

# YOUR ROAD TO RETIREMENT

## DO YOU KNOW WHAT YOU WANT YOUR RETIREMENT TO LOOK LIKE?

When you want to buy a house or a car or even go on a special vacation, you probably can actually “see” the goal you have in mind, and that helps you plan and save enough to achieve the goal.

The same should be true for your retirement. If you can’t visualize where you’re heading, it’s hard to plan and save enough money to make sure that you get there. Retirement is one of the most important financial goals you’ll ever have. If you can’t afford a car, there’s always the bus. If you can’t put enough money together to buy a house, you can always rent. And while it may be disappointing, you don’t have to take that trip you wanted. But what if you can’t afford retirement? The consequences are a lot more serious.

Planning for retirement now is more complicated than it used to be. Most of us can’t count on a pension from our employer, and many of us are thinking about continuing to work, at least part-time, after retiring from our main job. That makes saving for retirement a lot different than saving for a thing. In fact, it’s not enough to just save money; you need to plot your road to retirement.

First, create your own retirement road map, so you know where you want to go and how to get there. Second, calculate the cost of your retirement lifestyle so you can make sure you have enough money to pay for it.

AARP has developed tools to help you plan for the retirement you want.

## PREPARE FOR RETIREMENT

When planning for retirement it is important to think about your desired lifestyle, your health and general financial status. Some people dream of leaving work behind to spend more time pursuing a hobby, volunteering in the community or traveling. Others dream of starting their own business or embarking on a new career. Some people are in excellent health and don’t expect to spend much retirement income on medical care. Others realize that they will likely have ongoing medical expenses and may need to budget for out-of-pocket health care costs, as well as insurance, to help with the bills. Use the AARP Health Care Costs Calculator at [www.aarp.org/healthcostscalculator](http://www.aarp.org/healthcostscalculator) to help you estimate what your out-of-pocket health care costs might be as you age.

## CALCULATE RETIREMENT

Once you have a better idea of the retirement lifestyle you want, you’ll need to figure out how much it will cost. You can estimate how much you need to save by using the AARP Retirement Calculator at [www.aarp.org/retirementcalculator](http://www.aarp.org/retirementcalculator). The calculator has three sections: an estimate of your retirement income needs, an estimate of the sources of money to fund your retirement, and your prospects and alternatives for meeting your income needs.

## ESTIMATE HOW LONG YOUR RETIREMENT WILL LAST

There's no sure way to predict how long you'll live, but you can make a good guess based on average life expectancy rates, your current health status and how long your parents or grandparents lived. With this guess, go out on a limb. If you think you'll live to 85 after taking these things into account, plan for enough money to support you at least to age 90. Don't underestimate how long you think you will live; otherwise, you may not save enough to make your money last.

## SET A FINANCIAL GOAL

Most people need somewhere between 70% and 100% of their preretirement income to cover expenses when they stop working. So if you earn \$30,000 and you think you'll need 80% of that in retirement, your financial goal will be to have enough income to pay you \$24,000 a year for each year in retirement before adjusting for inflation. For many, Social Security is a significant part of your retirement income. On average it is about 40% of preretirement income; therefore, deciding when to claim can be a big decision. Your Social Security benefit is based on your highest 35 years of earnings and the age at which you claim benefits. The average benefit is about \$1,400 a month. By waiting to claim your full retirement benefits (up to age 70), your monthly check can go up by 8%. Visit [www.aarp.org/retirementcalculator](http://www.aarp.org/retirementcalculator) to estimate your benefit and learn about strategies you can use to maximize your Social Security income.

## CLOSE THE INCOME AND EXPENSES GAP

Now that you have a financial goal for your retirement, look at how much you have in the bank, what you bring home each month, your savings rate and the size of your retirement account. Once you know how much income you can count on each month and how much you'll need to live comfortably in retirement, it's time to figure out how to plug any holes. A great way to start is to design a budget, identify where you can cut costs and use your savings to pay off debt.

## TAKE ACTION!

- Think about the type of retirement you want and how you can fund it.
- Use AARP's Retirement Calculator at [www.aarp.org/retirementcalculator](http://www.aarp.org/retirementcalculator) to determine where you are on your path to retirement security.
- To calculate different Social Security claiming strategies check out [www.aarp.org/socialsecuritybenefits](http://www.aarp.org/socialsecuritybenefits) or to find out how much your Social Security benefit is expected to be call **1-800-772-1213** or visit [www.ssa.gov/myaccount](http://www.ssa.gov/myaccount).
- If you have a pension, ask your employer for a benefits estimate.

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