RAYMOND JAMES®

A Retirement Spending Plan

This customized article, originally provided by Broadridge®, is to provide some basic education about this topic as a prelude for the in-depth conversation that you will have with your advisor. This is not a solicitation for any investment or insurance product. There is no single investment or insurance solution for all people; rather we use the products and services that match your needs and risk tolerance.

What is the Spending Plan?

Your spending plan is essentially your budget. By using a more positive name, you can escape the feeling of restriction that often accompanies the term budget. Your spending plan is a tool to help you achieve financial goals that otherwise might seem impossible to reach and live within your means during your retirement years. It is a way to take charge of your spending on a daily, weekly, and monthly basis so that you can channel your fixed income to achieve your goals. A spending plan is also a way to keep money from slipping away unnoticed, allowing you to take charge of decisions such as what to buy, when to buy it, and why.

How do you Create a Spending Plan?

The first step is to set your budget goals, both short and long term. Goals give you something to look forward to and help you identify what you would eventually like to accomplish with your spending plan. In addition to identifying your financial goals, you need to estimate their cost, factoring in the rate of inflation for long-term goals. This allows you to determine how much must be set aside each month and helps you prioritize your goals. Changes in your income, health, the economy, your family size, and dozens of other variables can affect your plan and force you to sacrifice some of your goals. By prioritizing your goals, you will be prepared to make crucial decisions about what goals to abandon if necessary.

How do you Develop a Spending Plan?

To develop a spending plan, you must first become aware of your planned monthly expenditures and income. A spending diary, whether computerized or handwritten, will help you to identify your spending patterns and eliminate unnecessary expenditures. Your expenditures analysis should include out-of-pattern expenses (expenses that are not incurred every month, such as annual insurance premiums, automobile registration fees, subscription renewals, and holiday expenditures). Unless you derive income from various and unpredictable sources, your income analysis should be easier. Include your current salary or use estimates based on the past two years.

Once you know how much money you have coming in and where it is going, you can determine what percentage of your gross income goes to each category of expenditures (e.g., housing, taxes, transportation, food, clothing, and entertainment). By keeping your plan flexible and periodically reevaluating your progress, you can take control of your financial situation.

How do you implement and monitor the plan?

Once your goals have been identified and your spending plan developed, all you need to do is implement the plan and monitor your progress. To make the process easier, you should include your spouse in the effort, commence the plan at a good time (not just before the holidays or vacation), keep the monitoring process simple, and be flexible. Discipline is necessary, but don't be too hard on yourself or you may become frustrated and abandon the whole effort. Be willing to make adjustments as you go along. You can monitor your plan using modern computer software or old-fashioned paper and pencil.

How do you cut costs if you are spending too much?

If you are spending too much, there are several ways to cut back. One approach is to work on changing your spending habits. Suppose you are spending too much money on particular items (such as clothing) or spending more money at certain times of the month (near payday). By being aware of those habits, you can make appropriate changes. You may also try shopping smarter and reducing restaurant and/or entertainment expenses. Another option is to downsize to a less expensive car or home to reduce spending.

You may also reduce spending by reducing the cost of your debt. One way is to consolidate or refinance high-interest loans. As mentioned, you shouldn't be too hard on yourself, but make a few changes. In time, you may be able to bring your spending under control.

Spending in Your Retirement Years*

There are many ways to create your spending plan; this article provides just a few techniques. During your retirement years, you will be living on a fixed income from pensions, social security, and any other retirement savings. It is important to plan your spending and live within your means, because once incurred, any debt will be more difficult to payoff.

We encourage clients to separate their spending into “needs” and “wants”, have accounts they can access without penalties, and also maintain a safe and liquid emergency reserve. Further, we encourage clients to plan their retirement spending in increments of time; we call these years the “Go-Go” and “Slow-Go” years. It is also important to plan for the additional costs of healthcare and custodial care as you get older. When properly planned using conservative and valid assumptions, a retiree can enjoy the activities that they have planned for a lifetime. Our office can provide documents and tools to help you generate your spending plan.

About Martin McGillivary*:

Marty McGillivary and the Eagle Financial team treat the challenges you bring to us as our own; we embrace your circumstances and values; we tailor and manage a financial plan that honors your goals and enables your best future. Your future is our business. We are dedicated to serving the financial needs of our clients throughout the United States.

Marty is a financial advisor with over 25 years of experience focusing on the construction and management of financial portfolios. He has worked through a variety of markets and economic conditions and favors a disciplined approach to managing assets. He provides comprehensive financial planning services, using an array of investment vehicles to tailor each account to each client's investment parameters, expectations and special needs. Those special needs range from the early stages of accumulation to using life's savings to finance education, large purchases, career changes, legacy goals, and retirement. He is licensed and registered to assist with life, disability, long term care insurance, and investments.

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