-continued from inside-

5) Plan Your Retirement Transition

The last thing to be planned is the transition from full time work to full time retirement. It does not sound like a transition would be that difficult, but in order to have a successful retirement, you must work harder in retirement than when you were working!

Excuse me? That's right, you have to work harder and stay busier in retirement than you did while you were working. In the past when you went to work every day you did so out of necessity. Whether you liked your job that day or could not stand to be there, it did not matter. But in retirement things are different. You can do what you want (mix paint at Home Depot or build houses with Habitat for Humanity), when you want (weekdays only), and with whom you want (Bridge Club, friends, etc).

Retirement is possibly the greatest time in your life, next to being a young child. You have worked hard, saved, and now you get to enjoy the fruits of your labor. Enjoy your family, friends, take vacations to places you have seen in National Geographic or take that cooking class you always wanted to, but never felt you had time for. This is what retirement is about. It is not about sitting at home, alone, watching television. If your retirement is to be a successful one, you must have a plan to keep you busy. If you stay busy, you will be happy in retirement.

The bottom line is it is never too late to properly prepare for your retirement. With all of the factors you need to be thinking about, including your employer's retirement plan, long term care insurance, your beneficiaries, your estate plan, and your transition to retirement, you need an ample amount of time to plan prudently. In fact, the sooner you can begin preparing, the better off you will be. By starting early you will be able to plan for any future uncertainties.

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Center for American Nurses
Serving the Needs of Nurses Today & Tomorrow

The Center for American Nurses is a professional association whose mission is to create a community of nursing organizations that supports individual nurses by providing programs, services, and policies that address the concerns of nurses and promote their personal and professional growth.

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Nursing that Works

A Publication of the Center for American Nurses

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Strategies for a Successful Retirement

By Brian Jones, CFP® Vice President
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The Center for American Nurses recently conducted a study of the nursing community to gauge the feelings of nurses with respect to the workplace and their future retirement. Some of the key findings from the survey were quite telling:

- Approximately 80% of nurses over the age of 40 plan on retiring in the next 17 years with the greatest retirements coming between 2015 and 2020.
- More than 90% of respondents indicated Social Security will one of their primary income sources during retirement.
- A majority of nurses planning to retire have done "nothing" to assess their preparation for retirement.

With the majority of nurses in America today planning to exit the field over the next 17 years, a great urgency for assessing their planning needs has arisen. With advances in modern medicine, we are living longer in retirement and if a large enough "pile" of assets has not been accumulated prior to retirement, the potential is increased for exhausting those resources in the final years of life. This may come as a shock, but your employer doesn't really care whether or not you have a successful retirement, so you have to take measures into your own hands and protect yourself.

But the good news is you can change your retirement situation starting today. All it takes is a few minutes and a few minor to changes to make a major difference in your overall financial long term goals.

Five things every nurse MUST do to have a successful retirement:

1. Maximize your Employer's Qualified Retirement Plan
2. Buy Long Term Care Insurance
3. Update your Retirement Account Beneficiaries
4. Update your Estate Plan
5. Plan your Retirement Transition Now

-look for details inside-

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Nursing that Works

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1) Maximize Your Employer's Qualified Retirement Plan

In the past, our parents and grandparents went to work for a company for 30 years and when they retired, they received a gold watch and a pension (i.e. defined benefit retirement plan). In those days, pensions were more than enough to cover all of their living expenses in retirement. But through the years, employers learned that pensions are sizeable liabilities to employers, and not very profitable. And at the same time, each generation has come to learn to love the idea of a bigger house with lots of possessions in it for retirement.

Employers figured out that they can save more money by reducing pension plans and the size of pensions given to employees. So what's an employee to do if their pension (if they have one) isn't going to be enough?

The smartest thing anyone considering retirement can do is to maximize their employer-sponsored defined contribution plan (401k) by maxing out his or her contributions on an annual basis. To not fully fund this type of plan on an annual basis is imprudent. Funding your employer's 401(k) plan on an annual basis allows you to do two things: 1.) Fully fund your retirement using pre-tax dollars; and 2) Take advantage of the loopholes provided by the Internal Revenue Service (IRS).

In 2004, the maximum contribution you can make to your 401(k) plan is $13,000. If you are turning age 50 or are older, there is an additional $3,000 catch up contribution allowed. The benefit is that all contributions to this type of plan are made on a pre-tax basis. You do not have to pay tax on this money until the money comes out in retirement. That's a huge savings to you on an annual basis when you go to file your taxes prior to April 15th.

If you max out your contributions to the 401(k) plan, then you lower your taxable income. This, in turn, means you annual tax bill will be lower. This is a no-brainer. As a financial planner, I can say with confidence that this is a win-win situation for everyone involved (except the IRS).

2) Buy Long Term Care Insurance

Long term care insurance - if you do not have it, get it. If you already have it - keep paying those annual insurance premiums (which are not inexpensive). It does not matter how big (or small) your "pile of money" is for retirement. Not having long term care insurance is probably the biggest "stealth" mistake you cannot afford to make.

Why is it a "stealth" mistake? Investment rates of returns and statistical models can give you a fairly accurate idea as to whether or not your pile of money is large enough in retirement. But the major situation that simply cannot be evaluated by statistical models is the probability that sometime in your life you will spend some time in a nursing home. These stays are not inexpensive and can be financially devastating, on you and your family, if you don't plan ahead.

Everyone wants to maintain his or her independence later in life and long term care insurance will help you do just that. It may not be cheap, but then again neither is paying $82,800/year for care in a nursing home (based on a survey by MetLife Market Mature Institute).

3) Update Your Retirement Account Beneficiaries

The biggest mistake that is probably the most overlooked (and the simplest to fix) is to not have named beneficiaries for your employers' 401(k) plan and life insurance.

Time and again I see spouses who have their ex-spouses named as the beneficiary of these accounts, or in a lot of cases, a spouse will have named only their estate as the beneficiary. No mistake can be more costly to your beneficiary(s) than having an estate named. If the estate is the named beneficiary and you wanted the money to go elsewhere, it will have to go through probate.

Another common mistake that is made on retirement accounts is when a beneficiary has died prior to the account holder. I have seen a number of these cases myself. Update your beneficiaries and keep proof from the custodian of the plan that your wishes have been adhered to.

4) Update Your Estate Plan

Get your estate plan updated. You've probably heard the story about a person who did not have a living will and how this puts family members against hospital administration and attorneys. It is a case no one wins when these issues have to be settled by the courts. Some of the worst cases lawyers and financial planners have ever seen are a direct result of not taking the time to get an estate plan in place and the ramifications of such procrastination.

Wills, Durable General Power(s) of Attorney, trusts, medical power(s) of attorney, and living wills should be discussed with a competent estate planning attorney (that means a specialist in estate planning).

For a lot of people, this is an emotionally charged issue. But if you neglect this crucial aspect of your retirement plan, then you are putting your beneficiaries at risk.

You spend a majority of your life saving and accumulating assets so that later in life these assets can provide for your maintenance and support. But assets alone are not enough. A well-designed estate plan can be set up for you and/or your spouse to take care of you when you are no longer in a position to make decisions on your own.

To have a successful retirement you absolutely must have an up to date estate plan. Without one, you and or your beneficiaries could be put into a situation where you have to make painful and costly decisions that you may not have wanted them to make in the first place. But your procrastination left them with no choice, and now even Uncle Sam may get to take a piece. Get your estate plan updated, and get it updated today.

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