

Do you know what your retirement looks like? When you want to buy a house or a car or even a special vacation, you probably can actually “see” the goal you have in mind, and that helps you plan and save enough to achieve the goal.

The same should be true for your retirement. If you can't visualize where you're heading, it's hard to plan and save enough money to make sure that you get there.

Retirement is the most important financial goal you'll ever have. If you can't afford a car, there's always the bus. If you can't put enough money together to buy a house, you can always rent. And while it may be disappointing, you don't have to take that trip you wanted. But what if you can't afford retirement? The consequences are a lot more serious.

Planning for retirement now is more complicated than it used to be. Most of us can't count on a pension from our employer, and many of us are thinking about continuing to work, at least part-time, after retiring from our main job. That makes saving for *retirement* a lot different than saving for a *thing*. In fact, it's not enough to just save money, you need to plot your road to retirement.

First, create your own retirement road map, so you know where you want to go and how to get there. Second, calculate the cost of your retirement lifestyle so you can make sure you have enough money to pay for it. AARP has developed two tools to help you accomplish both steps—the **Retirement Roadmap** and the **Retirement Calculator**.

The AARP Retirement Roadmap

Start by using the AARP Retirement Roadmap at www.aarp.org/finance to figure out what you want in retirement. The results can help you think about the options available to you, and set your retirement priorities.

The Roadmap asks you 12 questions about your desired lifestyle, personal priorities and general financial status. It reflects the many ideas people have about their retirement and may help you come up with some of your own. Some people dream of leaving work behind to spend more time pursuing a hobby, volunteering in the community, or traveling. Others dream of starting their own business or embarking on a new career. Some people are in excellent health and don't expect to spend much retirement income on medical care. Others realize that they will have ongoing medical expenses, and may need to budget for insurance to help with the bills.

Answering the questions about these types of issues will help you start to “see” your retirement, and the results will give you a sense of what it might take to get you there.

The AARP Retirement Planning Calculator

Once you have a better idea of the retirement lifestyle you want, you'll need to figure out how much it will cost. You can estimate how much you need to save by using the AARP Retirement Planning Calculator at www.aarp.org/finance. The calculator contains three sections: an estimate of your retirement income needs, an estimate of the sources of money to fund your retirement, and your prospects and alternatives for meeting your income needs.

Retirement Income Needs

To come up with an estimate of your income needs, here are some things you need to do:

- **Estimate how long your retirement will last.** There's no sure way to predict how long you'll live. But you can make a good guess based on average life expectancy rates, your current health status, and how long your parents or grandparents lived. With this guess, go out on a limb. If you think you'll live to 85 after taking these things into account, plan for enough money to support you at least to age 90. Don't underestimate how long you think you will live—otherwise, you may not save enough to make your money last.
- **Set a financial goal.** Do you expect your retirement to cost you more, less, or about the same as life before retirement? Some expenses may go down a lot. You may have paid off your mortgage, commuting costs will go away if you stop working, you'll stop contributing to retirement savings, and you'll probably pay lower income taxes. Other expenses, for health care (Medicare by no means covers it all), traveling, or pursuing other interests, will probably go up.

The calculator asks you to set a goal as a percentage of your pre-retirement income. If you click on the “estimate” button for retirement income, you can come up with a figure by listing your expected retirement expenses for items such as housing, insurance and taxes. Most people need somewhere between 70% and 100% of their pre-retirement income to cover expenses when they stop working. So if you earn \$30,000 and you think you'll need 80% of that in

retirement, your financial goal will be to have enough income to pay you \$24,000 a year for each year in retirement. (Check to make sure calculator includes inflation.)

Retirement Funding

This section of the calculator can help you identify all of your savings and other sources of retirement income, including retirement accounts such as a 401(k) or IRA, Social Security, real estate and investments. To figure out how much money you might actually have on your chosen retirement date, the calculator starts with your current savings and investments, then makes estimates based on your plans for future savings and investment returns.

Calculate Results

The last section of the calculator shows how close you can come to your retirement income goal, based on the choices and assumptions you made earlier about retirement spending needs, resources and investment returns. The easy-to-read colored charts as well as numbers make it very clear whether your current roadmap will lead you to your retirement goal.

If your chart shows you falling short of your goal, you can change some assumptions—such as the age you plan to retire or the amount you'll save every month—to figure out how to create the path you need to take to arrive at your goal.

Your To-Do List:

- Get a sense of what kind of retirement lifestyle you'll want** by using AARP's Retirement Roadmap at www.aarp.org/finance.
- Use AARP's Retirement Calculator** at www.aarp.org/finance to determine where you are on your path to retirement security.
- Estimate how long your retirement might last** by using the calculator at www.agingresearch.org/calculator.
- Find out how much your Social Security benefit** is expected to be (1-800-772-1213 or www.ssa.gov). Also keep track by reading the Social Security statement you receive every year.
- If you have a pension, ask for a benefits estimate.**
- If you think you could use the help of a financial counselor,** find out who can help you at www.aarp.org/finance.
- Discuss with your spouse or life partner** the type of retirement you want and how you can fund it.

