



STEPHEN ZELCER



# READY, AIM, RETIRE!

**The Retirement Readiness Workbook that will help you:**

- 🎯 *Clarify your retirement lifestyle*
- 🎯 *Solidify your financial plan*
- 🎯 *Enter retirement with confidence*



## **Retirement Planning for Federal Employees.**

I am a Fiduciary Advisor Specializing in Retirement Planning and Federal Benefits.

Learn how I help Federal employees Organize, Strategize, and Maximize their Financial lives.

[StephenZelcer.com](http://StephenZelcer.com)



## Disclaimer

This book facilitates only part of retirement planning, and is not comprehensive financial planning. Many aspects of financial planning are not dealt with in this book, including debt, home equity, capital gains, survivor income, long term care, cash, estate planning, Required Minimum Distributions – to name just a few.

Furthermore, the ability to retire is not objective. It is subjective. Any retirement plan requires projecting into the future and relying on certain assumptions. This book does not address projecting and certainly does not investigate your underlying assumptions. Each retiree must review the projections and assumptions of their plan and bear responsibility for choosing to rely on those assumptions.

## Can I afford retirement?

When you were a few years away from retirement you were probably satisfied with all the “rule of thumb” retirement projections.

But now you are serious, and you know the rules of thumb are not **personalized**. You know that YOUR retirement plan is NOT going to be the same as your co-worker’s, neighbor’s, friend’s (or even spouse’s) retirement! And you want to KNOW, with CLARITY & CONFIDENCE “Can I afford **MY** retirement?”

That’s why you’re reading this workbook.

This workbook comes from my years of answering this question for students and clients. I have given over two hundred seminars on federal benefits and financial planning, and I’ve helped hundreds of individuals and couples plan their retirement.

Planning is a process.<sup>1</sup> The critical first stage of the retirement planning process is a struggle for most people. Many people lack a *clear vision* of what retirement really looks like, and they don’t fully know their financial situation. I formulated these exercises to provide clarity. This workbook was constructed with the exercises that I’ve implemented with my audiences. From my very first test run of these exercises, I knew I was seriously helping people. Their vague future started to crystallize. They were empowered with confidence. It was and is very fulfilling to give people true value.

Think of this as your very own retirement planning workbook. By filling out this workbook you will achieve a better understanding of what your retirement will look like on all levels, and you’ll be better suited to answer YOUR question: “Can I afford retirement?”

## How to get the most out of this workbook:

This book has 2 sections:

- *The Personal Game Plan*
- *The Financial Game Plan*

Each section has 2 components:

- Narrative
- Worksheets

To get the most out of this workbook, I encourage you to follow these guidelines:

- Read through the narrative of each section to understand what each worksheet is looking for.
- Follow the instructions on the worksheets carefully.
- Complete the Personal Game Plan worksheets before you even start the Financial Game Plan worksheets. This is critical.
- Tackle one worksheet at a time. If this is a struggle, see next point.
- The Personal Game Plan worksheets may need to be done a couple of times before all the details “click” together. If you struggle with any of the Personal Game Plan exercises, skip ahead to the next Personal game Plan exercises and then return to the point you skipped.

The reading will take only a few minutes. The worksheets will take longer. The worksheets are harder, but of course, more rewarding.

Good Luck! Let’s begin.

<sup>1</sup>My financial planning process is *Organize, Strategize, Maximize*™. This workbook deals with parts of “Organize.” “Strategize & Maximize” are technical planning techniques that are beyond the scope of this workbook.



## Your Personal Game Plan

### Your WANT:

The starting point of this process is NOT financial. It's **personal**.

Something is causing you to WANT retirement. What is that thing?

(It could be more than 1 thing.)

Do you need to retire in order to achieve what you want? Can you continue working and pursue your want at the same time? Does work prevent you from acquiring your want?

If these wants are strong enough to have you retire, then you will certainly pursue them in retirement. These wants will easily find their way into your retirement schedule and may cost you money.

### Clarity Box:

Wants come in a couple of basic forms:

1. Want to DO – *Examples: Write, travel, party, do nothing, garden, etc.*
2. Want to BE – *Examples: Be free from any obligation, be in Tahiti, be my own boss.*

But even the Want to BE has to translate into DOING. For example – what does “being free” LOOK LIKE on Tuesdays at 1:45pm?

If you truly want an UNDEFINED retirement, then you probably won't be interested in a workbook like this.

### “WANTS” worksheet preview:

- List your WANTS.
- Define how often you will do each WANT.
- Is it Daily, Weekly, Monthly, Annually?
- Define how much each occurrence of each want will cost.
- Calculate the MONTHLY cost of each want.

