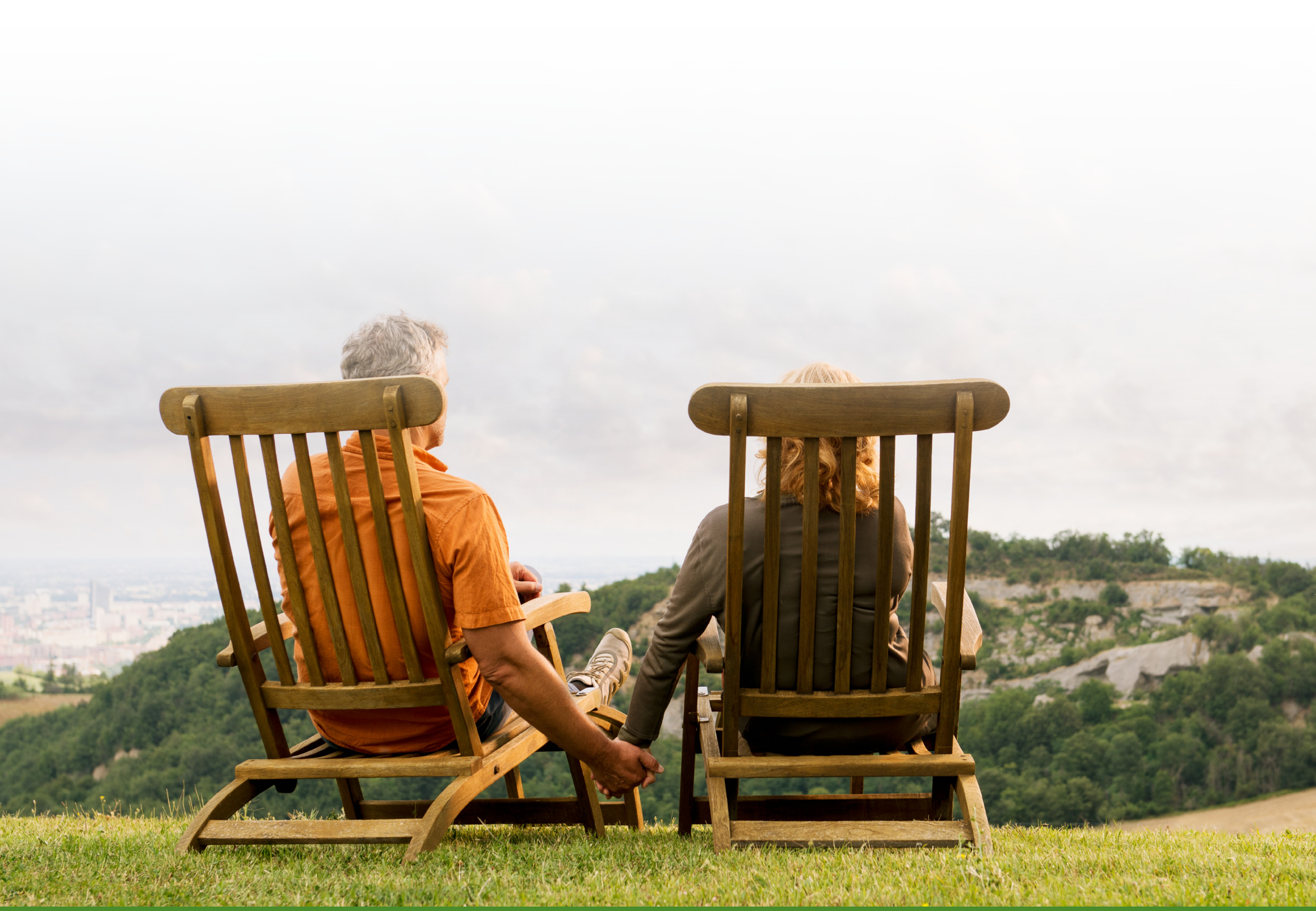

Rethink Your Retirement Plan with a Midlife SWOT Analysis

How to Examine Your Plan's Strengths, Weaknesses, Opportunities, and Threats

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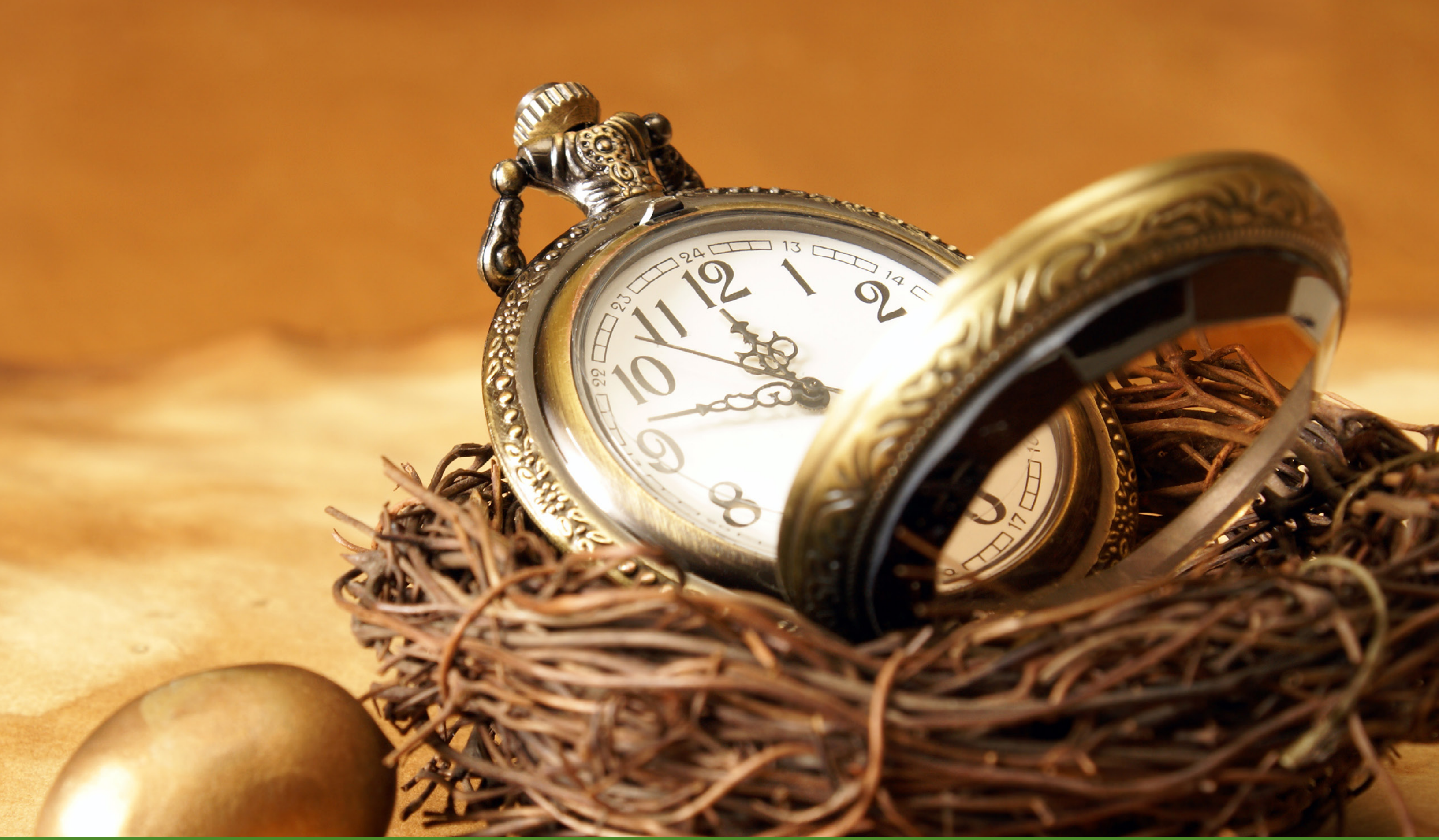


Strengths

Weaknesses

Opportunities

Threats

If you're a successful, financially-savvy individual, you've probably been contributing to retirement accounts for years. But is that enough? Can you afford to leave retirement plans on autopilot?

