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WHEN IT COMES TO RETIREMENT, IT'S LIKE JUGGLING JELL-O

CHANGING ONE PIECE SHIFTS EVERYTHING

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There is a great deal of focus on “the number” when it comes to retirement. How much you need, whether it’s enough, and how to get there.

What I see in my practice is that retirement planning is not about a single number. It’s a group of decisions that all interact with one another.

Cash flow, taxes, investment strategy, risk tolerance, health expense and timing all play a role. When one-piece shifts, it often affects the others.

I frequently describe it as trying to juggle Jell-O. Everything is connected, and changing one piece shifts everything else, sometimes all at once.

I’ve worked with clients in strong financial positions who still needed to rethink how their investments were structured now that their retirement risk tolerance was lower. Others had accumulated significant assets but hadn’t calculated how those assets would provide an income to support their day-to-day lives in retirement. Still, other clients had not considered the priority of which accounts to withdraw from….non-IRA and pay lower tax, Roth IRA with zero tax or traditional IRA which is 100% taxable.

Several years ago, I had a client who was told she should utilize all her non-IRA accounts first for her early cash flow needs and then withdraw from her IRA. I vetoed that strategy. Here’s why: If you liquidate all your lower taxed assets in early years, leaving only IRA accounts, you will be forced to use your IRA funds to cover any large, unexpected expense and you will have higher tax liability. It’s always a good idea to have a combination of accounts to use to cover expenses.

Having the right “number” is only part of the equation. Understanding how all the pieces fit together and are co-dependent is just as important.

This is the part of retirement planning most people miss.

Having a retirement strategy tailored to your unique situation is often more valuable than relying on assumptions or general advice.