3 Maximizers to Help You Make the Most of Your Wealth in Retirement

To get the most out of your retirement, you have to make the most out of your savings. Here are three steps to take as you head toward retirement.

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For decades, you (hopefully) set aside money for retirement, invested it and watched it grow while dreaming of the day when you could bid farewell to the working world and eagerly greet a more leisurely existence.

Accumulating money for retirement is one thing; getting the most out of that money is another. You want to be sure you can maximize the wealth you have amassed so that your dreams of retirement — whatever they might be — are realized.

Let's take a look at three retirement maximizers that can help you do that:

Make a plan

Retirement represents a substantial life-transition event. It's important to know what your vision is for this next adventure and to make sure you have the money to accomplish that vision. To do that, you need a plan.

I remember planning for a couple who owned a very successful company, actually sharing the CEO office. When they sold their company, we got together, thinking through their dreams for the future and how they could combine a few of their passions. They loved traveling overseas, experiencing new cultures and wanted to make a positive impact for the rest of their lives. They wanted to take others with them on this journey. So, they transitioned to becoming international missions pastors at their church, taking on average 15 to 20 groups on international mission trips.

My happiest clients are those who have refocused or redefined their life dreams. Sometimes that process takes a little doing. As we sit together, I try to draw out of people what their vision is for the future. This is important because when you have a clear vision of what you want from retirement, you can establish priorities and set goals to help you get there.

Once you have done that, you can start working on the best strategies to make your vision and your financial situation mesh. Pragmatic planning includes how you allocate cash flow on a monthly basis, so it is important that you and your spouse are in agreement.

Your plan also should include a "dream list" — a one- to three-year bucket list of things you want to do right away. Finally, there is your legacy, the long-term vision of the impact you want to have on your family and your community.

Reduce your risk

One major question people ponder when they think about retirement is: Will my money last the rest of my lifetime? It is an excellent question, especially with life expectancy growing longer. It is important to know where your finances stand as of today and to explore how you can help reduce risk in your portfolio, especially as you get closer to retirement.

Many people believe they are not in control of risk. They think they simply must take whatever the stock market dishes out. But there are ways to bring more predictability to your financial situation. First, you should understand what your risk tolerance is, because the way forward starts there.

Some people are not bothered by risk, while others get anxious. Financial professionals often use technology to help determine a person's risk tolerance. Once you have done that, you can put strategies into play, such as a detailed cash flow spend-down plan. You can explore financial tools designed to help mitigate risk, such as principal protection, income protection or both. You also want to plan for an expense many people do not like to think about but is among the biggest risks your portfolio faces — the cost of health care and long-term care.

Be proactive about tax savings

Even in retirement, you will pay taxes. The good news is there are ways to help reduce those taxes, but to accomplish that, you may need to change your mindset on the subject. Unfortunately, many people have a *tax-preparer* mindset. That's problematic, because tax preparers do not think about taxes until April 15 is bearing down. By then, it is too late to do much about what you owe.

The trick for you is to shift to a *tax-planner* mindset. A tax planner has the entire year to think through tax-saving strategies, avoiding the wrong moves and making the right ones while those moves still make a difference. For example, you should understand that certain taxes, such as capital gains tax and estate tax, are in a sense voluntary. If you are proactive, you can plan for them.

Finally, if you are like many people, you may have all of your retirement savings — or at least a large chunk of it — in traditional IRAs. When you begin to withdraw that money in retirement, you must pay taxes on it. But with some proactive planning, you can begin to convert traditional IRAs to a Roth IRA. Your interest in a Roth grows tax-free, and you pay no taxes on the money when you withdraw it in retirement. Be warned: You will pay taxes as you make the conversion, so you need to be careful in planning how much to move over each year based on what else is happening with your taxes. We recommend consulting with a CPA or tax professional before making any purchasing decisions.

When you make your plan, reduce your risk and take a proactive approach to taxes, you will find yourself spending more time enjoying retirement and less time worrying about what the future holds.

Of course, doing all of that can get complicated. You may want to consider enlisting the help of a financial professional, preferably a CERTIFIED FINANCIAL PLANNER™. You should also consider an Investment Adviser Representative, who is held to a fiduciary duty of care, which means he or she is legally required to work in your best interests when providing investment advice. That person should be able to assist you in putting these wealth maximizers into action, helping you achieve a more confident and carefree retirement just like you dreamed about.

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About The Author

Hilgardt Lamprecht, CFP®, Certified Kingdom Adviser (CKA®)