Janus Henderson
INVESTORS

BIG QUESTIONS FOR A BETTER RETIREMENT

As investors near retirement, readiness planning can seem daunting. We believe it's important to ask the right questions in order to make sound decisions. Here are five important questions you should consider as you begin the transition to retirement.

When Is the Right Time to Retire?

- **Health** – An individual and the health of their spouse should factor into the decision about when to retire. A retiree in poor health may not be able to work full time or even part time during retirement, which could factor into the cost of health care and impact savings.
- **Age** – Age will dictate access to certain benefits and income sources in retirement. For example, age 55 is the typical age individuals can start taking withdrawals from 401(k) accounts without penalty, while Social Security isn't available until age 62. Age matters, so ask your financial professional for more considerations.
- **Money** – Money is obviously needed to live in retirement, but how much is needed will vary significantly by retiree. It's important to understand minimum expenses and how much you will need to feel like you're living well in retirement.
- **Time** – What do you plan to do when you leave the workforce? Leisure activities might be good initially, but many retirees want more during retirement to keep themselves stimulated.

How Do I Make My Money Last?

- **Maximize your highest-earning years** – Understanding all your options is important, such as utilizing catch-up provisions to maximize your highest-earning years.
- **Don't underestimate the impact of large drawdowns** – Your wealth profile can radically differ if you take a large withdrawal or experience a large market downturn early in retirement.
- **Establish spending discipline** – The downside of engaging in unsustainable spending patterns is the risk of living longer than your money. Align your spending with your expenses to help create a realistic budget and make good spending decisions.
- **Create a cash flow strategy** – Once you have estimated retirement expenses, audit all investment accounts to understand how you are allocated across equities, fixed income, cash and other categories. Ensure that the allocation is appropriate in terms of risk tolerance and ease of access.

What Do I Need to Know About Social Security?

- **Can you count on Social Security?** – The Congressional Budget Office projects that given tax revenues, the Social Security Administration may not be able to support expected benefits in future years.
- **Calculating Social Security** – The amount of Social Security benefit you receive is based on two factors: How much you earned over your working career and the age at which you apply for benefits.
- **How to estimate your Social Security benefit** – You may begin taking Social Security retirement benefits as early as age 62 but your benefit will be greater if you wait until your full retirement age. Visit the Department of Labor's website (**www.dol.gov**) to understand how it works.

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How Do I Plan for Health Care in Retirement?

- **How does Medicare work?** – Generally, retirees will qualify for Medicare at age 65 if you or your spouse has worked long enough to be eligible for Social Security retirement benefits, but it's important to discuss all your options with your financial professional.
- **Medicare gaps to be aware of** – It's important to understand what isn't covered by Medicare Part A and Part B. Learn more information about Medicare Part A and Part B by visiting **www.medicare.gov**

How Do I Start My Plan?

- **Audit expenses and determine projected retirement monthly spending gap** – Map out expected expenses and compare them to guaranteed sources of income. This can help determine how much you can expect to receive and what you may need to withdraw from investments each month.
- **Review your risk profile and beware of investing solely for income** – Many financial professionals agree that reducing equity exposure and risk can be important as you approach retirement. For many, this means reallocating to less-risky investments such as bonds. However beware of investing only for income; in a low interest rate environment it may be difficult to generate meaningful cash flow.
- **Review asset location** – Audit the types of investment accounts in which money is invested and how much is in each account. Being aware of the various types of accounts you have such as a 401(k) plan, IRAs, pension, annuity, etc., can assist you in creating a tax-aware cash flow strategy.

QUESTIONS? ASK YOUR FINANCIAL PROFESSIONAL FOR MORE INFORMATION.

FOR MORE INFORMATION, PLEASE VISIT **JANUSHENDERSON.COM**

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A retirement account should be considered a long-term investment. Retirement accounts generally have expenses and account fees, which may impact the value of the account. Non-qualified withdrawals may be subject to taxes and penalties. For more detailed information about taxes, consult a tax attorney or accountant for advice.

Diversification neither assures a profit nor eliminates the risk of experiencing investment losses. No investment strategy can ensure a profit or eliminate the risk of loss.

Fixed income securities are subject to interest rate, inflation, credit and default risk. The bond market is volatile. As interest rates rise, bond prices usually fall, and vice versa. The return of principal is not guaranteed, and prices may decline if an issuer fails to make timely payments or its credit strength weakens.

Annuities are long-term investment vehicles designed to accumulate money on a tax-deferred basis for retirement purposes. They limit access to the investment as a result of surrender charges and are subject to a 10% tax penalty on certain withdrawals. Riders are generally available for an additional charge. Variable annuities are subject to investment risk, and investment return and principal value will fluctuate.

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