THE ULTIMATE WOMEN'S RETIREMENT GUIDE

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THE RETIREMENT SOLUTION INC.

Establish retirement goals.

Did you know 56% of women allow their husbands to make the key financial decisions in their household? This statistic suggests many women choose antiquated habits because of their lack of financial confidence. But, what if there was a retirement guide for women that could help you feel financially adequate to your male counterpart?

Would this faith in oneself change the course of your financial destiny? You're in luck because we have created the ultimate retirement guide for women. This essential guide will help answer all of your burning financial questions and teach you how to take appropriate action toward achieving your financial goals and aspirations.

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Have you actually taken the time to visualize your happily ever after retirement picture? Do you know the lifestyle you want to live or how you want to spend your days? Neglecting to establish your retirement goals is like playing darts without a bullseye.

If you haven't identified your retirement dreams and goals thus far, it's time to start the process by imagining your ideal life in retirement. Think about the activities you will want to engage in and the destinations you'll want to visit. Make your plans as detailed as possible. The more detailed you are, the better chance you will have of not only reaching your goals, but actually achieving them. Your plan will assist you and be instrumental in determining exactly how much money you will need to support your goals.

If you're married, ask your spouse to create retirement goals with you. You want to make sure you're on the same page and not heading in opposite directions. This is a great time to compromise and determine where you want life to take you together.

Determine a Dollar Amount You Need to Achieve These Goals

Once you have determined your ultimate retirement goals, it's time to calculate how much money you will need in order to support your ideal lifestyle.

You want to pair a dollar amount with each goal. For many, this task may be challenging to complete. Since you're predicting future costs, it's hard to determine how much each goal will cost in 5, 10, or even 30 years.

Determine a Monthly Savings Amount

After you have an idea of what each goal will require and it's level of importance, calculate the total cost. Try using a retirement calculator to help you identify a rough estimate of the amount of money you will need.

Using a retirement calculator can help you asses your retirement savings progress. It will allow you to see if you're on pace with your retirement goals or if you need to make some savings adjustments. Keep in mind, these number aren't set in stone. Life tends to change along with your retirement needs. Making adjustments along the way is a part of your journey to retirement.

> Prioritizing your goals in this manner will give you direction and provide a timeline for completing each objective.

You may not be able to calculate each goal's dollar amount perfectly, but this exercise is still meaningful and will give you a rough estimate of your financial needs in retirement.

For instance, let's say you want to pay for your 5-year old daughter to go to the University of Colorado-Boulder. Here's how you can determine the future cost:

1. Determine the current cost to attend UC Boulder. As of 2019, the in-state cost of attendance was $30,360 and $54,494 for out-of-state.

2. Find the historical rate of increase for this goal. We found college expenses increase about 5% annually.

3. Now, all you have to do is find the future value of this goal. In 13 years, the first year of out-of-state college should cost roughly $57,248.31. Keep in mind, you will need to do this calculation for all four years if you plan to fund her entire college experience.

Prioritize Your Goals

Once you have an idea of the amount of money you will need for each goal, you can review your list and prioritize each item. Try creating a spreadsheet to simplify your review process. Creating a spreadsheet will not only help you identify your financial objectives but it will also give you the capability to track your progress as well.

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Hire a Financial Advisor

Whether you're single or have a companion by your side, partnering with a financial planner with retirement expertise is one of the best things you can do to boost your financial confidence. Retirement planners are experts in the finance industry, and they specialize in helping people understand and optimize all of the pieces of their financial puzzle so that they can increase their chances of achieving the life they've always dreamed of in retirement.

Not only are retirement planners amazing financial resources, but as you work through the process of creating your written plan they can become your trusted friend and confidant. They not only provide support and guidance when faced with tough financial decisions, they can help you see your entire financial picture and suggest options and strategies to aid you in achieving your ultimate goals.

By working with a financial planner, they will encourage and direct the tough conversations to help you be prepared when the unthinkable happens. If your significant other has handled all of your finances up until this point, schedule a meeting to review your current financial plan and ask clarifying questions.

Then, participate in the annual review of financial documents, investment accounts, retirement savings, insurance policies, and any other accounts that may involve your financial future. The more you understand your own financial plan, the better you will be able to manage your finances.

Evaluate your savings plan

You know you need to save for retirement, but what are your options? With all the savings accounts available, it's hard to know what's right for your needs. Here's an idea of what each account has to offer and where you should consider putting your money.

Emergency Fund

Financial professionals recommend you have at least three to six months of your expenses saved in an emergency fund. Emergency funds protect you from financial distress in case an emergency expense should arise. These expenses could include a car repair or help supporting your lifestyle in case you lose your job.

