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Do-It-Yourself Retirement Planning**

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**Do-It-Yourself Retirement Planning**

**Take Action: 5 Steps to Do-It-Yourself Retirement Planning**

The point of working so hard is to have a ball in retirement, right? That’s what 80 percent of survey respondents say in an Axios-Ipsos poll. And, a majority of retirees (68 percent) note that they feel better than they’ve ever felt now that they’ve retired.1

But while retirees felt great, the working masses didn’t share their enthusiasm.

About half of survey respondents say they are not able to save for retirement, much less do any sort of retirement planning.1 And one in five respondents feel like they’ll never be able to retire.2 Among their chief worries are that they don’t have enough saved, that Social Security will not be around, and that they will be unable to fund a retirement for a longer-than-expected lifespan.

But the quote: “Action is the antidote for anxiety,” can be helpful in this situation.

Whether you’re an optimist or pessimist when it comes to retirement and retirement planning, there are some actionable steps you can take to get prepared and lessen your anxiety. Doing it yourself when it comes to retirement planning is an art, and we offer you seven tips to start your masterpiece.

And while we offer these tips, keep in mind that people who work with a financial professional can add between 1.5 and 4 percent of portfolio returns over the long run, according to Fidelity.3 So if you find you do not want to be a retirement planning artist, give us a call.

**Step 1: Assess Your Financial Situation and Retirement Goals**

You’ve probably been in the workforce for some time now and been through some organizational change. These changes often start with a current state analysis to understand where the business is to identify strengths and weaknesses and develop more efficient processes.

The same is true when it comes to making changes to your finances. Do a current state analysis to understand your income and earnings. You’ll need this number for Step 2.

Next, determine your retirement goals and timeline. Retirement isn’t just about stopping work at a certain age, though that’s part of it. Determine what age you want that to be and then think about how you want to *live* in retirement. Do you want to move somewhere warm? Do you want to downsize your home? Do you want to be able to help your grandkids through college? Do you want to travel? Your retirement age and your desired lifestyle in retirement will determine what you’ll need to save.

**Step 2: Create a Target Budget and Current Spending**

Would you build a house without a blueprint? Unlikely. Just like you wouldn’t build a house without a blueprint, you shouldn’t set a budget without a realistic savings target. But what each individual needs to save is entirely dependent on Step 1.

When you identify the value of your retirement accounts and assets, current pay, retirement horizon and your goals for the lifestyle you want to live in retirement, you can figure out how much you might need in retirement. AARP reports that for a comfortable retirement, you should plan to spend 70 to 80 percent of your current (or pre-retirement) post-tax income.4

Nerdwallet has a free Retirement Calculator tool to help you play with the numbers at [www.nerdwallet.com/calculator/retirement-calculator](https://www.nerdwallet.com/calculator/retirement-calculator). Input your current age, annual pre-tax income, current retirement savings, your current monthly contribution, your monthly budget in retirement (70 to 80 percent of your current post-tax income) to see what might have in your retirement accounts by age 67 and what you need. If there is a discrepancy, you can identify how much you need to up your retirement contributions. This tool takes inflation into account.

Next, figure out where you can tighten spending. This is helpful especially if you have a big discrepancy and need to up your retirement savings. Track your spending on essentials, like groceries, mortgage or rent, bills, healthcare, medications, and car maintenance and upkeep (including gas). Then itemize your discretionary spending, like subscriptions, clothing, and non-essential personal items. Get an idea of how much you currently spend and compare inflows versus outflows. Then look at your discretionary spending to see if you can cut anything. Remember that every dollar you save now can help you get one step closer to the retirement you want.

**Step 3: Build a Diversified Investment Portfolio**

As a self-directed investor, understanding your investment options is critical. From stocks and bonds to mutual funds and Exchange-Traded Funds (ETFs), you have a plethora of instruments at your disposal to grow your retirement savings. And diversification – or spreading your investments across different asset classes – helps mitigate risk and maximize potential growth.

But remember, working with a professional can yield higher returns for you so if you are uncomfortable building and managing a diversified investment portfolio is out of your comfort zone, a financial professional can help tailor your investment strategy to your goals and risk-tolerance level.

**Step 4: Maximize Retirement Accounts**

If your company offers a match to contributions to their employer-sponsored 401(k), aim to contribute enough to receive the full company match. Make sure you know what you’ve got your money invested in within the plan and ensure it aligns with your investment strategy.

You can also consider vehicles like IRAs and Roth IRAs. Deciding between a Roth IRA and a Traditional IRA will hinge on factors such as your current tax bracket, anticipated future tax situation, and the stage of life you are in. Analyze which will benefit you most in the long run.

**Step 5: Plan Healthcare Costs**

Not one of us likes to think about our own death. But how long you live and how healthy you have an impact on your healthcare costs. The Social Security Administration has a Life Expectancy Calculator that will tell you how many additional years you can expect to live based on your gender and current age. For example, a woman aged 39 years and 11 months can expect to live an additional 45.5 years until she is 85.5. If she makes it to age 70, she can expect to live an additional 19.1 years until age 89.1

And by the time you reach age 65, your healthcare costs are estimated to triple from your 30s, reaching $11,300 a year per person, according to Registered Nursing.5 That’s a major expense. Plus, 70 percent of people 65 and older will need long-term care, so it might be beneficial to consider long-term care insurance. The earlier you make this decision, the more cost effective it will be for you.

**Consider a Team Approach**

Retirement planning for yourself can be intimidating. And sometimes, it’s best done by a team of professionals. We are here for you to help you build a solid retirement plan that will help you achieve the retirement of your dreams. So give us a call!

**Sources**

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