

## Baby boomers, here are four questions for your future

Investment markets have rallied, but many people are still reeling from significantly reduced retirement account balances. The group most affected by a lost decade of expected asset growth is the leading edge of Baby Boomers who were set to retire en masse over the next several years.

This group has already earned many labels – hippies, yuppies, the rock ‘n roll generation, and so on. Today, they deserve a new label, an identity that will define their response to the financial turbulence that has disrupted their retirement plans. I call them “ReDesigners.”



**Gary Brooks**

A ReDesigner is someone who, prior to 2008, thought they were doing all the right things to pursue a satisfying, financially secure retirement. ReDesigners contributed faithfully to their retirement accounts, lived within their means and looked forward to a certain lifestyle in retirement.

Then came historic investment declines, diminished home equity, and possibly reduced earnings or job loss. As a result, many people need to redesign their lives now and in retirement to improve their chances of achieving financial security.

A financial life redesign provides an opportunity to revise goals, timelines, savings rates and investment strategies. Without coordinating these important variables, it’s tough to gauge the likelihood of retirement savings success.

Consider these four cornerstones from which you can redesign your retirement plan:

### **Get clarity about your current situation.**

The first step is to confront the facts of your situation. You need to understand where you are before you can know where to go from here. Have life events given you new things to consider? Is your budget different than it was a year ago? Have you changed how much you contribute to retirement accounts? Did your employer freeze a pension plan, eliminate a company match in its retirement plan or reduce your bonus? Does your investment mix need attention?

### **How much can you save between now and retirement?**

Your most valuable asset likely isn’t your home or your 401k. It’s your human capital, your ability to earn income. It is savings from earned income that will do the heavy lifting to aid recovery from market upheaval. Can you change your spending habits and save more? Are you taking advantage of catch-up opportunities that allow people 50 or older to make larger annual contributions to employer-sponsored plans and IRAs? Can you reduce your investment costs or your tax bill to keep more money working for you? It’s these items that you can control that will make the biggest difference in your personal recovery plan.

### **What are your new goals?**

It’s difficult to let go of goals that seemed well within reach 18 months ago. Some ReDesigners will choose to work longer or invest more in continued pursuit of ideal goals. For many ReDesigners the assumption that they “will have to work forever” may not be accurate if they revise their goals from “ideal” to “acceptable.” In many cases, acceptable is still a good place to be. But until you

know what that goal is and how to best work toward it, the uncertainty may be uncomfortable.

### **How will you live in retirement?**

Without expectations for how you will live in retirement, it’s tough to determine what level of your income you need to replace to fund an acceptable standard of living. This is the first step in retirement income planning.

Think of your retirement income as if it were sitting in a row of buckets with spouts at the bottom. You control the flow of dollars out of each bucket to fund your goals. The first bucket represents your essential survival expenses. Ideally this bucket is filled with Social Security dollars or other guaranteed lifetime income. Bucket No. 2 is your lifestyle spending bucket. This funds travel, entertainment, memberships, and so on. A third bucket may contain dream money that allows you to experience cherished opportunities or support causes.

Knowing what it takes to fill each bucket gives you a targeted level of retirement assets to work toward. Once you have a better idea of the target, you can redesign your financial life to manage risk and align your money with your goals.

If you don’t feel comfortable with the decisions involved in your redesign, seek the help of someone you trust.

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