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What Matters More Than Money

Successful professionals often have a happy problem on their hands when it comes time to contemplate retirement: how to keep their lives just as vital and exciting as it was during the career years. Maybe you want to move to Bali? Build an organic farm? Finally learn to sing Italian arias? There's no one answer, though some experts can offer some successful and proven steps for making this important life-stage decision.

When you're considering a retirement lifestyle, too many options can sometimes overwhelm and lead to paralysis, as Barry Schwartz points out in his book *The Paradox of Choice*. Most of us probably cruise into retirement thinking that the freedom from work will be reward enough, only to find that without some kind of workable life goal, we simply drift. Or we tell ourselves that retirement should be a time for travel and new experiences, when what we really enjoy doing is staying in one place. More likely, we go into retirement unsure of what we want to do. While drafting your financial plan for retirement, give serious thought to what kind of life you want, says Sherman Hanna, an Ohio State University professor who teaches financial planning. As in your career, having a goal—any goal—is key.

Hanna suggests starting with your aspirations and working backward. Don't limit yourself. You may eventually need to reign in some of your loftier goals, but begin by dreaming big. "Decide on the lifestyle you want and then figure how much you need today to live it," Hanna says. "Whatever the price tag is, that's your starting point."

Once you know your lifestyle goals, write them down. Frame them, if you have to, and hang them on the wall. This makes them clear and concrete, and lets you focus on them. Written goals also can provide more and stronger motivation than half-formed daydreams.

PAYING THE TAB

It's never too soon to collaborate with your financial advisor on a plan that defines and provides for your aspirations. This is where reality can set in, and you may need to adjust the goals to fit your financial possibilities. Surprisingly, however, many responsible investors often realize that their most ambitious hopes for retirement are within reach. While you may not be able to spend your entire retirement living year-round aboard a fully staffed private yacht in St. Tropez, an annual chartered trip with friends and family may be a real possibility.

The more detailed and specific your vision of retirement, the greater your chances of enjoying it. To determine what you'll need to satisfy that view of the future, you can simply work with your advisor to figure out an expected annual cost, and multiply it by your best estimate of your number of years in retirement. Don't forget to compensate for inflation, upping your annual costs by an average of, say, 2% to 3% a year. Also, add in your expected Social Security income, and provide for health care costs, particularly long-term medical care insurance premiums.

If you still have time for saving and investing, you now have some idea of how much you need to put away. Make it a plan and stick

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to it. If you are closer to retirement, with fewer opportunities for saving and capital building, a good exercise is to calculate your total retirement nest egg. Many retirement experts suggest planning to live on roughly 5% of that capital annually to make it through your retirement years without running out of money. But with retirements of 20 years or longer, you are wise to put some of your nest egg in longer-term, and hopefully higher-yielding, investments.

While the happiness question is a great starting place, a few others are worth considering:

- What tradeoffs must I make to achieve my ideal retirement lifestyle?
- How willing am I to continue working past my planned retirement age to ensure I can live my dream lifestyle in later years?
- Based on my projected retirement date, where should I currently be in my savings and investment plan to meet my goals?

Naturally, your financial advisor will work closely with you on a strategy that will reflect not only your objectives but also your current assets and level of risk tolerance. Remember that once

you and your financial advisor develop a strategy and a written plan, it will require monitoring.

“Re-evaluate the financials every five years and you can see if you’re on course,” Hanna said. “This is particularly important if you have an aggressive portfolio.”

Understand that while your aspirations may remain clear, changes will occur that affect them and your investments. “Anticipate that there will be changes, from tax laws to medical breakthroughs,” Hanna says. Be prepared to adjust the plan. The map may change, but by keeping your eyes on your destination the trip can be just as enjoyable and fulfilling. ■

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