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Q: The stock market has been on a wild ride since the start of last year. What's the best strategy for retirement planning in a turbulent market?

Michelle Pike *(Principal and Financial Planner with Kassouf Wealth Advisors)***:** It's not any different than your strategy for a stable market. For all investing strategies, you should set your goal, develop a plan to achieve it, and assess it on a regular basis. Everyone can look back on a decision they made from an emotional prospective – whether it was investing or a personal situation – and know they made a mistake following their fears. The market will have ups and downs. Understanding that you are investing for the long term will help you stay focused.

Q: How can individuals and families assess their retirement plans at different stages of their lives?

Pike: Dreaming about your retirement goals and plans is exciting at any stage of life, because those goals change and take different shapes. At each stage it is important to take an inventory of your assets, liabilities and spending. It is just as imperative to determine your goals and share those with your family members. I would suggest a regularly scheduled goal meeting where you give yourself the time and permission to dream about what you want to achieve. If you are married, use your anniversary. It can be romantic to think about what you have and what you will achieve together. If you are single, set aside some time on your birthday. What better time to assess your goals? The key to the assessment is taking the time to have it. I know I am busy with family, work, volunteer activities, etc. Without a proper plan in place (no matter your age), goals are much harder – if not impossible – to achieve.

Q: Given all the variables involved, how can I adequately calculate how much I'll need in retirement?

Pike: Begin with an honest assessment of your current income and expenses. Most of us think we know how much we spend, but don't account for those extra pair of shoes that somehow end up in our closet once a month or those frequent stops for coffee. List the expenses that are important to you (shoes are important to me) that you want to maintain later in life. Add in any goals you have for retirement, maybe traveling or a new hobby. Consider those unexpected expenses that seem to come up every year, such as car and home repairs. Once you have added all these numbers together, it is important to think about how inflation will play a role in your future expenses. I still remember saving 35 cents for my favorite candy at the check-out lane. Now I get excited if it is on sale for less than a dollar. If I want those candy bars in retirement (and I do), I'll need to factor in an inflation rate to calculate just how much it will cost me in 20 years. Then you need to review your current savings amount and project how much that will grow between now and retirement. You should also consider any pensions you might receive and Social Security benefits as income.

Q: Once I've determined how much retirement savings I'll need, what's the best way to assess firms and partners to help me get there?

Pike: I would seek partners in all parts of the process. Advisors will help you think of expenses you may not remember or help you consider savings plans and methods you might not be aware of. Most importantly, advisors help keep you accountable along the way. As you meet with financial planners, ask questions about their process and how they can best assist you. Fiduciary is a buzz word lately, but it is imperative to make sure your advisor is acting in your best interest at all times. Someone who has earned the Certified Financial Planner™ certification not only has satisfied education and experience requirements, but also has fiduciary duties, which include a Duty of Loyalty, Duty of Care, and Duty to Follow Client Instructions.

Q: What role do taxes play in a successful retirement savings strategy?

Pike: In all planning scenarios we should have a healthy respect for taxes. Your personal goals in retirement are known, but unfortunately the future of taxes is not. You have the ability to take advantage of tax savings vehicles now while working. There are Roth IRA strategies that allow for tax savings at retirement. Asset location strategies throughout your life are important factors, too. Working with both your tax and financial-planning professional together will help you manage the tax strategies today, with an educated guess on strategies for the future.

Q: Are there particular benchmarks that individuals or families should use when planning their retirement over the long-term?

Pike: No two families are the same. Often we hear that we should expect to spend 70 to 80 percent of pre-retirement spending in retirement. In my experience, I've seen individuals spend 120 percent the first few years because of the new opportunities they are exposed to in retirement, primarily time. After those first few years of retirement, spending tapers off and becomes more like prior spending. Often, unless there are significant health expenses, much older retirees spend significantly less than pre-retirement spending because they have accomplished their goals and choose to spend more time with family. The key is to determine what's important to you and your family. What are your goals for retirement, and what is your personal benchmark to a successful financial-independence period in your life?

Q: How can I diversify my investments successfully when developing a retirement plan?

