

Retirement Pre-Flight Checklist

Pilots go through a pre-flight checklist before they take off. The purpose of this is to try and ensure all components of the flight and aircraft are in proper condition and will likely provide a comfortable and worry-free trip.

A Pre-Retiree should perform their own Retirement Pre-Flight Checklist before they take off on their retirement journey. The purpose is the same—you want to have a safe and comfortable journey. Furthermore, you want to have anticipated as many things that could go wrong during the retirement journey and know how these events could jeopardize the trip.



Up to Five Years Before Retirement

Five years or more before retirement, the pre-retiree should start focusing on the destination, and using this time to get things in order. We suggest using the acronym “P-A-I-R”.

P-is the actual retirement PLAN. Know what you want your retirement to be.

A-is the ASSETS you will use in retirement. Know where they are, how they’re allocated, and how they can be used.

I-is the INCOME you will need in retirement. Know how much you will need and from what sources it will be derived, along with the tax consequences of each source.

R-is RISK MANAGEMENT. Know what risks could harm or destroy your retirement plans. Determine health risks, investment risks, casualty risks, market risks, and economic risks, and develop a plan to address each.

____1. Create a retirement PLAN. Write down what you want your retirement to be. For example, if you wish to travel during retirement, snow-bird in Arizona, retire in Hawaii, etc. Know what you want to do. Then create a realistic retirement budget that incorporates your intended plan. Determine what infrequent expenses you may incur (i.e., purchase of new car, motor home, etc.). Determine which expenses you wish to have paid off for retirement and create a plan to do this. Do some research to evaluate living costs if you plan to relocate or snow-bird. Check out health care costs. Go to www.medicare.gov and familiarize yourself with how Medicare and the various Medicare Supplemental and Medicare Advantage plans function and may be compatible with your retirement plans. Ask questions. After all items are anticipated, use a retirement calculator to factor inflation into your budget.

____2. Determine what ASSETS you will use in retirement. Perform an evaluation of your retirement savings (IRA, 401(k)) and make sure you know how your portfolio is invested, how it is allocated, and how diversified it is. Get a second-opinion if you want to verify what your advisor is telling you. Check your Social Security benefits (www.SSA.gov) and know what your planned retirement benefits will be. If you’re retiring and planning to draw your Social Security Retirement benefits before your Full Retirement Age (FRA), know what your permanently reduced benefits will be. If you plan to use your home to fund some or all of your retirement, get an estimate of its current value and what the real estate market is doing. If there are any other retirement assets to be used for retirement (i.e., collectibles, antiques, etc.), determine how these will be liquidated and when you wish to begin this process. Determine any remaining assets that will be used (i.e., inheritances, trusts, etc.), and create a plan for these.

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____3. Determine what Retirement INCOME you will need. When you create the budget (Step 1) you will likely have determined this based on your current lifestyle. Determine what your income needs are based on your current needs. Add any extra expenses you intend to have at retirement, and subtract expenses you intend to have paid off. After you have determined your retirement needs based on today's value, factor inflation in so you can anticipate the actual amount of retirement income that will be needed. Lastly, determine the effect taxes will have on your retirement income, Social Security benefits, and any other income you anticipate receiving.

____4. Determine RISKS to your retirement plan. Evaluate the effect that a long illness, death, nursing home stay, casualty loss, or other possibilities could have on your retirement plan. This would be a good time to evaluate your life insurance, health insurance, long term care insurance, and home and car insurance to be sure you have proper coverage for your overall plan.



If you do not work with a qualified financial planner who can evaluate all these components, you should consider establishing a relationship with one. Many planners will help you with these and will offer complimentary consultations to help determine your current situation. It may be a good idea to speak with several advisors and planners to have them review your situation and provide you with different opinions. Utilize many of the free financial calculators available on this website as well as available over the internet.

Check these topics at least once a year as you approach your retirement.

Two Years Before Retirement

When you're two years from your anticipated retirement date, perform a more in-depth review of these four steps. Order your Social Security Benefits statement if you don't have it. Speak to the benefits department at your work to determine what you are entitled to at the time of retirement. Make careful notes and develop your Retirement "Exit" Plan. Once again, it may be beneficial to work with a financial planner to double-check your numbers, anticipated income, taxes, and expenditures.

Check these numbers at least every six months before retirement.

All information provided here is derived from publicly available information and personal opinion and experience of the author, and is intended to be general information. It is not to be construed as tax advice. Please consult your own tax or financial advisor regarding your personal circumstances before taking any action that may have tax consequences.

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