Don't let an above-average income mislead you. The fact is, more than one-quarter of Americans between the 50th and 75th percentile of the income distribution scale will run out of cash in retirement, according to calculations from the Employee Benefit Research Institute[i]. Even among the country's *wealthiest quartile*, 13 percent are in danger of churning through their savings within 20 years of retirement[ii].

It's time to reassess how well your family is doing. This guide will walk you through a midlife S.W.O.T. analysis. A SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) is a structured planning process that can help you gain insights into your retirement planning thus far, and uncover potential action items as you near the retirement "red zone", the several years just prior to retirement.

The median retirement savings accrued by working Americans (age 40+) who have consistently *saved is $160,000, compared to $60,000 saved by those who did not save consistently.*

Source: Wells Fargo Retirement Study, 2015

Strengths

Your plan started early.

Retirement math is pretty simple: the younger you are, the more working years you have in front of you. More working years equal more income to be saved toward retirement. Families in their 20's and 30's are smart to get in the habit of saving early, when they can still meet goals with a smaller slice of their paycheck than older colleagues, who need to play catch-up.

What's more, thanks to the value of compounding, the same total investment amount—extended over a longer period—will often produce greater returns. In other words, investing $500 per month over 20 years is potentially more fruitful than investing $1,000 per month over 10 years (bearing in mind, of course, it's impossible to predict the outcome of any particular investment).

You're maxing out contributions.

When you're contributing as much as you possibly can toward your 401(k) plans and IRAs, that's a good sign you are aggressive about preparing for retirement. Saving pre-tax money typically lowers your current taxable income, and thereby your current tax obligation, too. Right now there's a promising savings trend among Baby Boomers and Millennials—with 19 percent and 21 percent, respectively, contributing more than 15 percent of their salaries toward retirement[iii]. (Generation X—a.k.a. "the sandwich generation"—continues to struggle with the financial demands of dependent children and aging parents; only 12 percent are currently contributing more than 15 percent of their annual pay.)

In addition to maxing out 401(k) and IRA accounts, families enrolled in high-deductible health plans may want to consider contributing to health savings accounts, which can be used as separate savings vehicles to hedge against healthcare costs in retirement.

A full 80% of U.S. adults (age 45+) believe it is important to live near their children and grandchildren.

Source: AARP

Weaknesses

You're not revisiting and recalibrating your plans every year or so.

At its core, retirement planning is about envisioning the life you want to live after giving up a full-time career. Identifying your "number," requires an examination of your spending habits—adding some cushion for inflation and healthcare costs—but also a close look at your happiness index. Many people do their best to anticipate wants and needs 30 years down the road, but understandably they fail to account for the big shifts…

Between the ages of 35 and 65, your entire worldview can change. You may start a family, eventually welcome grandchildren, divorce, or remarry. You may enjoy multiple promotions—with significant jumps in salary. You may purchase a larger home, move to a pricier zip code, discover new hobbies, or even start your own business. Suddenly, your "number" doesn't account for a more current set of wants and needs—or even your desired retirement timeline. The best way to shore up your retirement plan is to schedule an annual or bi-annual review of your spending needs and objectives alongside the relevant numbers.

You're not partnering with a financial professional.

In the Internet age, when even the most complex information is available on demand, there's virtually nothing Google cannot answer—or so it would seem. In reality, online tools and retirement calculators don't go nearly far enough in providing comprehensive, individualized advice. Likewise for most of the retirement planning resources available through your employer.

Do-it-yourself retirement planning is particularly ill-advised if you're an affluent or high-net-worth individual, for whom "saving as much as possible" is no longer the name of the game. If you own a family business or professional practice, your retirement plans are additionally complicated by the need for adequate insurance coverage and an efficient exit strategy. Are you confident in your ability to execute the following items on your own?

- Proper asset allocation
- Insurance planning/asset protection
- Estate planning that aligns with your retirement plans

Without a dedicated financial advisor, you may be missing out on sizeable opportunities, which brings us to…

Only 52% of family business owners expect the next generation will be able to sustain their organizations without them.

Source: PWC survey

According to the U.S. Bureau of Labor Statistics' CPI Inflation Calculator, it now takes $146,000 in 2016 to equal the buying power of $50,000 in 1980.

