



What Expenses May Belong in a Retirement Budget?

When estimating your retirement budget, consider the following questions to help develop a more complete and accurate set of expenses:

- How many years remain on your mortgage?
- Do you plan to move or downsize your primary residence?
- How will your health insurance premiums change after you retire?
- Have you factored in the increased out-of-pocket medical costs that often accompany age?
- Do you have all of the insurance you need, or should you budget for additional premiums, such as long-term care insurance?
- Will you spend more on travel or hobbies once you have more time to devote to them?
- How much could inflation potentially increase your cost of living?

Assess Essential, Discretionary and One-Time Retirement Expenses



Understand what types of expenses you're likely to incur and how big they're going to be each year. This may help you determine how much income you'll need to meet your average monthly expenses and cover any surprises. Your expenses may fall into the following categories: essential (must have), discretionary (optional) and one-time (a remarkable but necessary occurrence).

Essential expenses. Your essential average monthly expenses in retirement can include categories such as household, transportation, living expenses, family care and medical/health. You may not be able to live without these retirement expenses.

Discretionary expenses. Discretionary expenses can include costs such as entertainment, eating out, hobbies, subscriptions, education, travel/vacations, charitable donations, gifts, professional/social dues and gym memberships. These are your extras. If necessary, you may be able to forgo or reduce them.

One-time expenses. In retirement, you might incur some one-time expenses such as a child's wedding, a grandchild's college tuition, an emergency (such as a major home repair), a home improvement or the passing of a loved one. By planning ahead for these potential liquidity needs and factoring them into your budget, you may lessen the chance of unpleasant surprises.

TAXES

Don't forget taxes as you're formulating your retirement budget. You may have to factor in federal, state and local income taxes, as well as property taxes if you own a home.



Retirement Timing

Your retirement budget could change based on when you plan to retire:

- If you retire early, you may need a bigger nest egg to carry you through your retirement years.
- If you retire later, you'll still need to have enough income to last throughout retirement, but you may have fewer years with less income coming in.

Retirement Income

Now it's time to consider the income side of the equation. Some of your income may originate from fixed sources, such as Social Security benefits, pensions and annuities. But if you're like most people, most of your retirement income will come from portfolio withdrawals. If you know how much retirement income you may need, you and your financial professional can invest your portfolio to give you the best chance at a successful retirement.

THE IMPORTANCE OF ONGOING MONITORING

Because your expenses are likely to change over time, you might need to adjust your retirement income plan to accurately reflect these changes. You may want to continue to monitor your expenses and adjust your budget throughout retirement.



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