case scenario.

Inflation - The price of bread today will not be the same 30 years later in your retirement. That means that the value of the $500, 000 you have in your nest egg today will be lower at the time of your retirement. Prices of goods and services are always rising and this results in inflation and if this affects the value of your money, then things will be different than you imagined them in your younger years.

Interest rates - If you are a bond investor, then you will be happy when the interest rates are low. That doesn't mean that they will remain low forever, they are prone to fluctuate and if that happens, your investment suffers.

Be on the loop of what is happening in the stock markets and be ready to act whenever there is a favorable change of the interest rates. 4% interest rates on withdrawal are high, but anything between 2.7% and 3.0% is favorable, according to retirement planners.

Income taxes - Taxes are undesirable. No one enjoys paying taxes whatsoever and in case you don't know, you may end up paying for more taxes than you ever imagined. You may incur deductions from your social security benefits if you have still not yet reached the full retirement age. Also, social securities are always surrounded by laws and taxation on them may be up to 85% of the total amount you receive.

Things will not necessarily happen as you plan or envision them to be and that is why you need to be open to any possibilities. Focus on the things that you can control and leave the ones that you can't. You want to remain laser-focused on what will bag you your big prize –your retirement dream. By putting more energies on what is controllable then you will have the control to strike a balance on the uncertainties.

Wrapping it up…

Retirement planning is a major decision in life that shouldn't be taken lightly. You want to avoid being one of those people ashamed of transitioning into retirement because they have nothing to show for their employment life. It is a new experience, and it may take time for you to get acquainted with the new life so be patient and you will get there.

Disclaimer: This e-book was written for entertainment purposes only. Please seek a professional for financial advice.