Creating an emergency fund will help you protect your assets and give you peace of mind when accidents occur. If you don't have one already, it's wise to start building your rainy day fund immediately. You don't want to get stuck in a situation where you have to put a big expense on credit and accumulate a large amount of interest while you pay off your debt.

Company-Sponsored 401(k) or 403(b) Accounts

Many companies offer company-sponsored retirement plans. For most savers, their 401(k) is a great place to start saving for retirement. You can contribute up to $19,000 of your pre-tax income for 2019. If you're 50 or older, you can contribute up to $25,000.

If you leave your job, you can roll over your previous 401(k) account into a new employer's plan or your own IRA account. Company-sponsored 401(k) accounts are typically offered to for-profit companies, while 403(b) accounts are offered to teachers and nonprofit organizations.

Some companies will offer a match percentage up to a certain amount when employees contribute to their plan. For example, your company may offer a match up to 3% of your total contribution. If you contribute 3% of your earnings to your 401(k), your company will give you another 3%. Essentially, you're getting free money for saving for retirement.

Since company-sponsored accounts tend to offer minimal investment options and have costly management fees, you may only want to contribute enough to get your match. It may be wise to spread your assets among other retirement savings vehicles to maximize your returns and have more control over the investments you select.

It's important to note that once you reach retirement, defined as age 59 ½, you're subject to income taxes on all distributions. Since you contributed to your account with pre-tax dollars, the IRS is ready to get their cut in retirement.

IRA Accounts

If you work for a company that doesn't offer a retirement plan, you may want to consider opening an IRA account. Your financial advisor can help you open it. You can contribute up to $6,000 in 2019 ($7,000 if you're 50 or older). You contribute to IRA accounts with pre-tax dollars, similar to the taxation of 401(k) accounts.

If you're self-employed you could consider opening a Simple IRA account, SEP IRA account, or solo 401(k) account. Each account has different contribution limits, regulations, and requirements. Speak with your financial advisor prior to pursuing any of these accounts. Click here for our more in-depth guide on saving for retirement as an entrepreneur.

Roth IRA

Roth IRA distributions are tax-free. As of 2019, you can contribute up to $6,000 in your Roth IRA each year. If you're 50 or older you can contribute an extra $1,000, making your total contribution limit $7,000. However, there are additional contribution limits for taxpayers who earn too much.

Contributing to a Roth IRA can help you minimize your tax burden in retirement. While you're paying taxes now, you can let your retirement savings grow with no additional taxation when it comes time to take distributions in retirement.

A contingency to note, with both IRAs you must be 59 ½ or older in order to take distributions without the 10% penalty.

Health Savings Account

Health care is one of the most expensive costs in retirement. To minimize the shock of this expense, you may want to consider opening a Health Savings Account (HSA). If you have access to one of these accounts, they are available with high-deductible health plans. They also offer triple tax advantages including deductible contributions, tax-deferred growths, and tax-free distributions for all qualifying medical expenses.

You can use your HSA funds to pay for certain medical premiums which include Medicare premiums, and long-term care insurance premiums. For more information on a HSA account visit irs.gov.

Minimize Expenses

Every woman has a different financial situation. For some women, expenses may increase in retirement, while for others they may decrease. Having minimal expenses in retirement will help ease financial stress and responsibility. No matter how old you are, it's important to work on minimizing your expenses.

For example, you may want to work on paying off all of your debt before you retire. Not only does debt weigh you down financially, but it can put a damper on how you're able to spend your time in your golden years. Paying off your debt before retirement can boost your financial confidence and give you freedom and flexibility to use your money toward your financial dreams.

Write down all of your expenses and determine where you can cut back as you continue your journey toward retirement. You may find that a minimalist lifestyle can help you achieve all of your retirement dreams.

Budget Now and for the Future

Wealth management is more than just investment accounts and selecting the appropriate risk tolerance for your portfolio. It starts with your budget. Managing your money and monitoring your spending is a continual activity throughout your journey to retirement.

If you don't understand what's coming in and going out, it's almost impossible to plan for the future. **A good guideline to use is the 50/30/20 rule.** This rule allows you to spend 50% of your net income on fixed expenses such as your mortgage, 30% on variable expenses such as groceries, and 20% toward savings.

The 50/30/20 guideline is a great starting point for keeping your finances on track. Keep in mind, budgeting isn't concrete, it's ever changing. Your expenses, priorities, and goals will change throughout your life. It's okay to adjust your budget to change with your aspirations. For a complete guide to budgeting in retirement, click here.

Maximize Social Security Benefits

Many Americans fear that Social Security benefits will run out by the time they retire. However, according to the Social Security Administration, American's can expect to receive full benefits until 2037. After that, retirees could receive only 76% of their benefits. Therefore, it's even more important to maximize your benefits if you fall into the age bracket of those who expect to receive a lower amount.