Pike: Developing a strategy to diversify your investments will be one of the keys to successfully providing for your retirement. You will first need to assess your own risk tolerance, with the understanding of your time horizon. I see many individuals who are not willing to accept market risk out of fear, even though retirement is decades away. We all have different savings goals and need to allocate and diversify those accordingly. Your goals that are near-term – a new car purchase in three years, for example – should have a very different strategy than retirement in 20 years. A retirement goal for the future should take on a higher risk and ideally a higher reward. Within that risk of the market, be sure to diversify between all market sizes and segments. As we have seen, each market portion has highs and lows and often do not correlate with each other. Investing in all segments of the market will allow you to take on risk in a more deliberate and diversified manner.

Q: What are some questions I should regularly ask my retirement planning professional?

Pike: What's more important are the questions you ask yourself. What are your thoughts on working? Do you love your job? Do you desire to do something different one day for less income? Do you want to travel during retirement? Do you want to downsize or maybe buy that dream home you've always thought about? Do you want to leave your family a financial legacy? Speaking to your financial planner with a clear picture in mind of what you want helps immensely in achieving your goals. If you don't know the answers to these questions, stay open to exploring those questions with your planner. Once you have established where you want to be, discussing ways to stay on track will have more meaning because you have a clear goal in mind.

> ***"The key is to determine what's important to you and your family. What are your goals for retirement, and what is your personal benchmark to a successful financial-independence period in your life?"***
>
> **– Michelle Pike**

Q: What's your best practice or advice for someone who got a later than ideal start on planning for retirement?

Pike: Whether you start early or late, my advice is the same. Visualize where you want to be and seek advice on how to achieve those goals. Those who start later will have to work harder and save more, but it makes it easier if you can picture yourself on the beach or regularly look at travel sites for places you want to take your family when you have more time in retirement. No matter when you start saving, always make sure you take advantage of every retirement savings benefit you are offered by your employer. You should take advantage of any match you are offered for saving for retirement, because not doing so means giving up free money. A 3 percent match is essentially a 3 percent raise. No one would turn down a raise, but you are turning down a raise if you do not take advantage of your match. Remember the match amount is not the limit of what you can contribute. It is only the minimum of what you should contribute. Take control of your own retirement no matter when you start.

Q: Savings aren't the only factor in retirement readiness. What are some under-the-radar considerations that individuals should be aware of?

Pike: A comprehensive financial plan is crucial to ensuring your entire financial future is on track. While it is great to think about retirement, I personally am thinking more about college and how to provide an education for my children, who are approaching that need quicker than I like to admit. I review my insurance coverages – not just disability and life, but also property and casualty insurance – on a regular basis. Any loss of income or property without proper insurance will set back any plans of retirement. Long-term care insurance should also be considered. The costs are increasing every year and take a significant toll on individuals' retirement savings. Also, while it's not something we like to think about, especially when dreaming about retirement, make sure your estate-planning documents are up to date and reflect your current wishes. This is key to making sure your family is well provided for when you are gone. Visualize where you want to be next week, next year and in 20 years. Write down those goals. Put pictures around your home where you will see them, or perhaps on your computer or smart device so you see them before you make that online purchase. It is so exciting to see individuals set goals and fulfill them, but it takes hard work and often the advice of a professional to help keep you accountable and achieve your desires and purpose.

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Table of Experts Series

Retirement Readiness

Meet The Expert

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Kassouf
celebrating 90 years of excellence

Michelle Carney Pike specializes in personal financial planning, including education planning, insurance planning, investments, retirement planning, and estate planning. Michelle has been with the firm for over 20 years and enjoys helping clients achieve their financial goals. She earned degrees in financial planning and accounting from the University of Alabama and is a CERTIFIED FINANCIAL PLANNER™ and Accredited Estate Planner®. She is past president of both the Financial Planning Association of North Alabama and of the Estate Planning Council of Birmingham. She is also a past National Board Member of the Financial Planning Association. In 2018 she was awarded the Jack Davis Professional Achievement Award by the University of Alabama. In addition to her professional involvement, Michelle is an active community member, serving as the Liberty Park Middle School PTO Treasurer and a Girl Scout Troop Leader.