Retirement Planning

Student’s Name

Institutional Affiliation

Course Name: Course Code

Professor’s Name

Due Date

**Retirement Planning**

Retirement planning entails a detailed process to determine the perceived retirement income objectives, goals, and the appropriate decisions for accomplishing such goals. The entire procedure includes identifying income sources, sizing expenses, implementing a savings program, and managing risks and assets. Various steps should be considered while devising desirable retirement plans. These include but are not limited to; the understanding of the given time horizon. The individuals’ current age and retirement age form the initial basis of any given retirement methodology. The higher the difference between the ages, the substantial the risk levels the individuals’ portfolio can withstand. The individual’s returns should also be capable of outpacing inflation to maintain the perceived purchasing power during the retirement age. The spending needs should also be established, incorporating realistic expectations regarding post-retirement spending behaviors (Ali & Frank, 2019). Determination of these needs will help in the definition of the retirement portfolio’s required size. The retirees thus need considerable income for more extended periods to enhance significant saving and investing.

Setting accurate retirement spending goals and objectives will enhance the planning procedures as additional spending in the future requires additional savings at current stages. The incorporation of expenses’ accurate estimation determines the amount of money withdrawn in each given year and investment into the available accounts created. Understating the expenses is ambiguous as it may result in the outliving of one's retirement portfolio. On the other hand, overstating the expenses can result in one risking not living following the expected lifestyle during the retirement phase (Ali & Frank, 2019). Accuracy in retirement planning can be enhanced through the specification and estimation of early retirement procedures, account for unexpected expenses during middle-retirement phases, and help predict late-retirement perceived costs. Calculation of the After-Tax rate of investment returns should also be considered in ensuring an effective retirement plan. The process should be carried out once the spending needs are established. These calculations help in the evaluation of the retirement plan’s feasibility needed towards producing substantial income amounts. As the retiree ages with time, rates of returns decline substantially due to low-yielding fixed-income securities incorporated into the low-risk retirement portfolios (Ali & Frank, 2019). Risk tolerance assessment vs. perceived investment goals should also be determined before deriving a sound retirement plan. A desirable portfolio should aim towards balancing the risk aversion concerns and the perceived return objectives.

Additionally, staying at estate planning top notches is also crucial in deriving a substantial retirement plan. Life insurance concerns should also be addressed at this point. Proper life insurance coverage and estate plans enhance the equitable distribution of assets depending on the retiree's choice. The individuals left behind following the retiree's death are not bound to financial hardships. Carefully defined plans also ensure that lengthy and expensive probate processes are avoided. Tax planning should also be considered during the estate planning process. Individuals wishing to leave behind assets to individuals or family members must have the tax implications of passing them or gifting them through estates compared (Ali & Frank, 2019). The retirement-plan investment methodology adopted should thus be based on the production of returns meant towards meeting the perceived annual inflation-adjusted surviving expenses while preserving the portfolio's value.

**Retirement Plan of an Individual, Jeff, who is 75 years old**

Jeff Khalid turned 75 years old on August 5, 2021. Jeff was born in 1946 and lives in Miami, Florida. Regarding his perceived age, Jeff has been taking his RMDS as per SECURE Act recommendations and regulations every year in efforts deemed at enhancing his family business and the subsequent family’s wellbeing. He has a wife, Floraysia, who, on the other hand, turned 72 years on July 5, 2021. Based on their birthday months, their age difference is less than ten years.

Additionally, Jeff has two kids, a boy, and a girl. In the meantime, Jeff's traditional IRA portrays a sum of $ 350,000, with his wife is the sole beneficiary of the money. According to the SECURE Act, Jeff is supposed to withdraw a substantial amount of money or distribution by the end of December 31, 2021. The current outstanding amount in Jeff’s traditional IRA also entails the interest accumulated up to the current date. Assuming the interest rate is 4.50% used in the calculation of his annual distributions, then;

Jeff’s December 31, 2021, RMD =

* The principal Amount = $ 350,000
* The distribution period coinciding with Jeff Khalid’s Age which is 75years is 22.9 – under) according to Internal Revenue Service (IRS).
  + thus$ 350,000÷22.9= $ 15,284
* Jeff Khalid’s December 31, 2021, distribution thus amounts to **$ 15,284**

References

Ali, S. B., & Frank, H. A. (2019). Retirement planning decisions: Choices between defined benefit and defined contribution plans. *The American Review of Public Administration, 49* (2), 218-235.