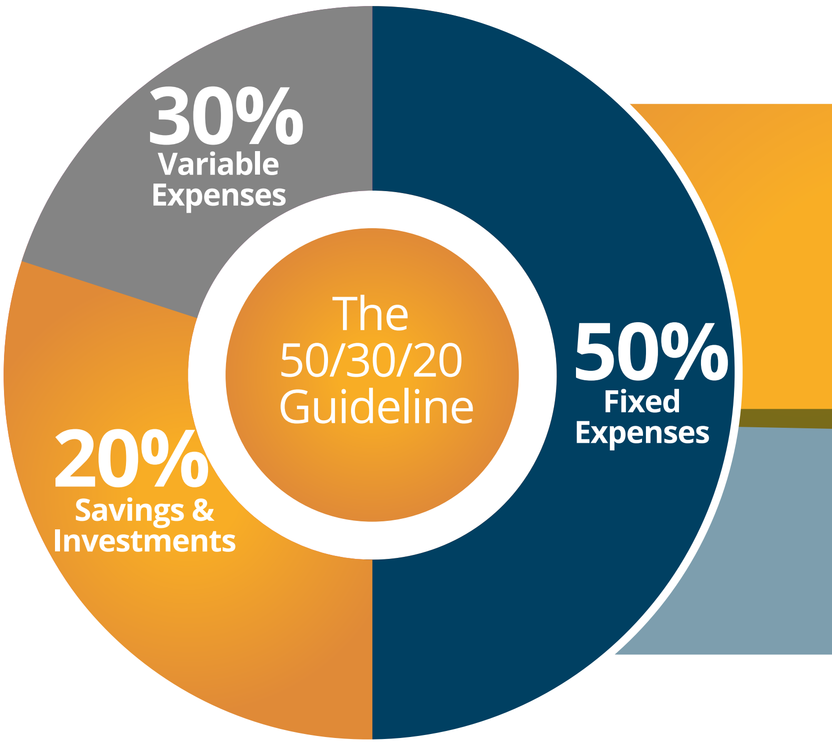
The best ways to maximize your Social Security benefits are to:

- **Work at least 35 years:** The determination for your benefit calculation comes from the top 35 income earning years in the workforce. If you didn't work 35 years, the Social Security Administration will apply 0's to those years. This will lower your benefits.

- **Earn as much as possible during your working years:** The more you earn, the higher your benefits will be.

- **Wait until you're 70 to receive your benefits**: If you can delay receiving benefits until 70, the Social Security Administration gives beneficiaries 132% of their benefits.

To review your current work history, sign up at my Social Security account.



Another factor to consider when maximizing your Social Security benefit is when to begin taking your benefits. Some professionals suggest to take your benefits as soon as possible while others recommend waiting until you surpass full retirement age.

The time frame when you decide to take your benefits will rely on many factors including your health, if you're still working, if you're single or married, your financial well-being, and much more. There is no right answer to when you should take your benefits. That's why it's important to work with a financial planner who can help you evaluate all factors and give you an appropriate recommendation.

Understand health care options

According to Fidelity Retiree Health Care Cost Estimate, a 65-year old couple who retired in 2018 would need about $280,000 just to cover health care expenses in their golden years. As health care continues to be one of the largest expenses in retirement, it's vital to understand your health care options throughout your retirement years.

HealthCare Marketplace

In 2010, the Affordable Care Act (ACA) created the Healthcare Marketplace. This marketplace offers affordable health coverage options that reflect your income level. A retiree can sign up for coverage through the government's website 60-days prior to their effective retirement date.

While premiums may increase every year, this type of coverage tends to be more affordable than other options.

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COBRA

The Consolidated Omnibus Budget Reconciliation Act (COBRA) offers health care benefits for retirees and mandates that employers offer extended health coverage, matching to their current benefits, prior to leaving the company. Coverage should last up to 18 months.

Once the employee leaves the company they are solely responsible for the premium payments. However, this option tends to be the least favorable among retirees, since it tends to be a more expensive alternative.

Medicare

Once you reach age 65 and have paid into Medicare and Social Security for at least 10 years, you're eligible for Medicare benefits. Medicare coverage has two main parts: Part A and Part B. Part A helps pay for your hospital services. This part of Medicare is free as long as you and your spouse paid payroll taxes for at least 10 years. If you' re not eligible for the free version, you can pay a monthly premium which may be several hundred dollars.

Part B is to cover doctor office visits and any outpatient services you need. Part B can sometimes come with a hefty price tag. The standard 2019 Part B premium was about $135.50 per month. The majority of taxpayers pay this amount. However, if your adjusted gross income surpassed a certain threshold for the past 2 years, you'll pay the standard premium amount and Income Related Monthly Adjustment Amount (IRMAA).