Source: BLS, CPI Inflation Calculator

Opportunities

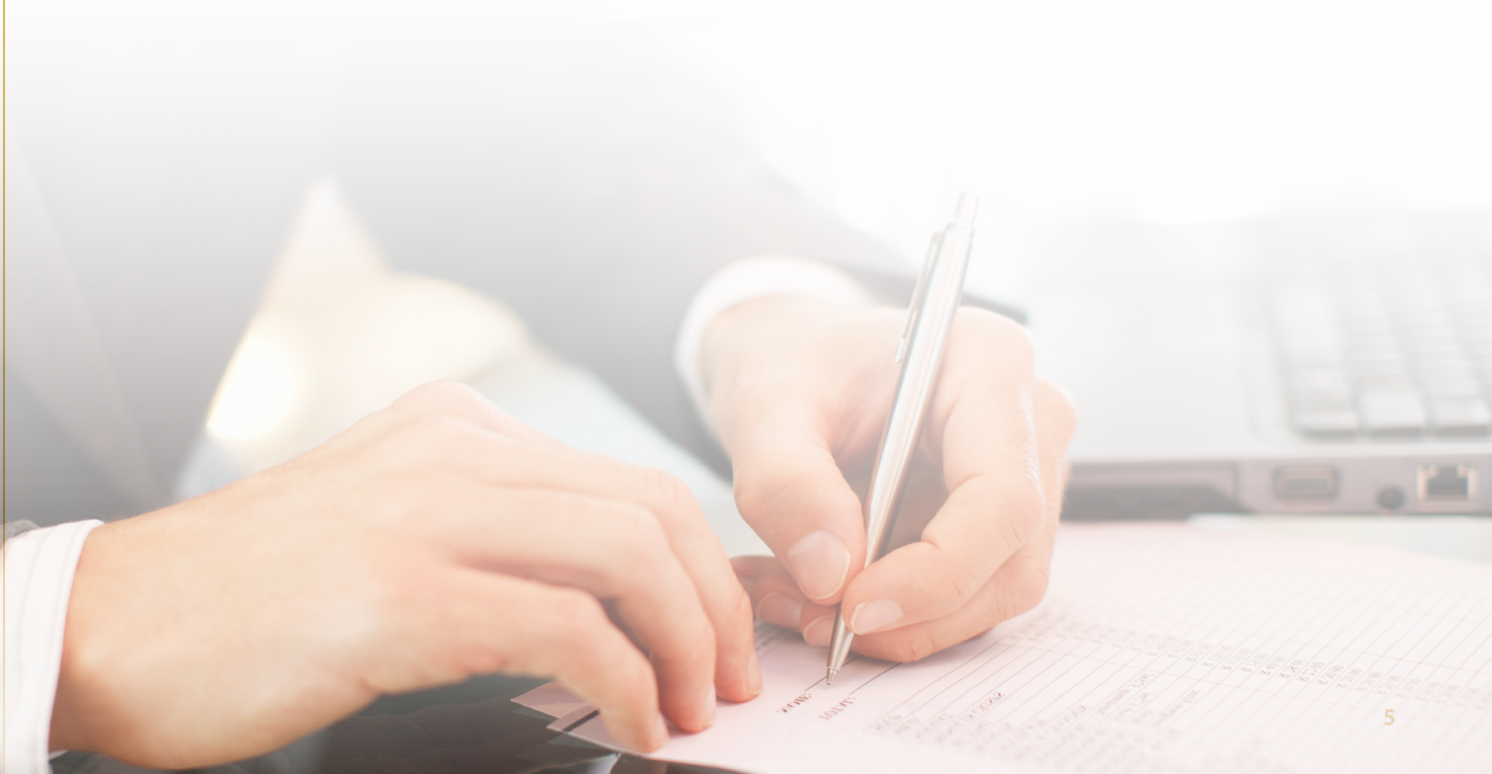
You could practice more strategic tax management.

Tweaking your retirement plan for tax-efficiency isn't about paying less than you owe; it's about supporting the causes that matter to you and transferring more or your wealth to the next generation. With the help of financial advisor, you should take steps to determine your current (and future) tax burden, and design strategies to minimize the amount of tax you pay in retirement. This can include decisions about how you will invest, how to contribute and withdraw from tax-deferred accounts, how you plan for charitable giving, even where you choose to live in retirement.