This and other tip sheets provide general financial information; it is not meant to substitute for, or to supersede, professional or legal advice.

Special thanks to The Actuarial Foundation for their expertise on this project.

Retirement Roadmap Self-Assessment Tool

Do you have a retirement dream? Have you thought about it? You may want to travel the world, indulge your green thumb, or spend more time with your grandchildren.

Whatever your retirement dream is, it will cost you money. Take this self-assessment to find out what your retirement dreams might mean in dollars and cents.

For each category, please circle the statement that best reflects how you envision your retirement. After you are done, add up your scores using the scoring instructions below.

1. Working

- a. I've had it—to me retirement means retirement, and I don't plan on working.
- b. I'm going back to school so I can pursue my dream job.
- c. I'll do some part-time or consulting work—it'll bring in some extra money and keep my mind active.
- d. I will continue working full-time in my chosen profession.

2. Volunteering

- a. My dream is to volunteer overseas, even if it costs me money to participate.
- b. I don't have time to volunteer, but I will give generously to charities.
- c. I want to give something back to my community by volunteering.
- d. I don't intend to volunteer.

3. Hobbies

- a. I'll splurge on my hobby, even if it costs me a pretty penny.
- b. I may turn my hobby into a business, although I don't expect to make much of a profit.
- c. I am eager to spend more time on my hobbies, which cost next to nothing.
- d. I don't have any hobbies.

4. Lifelong Learning

- a. I intend to go back to college for my own enjoyment.
- b. I dream of taking educational trips to learn more about the world.
- c. I'll take a class or go to a lecture.
- d. I want to read lots of books from the library.

5. Entertainment

- a. With all this free time, I'm going to kick up my heels and go out on the town.
- b. I'll do an evening out occasionally.
- c. I'll use my senior discount to grab a bargain lunch or see a movie once in awhile.
- d. I like to tinker around the house and visit with neighbors.

6. Health

- a. My medical bills will stack up because of chronic health conditions.
- b. I expect to pay for expensive prescription drugs.
- c. Knock on wood, I'm in good health, but I worry about paying for long-term care.
- d. I will be on Medicare and will buy long-term care insurance just in case I need it.

7. Family

- a. There won't be retirement for me anytime soon—that is, from my children or grandchildren—I'm still raising them.
- b. I like to spend lavishly on my family—it makes me happy.
- c. I'll fly to see my family occasionally.
- d. My family lives nearby and I'll see them often.

8. Housing

- a. My rent will continue going up each year.
- b. I'm thinking of getting a vacation home.
- c. I'll still be paying off my home mortgage.
- d. I own my home free and clear; I will stay here, or sell and buy a less expensive home.

9. Exercise

- a. Exercise—that's the last thing I want to do in retirement, even if it may mean higher medical costs later on.
- b. I want to join in all of the latest, pricey exercise crazes.
- c. I intend to join a health club to keep active.
- d. I love to walk and plan to do it anytime I want.

10. Travel

- a. I want to travel around the world first-class.
- b. I dream of touring the country.
- c. I plan to take one big trip each year.
- d. I don't have the travel bug and I don't want to get it.

11. Money

- a. Saving, what's that? I live for today.
- b. Savings, sure I have some—but I'll struggle after retiring.
- c. With a nice amount of savings, I will make ends meet.
- d. I feel fortunate—with a pension and investments, I will live well and plan to leave something for the kids.

Scoring: For each question, please award yourself one (1) point if you answered “a,” two (2) points if you answered “b,” three (3) points if you answered “c,” and four (4) points if you answered “d.” Then, add all the points up.

37 to 48 points –You're envisioning a modest lifestyle. Your vision of retirement is unlikely to break the bank—you have a good chance of making ends meet in retirement.

25 to 36 Points –Your retirement vision is rather standard, but parts of your retirement could be costly. So, think about changing some of your saving and spending habits now—with your future in mind!

24 or Fewer Points –Watch out! Your vision of retirement may be quite expensive! Better to start saving now rather than later.

Now, take advantage of AARP's Retirement Calculator to see if you are saving enough money for your retirement dream. You can find the tool under “Related Links” at www.aarp.org/money. You can investigate all of the retirement topics listed above at www.aarp.org.

12. Insurance

- a. I will need lots of insurance—auto, home, and life insurance, to be sure.
- b. With my children grown up, I'll drop life insurance.
- c. I'll sell one of the cars so I won't have to pay the insurance.
- d. With one car and a smaller house, my insurance costs will go down.