In addition to the monthly premium, your 2019 deductible is $185. Once you meet this deductible, you may have to pay 20% of the Medicare approved amount for most doctor services, outpatient therapy services, and durable medical equipment (DME).

You'll also have to pay a monthly premium on your Medicare Part D plan. This plan is to supplement your prescription drug costs. Plans may vary depending on the taxpayer's specific needs. Along with paying your monthly premium you must pay your deductible amount. According to Medicare, no drug plan deductible exceeded $415 in 2019.

You also have the option to pay a copayment for your prescription drugs on the drug tier. For example, if you're purchasing generic drugs, your copayment could be less than other alternatives.

Even though you'll select your health care options in the future, it's important to understand what is available to you. The better grasp you have on your options, the better health care coverage decision you'll be able to make.

Assess Insurance Needs

Insurance is an essential piece to the financial planning puzzle. You worked hard to save and invest, and you need to protect the assets you grew, which includes yourself. The world of insurance can feel like you're venturing down a long, dark rabbit hole, but luckily there are plenty of resources to help you navigate the confusion.

Life Insurance

Life insurance protects your dependents in the circumstance of your unexpected passing. Many women think they don't need coverage, but if you have any debt, loved ones who rely on your financial support, or need to pay for financial expenses when you pass, you need a life insurance policy. Here are a few life insurance options you may want to consider.

• **Term Life Insurance:** Term life insurance is available for a certain amount of time. Most term life insurance companies offer 5, 10, 15, 20 or 25-year policies.

• **Permanent life insurance:** You often hear permanent life insurance referred to as whole life insurance. This type of policy usually has a fixed premium, a death benefit, and a cash value. However, the cash value may be very minimal, if any. Please note, the majority of these policies don't offer coverage past age 80 and may only offer up to $50,000. This policy tends to be very pricey due to the lack of medical questions.

• **Universal life:** Universal life is another permanent life insurance policy with a cash value. However, this plan may provide more flexibility with your death benefit and premiums.

• **Variable life:** A variable life policy also has a cash value option. This policy allows the policyholder to put the cash value into an investment account. The management of this account is through your life insurance company. In the chance your investment does well, you can use your gains to pay part of your premium or increase your death benefit. On the other hand, if your investment doesn't go well, your death benefit may decrease. It's important to note, most policies don't have a guaranteed minimum.

• **Variable universal life:** If you're looking for the best of both worlds, variable universal life insurance has you covered. This policy offers the flexibility of payments and an investment option. The downside to this policy is it can be extremely complicated and complex.

Identifying the right life insurance policy in retirement is a complex matter. Your financial advisor can help point you in the right direction and find a suitable policy for your needs.

Long-term Care Insurance

Long-term care insurance helps cover your nursing home care, assisted living, and at-home care expenses. This type of insurance may help ease the financial burden you and your family may face in the future. If you're banking on Medicare covering the cost of long-term care, you're out of luck. Medicare doesn't offer extended long-term care coverage unless you need medical care.

Long-term care insurance tends to be expensive. Currently, a 60-year old couple's average cost is $3,381 per year. This policy is based on a $150 daily benefit for a three year period. Rates can vary significantly depending on age, health, and insurer.

If your nest egg won't support the extra care costs, you will need to find additional options to support this expense. You don't want this financial burden falling in the lap of your loved ones.

Create a Tax Strategy

Benjamin Franklin said it best when he stated, "Our new Constitution is now established and has an appearance that promises permanency; but in this world nothing can be said to be certain, except death and taxes." Just because taxes are certain, that doesn't mean you can't create a strategy to minimize them. Since tax code is extremely complex and ever-changing, enlisting the help of a tax professional may be the best solution. Tax professionals can help you develop a tax strategy customized to your specific situation.

The Bottom Line

With women living longer than men and half of marriages ending in divorce, nearly 8 out of 10 women end up exclusively responsible for their financial future. It's likely that over the course of your life you will have to manage your own finances. Building financial skills and knowledge will help you feel more confident and can increase your odds of achieving a secure retirement.

If you're looking for a financial planning partner who can help you realize your retirement goals, we have financial planning offices in Redmond, Seattle, Mill Creek, the Tri-cities region, and Denver. Our firm focuses on helping retirees and those preparing for retirement achieve financial freedom by creating a plan that shows them how they can have the income they need and want until they turn 100. Would it change your life and give you more confidence if you knew exactly how much money you could spend every month of every year in retirement and never run out of money?

If you're ready to take the first step to achieving your retirement goals, our team is ready to assist you. We've helped hundreds of couples and individuals smoothly transition into their golden years with confidence, and we'd like to do the same for you.

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