You could reconsider conservative investments and savings vehicles.

We all roll our eyes to hear about the days when a loaf of bread cost 10 cents, or when a gallon of milk could be purchased for a quarter. And yet, our grandparents' nostalgia can serve as a cautionary tale, while we're evaluating our nest eggs and the potential effects of inflation. The same $80K or $100K you need *today* to sustain your current intake of goods and services will almost certainly buy less in 20 years than it buys right now. To offset this decline in purchasing power, you need to tap into investment/savings vehicles that will help your assets keep pace with the cost of living.

Unfortunately, nearly one in four Americans cite "cash" as their preferred long-term investment option, according to a recent Bankrate.com survey[iv]. This opinion persists despite the fact that most cash investments yield less than one percent.



Half of retirees stopped working sooner than they expected, mostly due to health issues (37%), employer decision (21%) or other reasons beyond their control.

Source: Wells Fargo Retirement Study, 2015

Threats

You might be failing to track your spending, and not diverting cash for big ticket items.

Fewer than one in three Americans (32 percent) maintain a detailed household budget each month, keeping track of income and expenses. The proportion is slightly higher (39 percent) among households with incomes of $75,000 or more[v]. How do the other 60-plus percent ensure they're earning as much as their retirement plans assume? How do they set cash aside for big-ticket, pre-retirement needs? The short answer is: they probably don't.

Even if you earn a comfortable salary, and even if you're enrolled in automatic retirement savings programs, it's still possible to be living beyond your means—especially if your family includes financially-dependent children and/or aging parents. Consider these average costs:

- The annual cost of infant care in cities like Boston and San Francisco is roughly **$24,000**[vi].
- Annual tuition at a four-year, private college averages **$32,405**[vii].
- The average wedding costs around **$32,000**[viii].
- The average cost of nursing home care in Massachusetts equals $310/day, or **$113,000**/year[ix].

Unless you're allocating money to these buckets well in advance, you may find yourself eating into the income streams you assumed would consistently fund your retirement at a pre-determined level.

You may be failing to plan for an unexpected job loss.

There's no rule that says retirement has to start at age 65. And in fact, many professionals are planning to stay in the workforce well beyond their mid-sixties—for financial and/or personal satisfaction reasons. The trend coincides with Americans' longer, healthier life spans, and *for some* it offsets the urgency of a hard-and-fast deadline.

But later-stage career earnings shouldn't be taken for granted, either.

According to a report from the Center for Retirement Research at Boston College, unemployment rates among executives over 50 are increasing faster than those for any other worker group. Further, displaced older workers are more likely to face long-term unemployment than younger peers. Finally, if older workers do get re-hired, they take an average pay cut of at least a 25 percent[x].

Only 23% of workers have a backup plan for retirement income if forced into retirement sooner than expected.

Source: Center for Transamerica Retirement Studies, August 2016

SWOT Analysis Worksheet

A SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) is a structured planning process that can help you gain insights into your retirement planning.

The goal of a SWOT analysis is to capitalize on your strengths and determine areas of weakness you can improve upon. Take the time to protect your future. Print out and fill in the sheet below.

Not only will this analysis help educate you on possible dangers facing your financial future but it's a valuable tool to share with your financial advisor. Don't hesitate to reach out to the GW & Wade team if you need any help!

Strengths	Weaknesses
Opportunities	Threats

Conclusion

The road to retirement is rarely a straight line. From the time you begin to think about your plan, to the time you begin to reap its rewards, any number of twists and turns can affect your strategy. By partnering with a financial planner, you can rest assured there's an experienced professional asking the right questions on your behalf, and prompting you to take action as different opportunities arise.

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Learn more about GW & Wade's retirement planning and wealth management services at www.gwwade.com.

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i https://www.ebri.org/publications/notes/index.cfm
ii "Even the Wealthy Can't Count on their Retirement Years Being Golden," by Walter Hamilton, Los Angeles Time Online, July 13, 2010.
iii https://www.transamericacenter.org/docs/default-source/retirement-survey-of-workers/tcrs2016_sr_perspectives_on_retirement_baby_boomers_genx_millennials.pdf
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