Best Practices – Retirement Planning

An AICPA survey of CPA financial planners released in February, 2019 (see Resources, below) found that running out of money is the top financial concern of clients planning for retirement. Another AICPA survey published in 2017 found that fewer than half of non-retired Americans are confident they will reach their retirement goals, and a Merrill Lynch survey conducted in 2017 found that more than 80% of Americans are uncertain about how much money they'll need for retirement.

No matter the stage of life your clients are in, a discussion about retirement planning is appropriate. Helping your clients determine how much money they need or will need in retirement and then helping them develop steps to achieve that financial goal is a priceless service.

Step 1: Discuss Retirement Planning with Client

Your discussions should include questions that will provide information on these topics:

- Client concerns about finances and health in retirement/old age
- The anticipated income from all sources as the client ages
- Family health history
- Health insurance planning for old age

Your goals in these discussions include determining what plans the client has already made to cover costs of aging, anticipated participation in care from family members, and income expectations as the client ages.

In addition, a conversation about insurance planning is an opportunity to find out who your client works with as an insurance provider and also introduce your own insurance expert (either in-house or outsourced) as an advisor.

Step 2: Assist Client in Determining Amounts Needed for Retirement

You and your client will discuss anticipated needs in retirement, but many financial planners start with a plan to provide the client with 70-80 percent of pre-retirement income in retirement which should allow the client to enjoy approximately the same lifestyle as before retirement. The Retirement Planner Calculator at the AICPA's 360 Degrees of Financial Literacy (see Resources, below) can help you determine how much additional income and savings will be required in order to meet retirement goals.

Your discussion can include plans for where and how the client intends to live in retirement and whether the client intends to rent, live with family, or pay off a mortgage. In addition, there should be a discussion about health costs in retirement. Your client may have questions about Medicare, Long-Term Care insurance, and other options that might be available.

Step 3: Work with Client to Create a Retirement Savings Plan

Part of the budgeting process should include a careful assessment of current retirement savings, participation in available retirement savings plans, and how much money is available for ongoing savings if necessary.

Using the information collected in Step 2, you can how determine the difference between the amount the client needs for retirement and the amount already saved. Once you know how much is still needed, you can ensure that your client is budgeting to save enough to fill in the gap.

Setting up a budget plan for saving, monitoring the return on investments, and reassessing the plan annually should put your client on the path to a secure retirement.

Resources:

- AICPA Personal Financial Planning Trends Survey, February 2019 https://www.aicpa.org/interestareas/personalfinancialplanning/community/pfptrendsurvey.html
- 360 Degrees of Financial Literacy Retirement Planner Calculator https://www.360financialliteracy.org/Calculators/Retirement-Planner