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SMART INSIGHTS FROM PROFESSIONAL ADVISERS

4 Financial Planning Essentials to Ease Your Retirement Fears

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Most pre-retirees are afraid of outliving their money. Having a plan can help ensure you don't.

When it comes to planning for retirement, it's easy to get overwhelmed. Putting together a financial strategy can be complicated at any time of life, what with changing regulations, ups and downs in the market, and disagreements — even among the better-known investment advisers — about the best ways to save and spend money. But the closer you get to actually stopping that regular paycheck, the scarier things can get.

More than half of pre-retirees report feeling anxious about their impending retirement and worry they will run out of money, according to a recent Ameriprise Financial study.[1]

What did they say made them feel more confident? Having a plan in place.

If you're ready to take control, talk to a financial adviser about these four financial planning essentials:

1. PUT A TANGIBLE AND COMPREHENSIVE RETIREMENT PLAN IN PLACE.

Find a financial adviser who specializes in advance planning — not just investment planning, but also income planning (making sure you're paying yourself the right way in retirement), tax planning strategies (minimizing your exposure so you're not paying more than you have to), health care planning (finding the right Medicare plan for you and considering your long-term care needs) and legacy planning strategies (assuring your assets will pass efficiently to the people and/or charities of your choice). Then gather up your paperwork and get ready to get comprehensive.

2. MAKE SURE YOUR PLAN INCLUDES TRANSITIONING FROM GROWTH TO INCOME INVESTING.

People tend to get stuck in one investing strategy. They spend so many years trying to accumulate money, they forget to make the shift from the growth phase to the income phase when they retire.

One common mistake is to start taking systematic withdrawals — a set dollar amount — without changing to an income-type portfolio. That's fine if the market is up: You make money, you take money — no harm, no foul. But if you're pulling out money in a down market, you're increasing the odds of running low on — or out of — funds.

Rework your plan to preserve your money as the years pass.

3. BE AWARE OF FEES AND OVERPAYING TO OWN YOUR INVESTMENTS.

Imagine you're on a cruise and there are icebergs in the water. You know what's above the water because you can see it, but you have no idea what's below the surface. It's the same thing in the financial planning industry: Advisers' fees or the stated expense ratios on mutual funds are above the water and pretty easy to spot. But you really don't know what's below the surface unless you have a thorough evaluation of your portfolio.

People will come into our office for a consultation and tell us that they're paying just 1% to their advisers. But what they don't realize is that their portfolio is getting hit with another 4% or 5% in additional mutual fund costs or other expenses. Making sure your underlying investments are as cost efficient as possible is going to put more money in your pocket.

4. CONSIDER A RETIREMENT INCOME ANNUITY TO CREATE A PENSION-LIKE INCOME IN RETIREMENT.

A lot of people are retiring without a pension today. But they do have 401(k), 403(b) or 457 plans, and when they retire, they can use that money to create their own pension. Properly structured annuities with income benefits are the only investment that can make it unlikely that you will run out of money for as long as you live. Look for one that has an inflation hedge, so you don't buy into a set figure today that won't be enough if you live 20 or 30 years in retirement.

After all, a long retirement should be your goal — not your worst nightmare.

Kim Franke-Folstad contributed to this article.

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[1] "Building the lifelong "paycheck": What does it take?" https://www.ameriprise.com/retirement/insights/ameriprise-research-studies/pay-yourself-in-retirement/, Accessed November 13, 2017.