A Blueprint for Retirement Income

Rarely would anyone undertake a building project without actually knowing what the final product should look like and the kinds of materials required to finish the job. Yet, so many workers today are contemplating retirement without a clear sense of things they will need — or how they can get them. According to the 2008 Retirement Confidence Survey*, fewer than half of all workers in the United States and/or their spouses have calculated how much they will need to live comfortably in retirement.

As an employee of Liberty University, you have some excellent retirement building blocks available at your fingertips — a generous savings opportunity through the 403(b) retirement plan. These building blocks, combined with your Social Security benefit, can provide the sturdy structure you will need in retirement. Nevertheless, since the operative word here is “can,” it is important to realize that the cornerstone to a comfortable retirement is put into place by a series of good choices — planning, adjusting and taking a personal interest in what it will take to get there.

The process does not have to be grueling or complicated. A good blueprint for retirement income is fairly straightforward and can be summarized in three easy steps.
STEP ONE:
Take good measurements to learn more about your needs.

So, how much income will you really need in retirement? At its core, this question appears to be too difficult to address because the answer depends on so many variables — from how long you will live to the cost of living in the area where you plan to retire. Resist getting lost in the minutiae, and avoid viewing the planning process as hopelessly rigid and fixed. Your needs and goals may change in retirement, so the planning process has to be flexible to some extent. The answers to these kinds of questions — where you’ll live, how the cost of goods and services will change — are not readily available. You should instead focus on the things you can see and control at this time.

Begin by crunching the numbers. There are many excellent income calculators available on GuideStone’s Web site. Another method is to simply take inventory on paper. GuideStone offers the Preparing for Retirement workbook for free online at www.GuideStone.org/pfr as a great resource to help you plan for how much you will need during retirement.

Plan to replace between 70 and 90% of your preretirement income to meet ongoing expenses after you retire. As a result, if you presently have a combined annual income of $80,000, then you may need around $72,000 annually to meet your basic needs for such things as health care, housing, food, utilities and travel. Incidentally, the U.S. Department of Labor estimates that roughly 20% of retiree income will be spent on health care.

When you add the projected income from your retirement plan at Liberty University with your Social Security, retirement and personal savings accounts, and subtract your anticipated expenses, you will soon get a picture as to whether or not you are on track. This assessment will also provide some insight on how you should approach the next two steps.

Additional Resource:
If you have an interest in learning more about anticipating future expenses, take a look at the U.S. Department of Labor’s booklet, Taking the Mystery Out of Retirement Planning (Chapters 3 and 4 in particular). The booklet is available online at www.dol.gov/ebsa/publications/nearretirement, or you can request a copy by phone at 1-866-444-EBSA.
The design hazards for retirees typically include retiring too early, unrealistic expectations about time and money and outliving resources. To avoid these hazards, it takes both careful planning and a clear understanding of how they can impact your income stream in retirement. Here are a few suggestions to consider:

- **Communicate your goals and aspirations to your family.** Make sure everyone understands what your retirement looks like to you. These early conversations can help alleviate frustration for everybody once you’re retired.

- **Establish realistic expectations concerning how you will manage the latter years of your career.** Should you retire early? How will early retirement impact your budget? Do you plan to work during retirement? If you do, then how will that income affect your budget and Social Security benefit?

- **Realize that the danger of outliving some of your resources really does exist.** You will likely spend somewhere between 20 and 30 years in retirement. While your Social Security and pension benefits will continue through your lifetime, other sources, including retirement and personal savings accounts, will require ongoing attention and management to make sure they last long enough to help you. *Business Week* magazine** reports that the “bulk of retirement assets ultimately comes from investment returns, some 30% of which are earned after age 65.”
STEP THREE:
Use the right tools and resources to your advantage.

There is no practical way to fully anticipate every potential pitfall in retirement; however, the right tools and resources can help you stay on top of your needs and actually reduce the number of pitfalls along the way. The tools and resources are readily available, too — from visits with your human resources department, to planning materials and an inventory of your investment choices. Here are a few practical ways to use these tools and resources to your advantage:

- Regardless of how close you are to retirement, consider maximizing your eligibility for personal contributions into the 403(b) and 457(b) plans each year. Check with the human resources office or visit GuideStone’s Web site for additional details.

- Take inventory of your investment choices in all of your savings buckets. How are they invested? Will they meet your needs for income and/or growth in the years to come? Your personal and retirement plan investments will need to grow at a rate that outpaces inflation (Consumer Price Index), which has historically increased annually by 3%.

- Increase your comfort level with your pension plan’s distribution options. For more details, contact the human resources office at (205) 726-2469, or GuideStone Financial Resources at 1-888-98-GUIDE (1-888-984-8433). You can also review the helpful information featured on the university’s Web page.

- Consult with the Social Security Administration concerning your benefit options. Make sure that your annual benefits statement accurately reflects your earnings history. The SSA offers a helpful CD on planning for retirement, which can be downloaded from the agency’s Web site. The address and contact information for the SSA are:

  Social Security
  7618 Timberlake Rd.
  Lynchburg, VA, 24502
  Telephone: 1-800-772-1213
  Web site: www.ssa.gov

- Visit with your accountant or tax attorney to determine how you should structure your distributions from your various accounts. The objective here is to gain a better understanding of how your income in retirement will impact your tax liabilities.

We hope this information has been helpful to you. Please call 1-888-98-GUIDE (1-888-984-8433) if you have additional questions or need assistance.