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‘Monthly’ Approach Can Make Sure You Retire With Enough Cash

- Brian O'Connell

NEW YORK (MainStreet) — Americans continue to have a retirement savings problem, but there could be a better way out of that problem — if savers look at retirement differently.

According to **TIAA-CREF**, 29% of U.S. adults have saved nothing for retirement, even though 46% say they're afraid they'll "run out of money" after their working years.

One possible solution to the retirement challenge is to not look at an entire retirement savings package, but to look at it in stages — even 30-day stages in which you estimate how much money you'll be getting in retirement each month, then weigh that figure against possible expenses.

TIAA-CREF reports only 38% of Americans have even considered what their monthly retirement flows will look like, but they should. Grasping the big picture and breaking that down to manageable chunks can change the retirement savings equation, experts say.

Start by estimating your current cost of living and checking it against your cost of living in retirement.

"Look back over the past few months, and see what your cost of living actually is," advises Mike Chadwick, chief executive of **Chadwick Financial Advisors** in Unionville, Conn. "People use gross numbers, but after-tax cash flow is what matters. Once we know the cost of living today, we must inflate it to take into account the time it'll take you to get to retirement, ensuring that the number keeps pace with inflation."

Phil Ash, co-founder and chief executive of **Baton Investing**, says to best guarantee making the income you'll need in retirement on a monthly basis, you should never assume a specific dollar amount — $1 million, say — is enough.

"Amazingly, many people in their 40s and even 50s have yet to crunch the numbers to figure out how much money they'll need to retire comfortably," he says. "When asked, many reflexively assert the assumption that they'll need $1 million. But if, for example, someone is currently living on $100,000 a year and expects to live on $75,000 a year upon retirement at age 65, they're actually going to need $2.25 million to get them to age 95. Clearly in this scenario and so many like it, the numbers have not been adequately crunched."

Anthony D. Criscuolo, a certified financial planner with **Palisades Hudson Financial Group** in Fort Lauderdale, Fla., is on board with that sentiment.

"Is $1 million a good number to strive toward?" he asks. "$1 million certainly does not buy as much as it used to. Besides inflation, retirees are living longer, more active lives, which is causing more nest eggs to be depleted faster than expected."

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But a monthly budget in retirement, derived as part of a larger financial strategy over the long haul, can really help clarify the picture. "The most important part of retirement planning is to have a plan," Criscuolo says. "This includes taking a look at your current and expected sources of income and expenses to determine what your cash flow will look like during retirement and throughout your life expectancy."

In the end, all it may take is to know what you'll really need to live on in retirement, then go from there, says David Lyon, chief executive at **Main Street Advisor** in Chicago.

"A so-called 'good number' is all based on the goal of the client," he says. "I see far too often that a general rule is thrown out there that misleads people. A good target number takes a little work to figure out."

A better way is to ask yourself how much do you need today to live the way you want to in retirement, he says. "Then you can figure out with inflation what that number would be at the time you plan to start retirement, not forgetting that inflation will still happen once you begin retirement."

Applying some forward thinking in bite-size doses may be the best advice of all to help map out a solid retirement. The only question for those struggling with retirement is this: "Why haven't I been doing that before?"

— By Brian O'Connell for MainStreet