How Much do I Need to Retire?

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It's a question that seems to be heard everywhere lately. A simple web search will bring up countless results with a variety of different strategies to determine how much you will need. Everyone's situation is unique based on how much each person earns, saves and spends. To be able to accurately assess your retirement, you need to get organized and take a comprehensive look at your current financial situation.

During your college and med school years, you probably had a good handle on the meager amount left in your bank account each month and the student loans and other debt you may have accumulated. Throughout your career, you've likely opened more bank accounts, investment accounts, retirement accounts, IRAs, and probably even more debt to start your practice, buy equipment, mortgages, auto loans and more. Do you know where you are now to be able to identify a path to get to your retirement goal?

Getting Started

Take some time to make a list of everything you own and everything you owe, both personally and for your practice. It may seem like a daunting task, but you'll be gaining peace of mind by understanding your finances and feeling a sense of control over your finances. Pull together your recent investment statements showing how your assets are invested. The list you've created will be the starting point for determining your retirement strategy.

You'll also need to have a good idea of your income and expenses for the year. Include your recurring weekly and monthly expenses like mortgage, utilities, groceries, and gas. If you lease space, own a building, and employ a staff, include all the costs and compensation associated with your practice. Also, remember to include the expenses you may pay at different times throughout the year, such as insurance, repairs, tuition, vacations, gifts, and charitable donations. Software like Quicken or QuickBooks can help you accurately track your spending. Your annual income and expenses will show how much you're able to save each year or if you're spending money from your existing assets. Either can be appropriate for you depending on where you are in life, but you'll need this information to help predict how long your assets will last.

From the information you've gathered, an advisor can help you determine if you're likely to outlive your money. An advisor can also review your current spending patterns and help identify changes you can make currently to improve your financial situation. Being able to understand your finances as a whole can provide several other benefits as well.

Other Benefits

- **Proper Investment Strategy**. Looking at your entire portfolio can help you and your financial advisors make informed decisions about your investment strategy. Your financial advisors may have developed a great plan for the accounts that they advise; but if they understood your other investments, they may have recommended a different strategy to diversify your holdings or change your level of risk.

- **Prioritize Financial Needs**. You have a lot of choices on how to spend your money. Do you invest or pay down debt? Are you spending too much on discretionary items? Can you afford a new house? Can you afford to expand your practice? When you understand how your money is being spent, you can weigh your options and determine what you want to do. Seek help in weighing the pros and cons of your decisions, budgeting, and looking at the different tax aspects of the choices.
- **Protecting Your Family**. Once you've analyzed your financial situation, you may find that you might not have enough saved for tuition or you may be projected to leave less to your heirs than you thought. Then, it's time to get started on a college savings plan and/or assess your needs for insurance to protect your family.
- **Educate Your Family**. As you get organized, it's much easier to discuss with your family what you own and how you would ultimately like the assets to be distributed. Developing a will or trust is a good way to direct the distribution of your assets and formalize your intentions. You can also educate your family on specific items of value, which may not be apparent to everyone, and where your assets are located. In this age of electronic communication and paperless investment statements, it can get increasingly difficult for your heirs to know what you own, who to contact, or how to access the information. Give your heirs that roadmap to help ensure that a valuable antique won't be tossed out with the garbage or that an unknown investment account will end up in the state's unclaimed property vault.
- **Reduce Tax Burdens**. Simply tracking your expenses and getting organized may uncover tax deductions for charity, medical or unreimbursed business expenses that you may have otherwise forgotten about at tax time. You could also find that your estate is projected to be large enough to benefit from advanced estate planning. An advisor can guide you through the estate planning process to set up trusts, transfer assets, or re-title assets, when necessary. An estate plan can provide a more tax-efficient approach to pass your assets on to your heirs.

By taking a little time to get organized, you can better understand your financial picture. You can be working towards your goals rather than haphazardly investing with the hope that you end up with enough to retire. You can reduce some of the stresses of protecting your family knowing that you have a plan in place. At AMD, we have advisors who can assist you in the planning process and help you achieve your retirement goals.

About Erin Fann: Erin works with individuals, families and business owners in individual and corporate tax planning, wealth transfers, stock option planning for executives and succession planning. Erin was integral in establishing AMD's Wealth Management practice. She earned the Personal Financial Specialist credential (PFS) from the American Institute of Certified Public Accountants (AICPA), which distinguishes CPAs who specialize in personal financial planning.