### Your Wellbeing:

I have seen people retire with millions of dollars, but without any **Personal Game Plan**. Some have become bored, depressed, others simply deteriorate, and others go back to work! Not because they couldn't *afford* retirement – they had the resources - but because their *undefined retirement seriously jeopardized their wellbeing*.

I don't know what your *want* is, nor am I going to investigate WHY you want it. Suffice it to say, your *want* must be very important to you because it is moving you away from your work life which, money aside, provided you with valuable benefits that supported your wellbeing. Think about how you're going to replace the following:

#### 1. Intellectual stimulation

At work you were thinking, applying rules/concepts/principles and making technical decisions; it kept you sharp and “with it.” How are you going to replace that?

#### 2. Social interaction

Through work you had many opportunities for social interaction. You had chances to express your humor, articulate your opinions and develop friendships. How will you replace that?

### 3. Sense of productivity and contribution

When you were working, you were providing a service or product that benefited people or furthered a cause. You made a difference. Are you done making your mark? The #1 of cause of depression is LACK OF PRODUCTIVITY. How will you stay productive? How will you stay actively involved with the community and world at large?

#### “Wellbeing” worksheet preview:

- List the activities you are going to do to replace the above elements of your wellbeing?
  - Define the frequency of the above activities. Daily, Weekly, Monthly, Annually?
    - Define how much each occurrence of each want will cost.
    - Determine the MONTHLY cost of each want.

### 4. Daily structure

When you were working you had a daily routine which pretty much governed your day from wakeup to bedtime. What will your everyday routine look like in retirement? Remember there’s still 24 hours in a day, and 7 days in a week when you retire.

#### Clarity Box:

To further clarify your overall feel of “what will my retirement look like?” ask yourself the following questions:

- Will I be staying home during the day or traveling to a new job/hobby?
- Will I be dedicating more time to physical fitness?
- Will we be going on more or less vacations?
- Will we be eating out more or less?
- Am I going to explore any new/old interests?
- Will we be gifting more to kids/grandkids?

#### “Daily Structure” worksheet preview:

- Create a daily and weekly structure.

If you are serious about retirement, you must address all these personal points. They will help frame the picture of what you will DO in retirement. This is your **Personal Game Plan**. Your wellbeing depends on it.

A *Personal Game Plan* is also fundamental to your **Financial Game Plan**. Once you know what you will be doing, you will be able to figure out how much money you will need to do those things.



### **Wants Exercise**

Think about the following questions and use the space to jot down your thoughts:

- Why are you retiring? What are your “wants”?
- What is the frequency of your “wants”?
- What is the cost of your “wants”?

Organize your thoughts in the table:

Example	Description	Frequency	Cost per Occurrence	Annual Cost	Notes:
Example 1	Travel the World	4x a year	\$8,000	\$32,000	Includes airfare, food, outings, shopping
Example 2	Spend Time with Grandkids	2x a month	\$500	\$12,000	Includes gifts and travels costs and outings

	Description	Frequency	Cost per Occurrence	Annual Cost	Notes:
Want 1					
Want 2					
Want 3					
Want 4					
Want 5					

## Well-Being Exercise

Think about the following questions and use the space to jot down your thoughts:

How are you going to replace intellectual stimulation?

Social interaction?

Sense of Productivity?

Organize your thoughts in the table:

Example	Description	Frequency	Cost per Occurrence	Annual Cost	Notes:
Intellectual Stimulation	Write Articles	1x Week	\$0	\$0	Expect to do this at home
Social Interaction	Bingo Night	1x Week	\$25	\$1,300	Includes travel and entry costs
Sense of Productivity	Volunteer at non-profit	3x Week	\$10	\$1,560	Includes travel and lunch costs

	Description	Frequency	Cost per Occurrence	Annual Cost	Notes:
Intellectual Stimulation					
Intellectual Stimulation					
Intellectual Stimulation					
Social Interaction					
Social Interaction					
Social Interaction					
Sense of Productivity					
Sense of Productivity					
Sense of Productivity					



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### Daily Structure Exercise

Think about the following questions and use the space to jot down your thoughts:

What is your daily routine going to look like?

Bear in mind your wants and your well-being.

Organize your thoughts in the table:

	Morning	Afternoon	Evening
Sunday			
Monday			
Tuesday			
Wednesday			
Thursday			
Friday			
Saturday			

## The Financial Game Plan – Intro:

Your **Personal Game Plan** defined what you plan to DO in retirement. Now it's time to define whether you can AFFORD it! This is your **Financial Game Plan**.

Your *Financial Game Plan* has two components:

1. Defining your income, and
2. Defining your expenses.

Defining income is relatively easier than defining your expenses. Most people only have a few sources of income which are easy to identify, while they have hundreds of expenses which are hard to keep track of!<sup>2</sup>

### **You need to do BOTH!**

This workbook is NOT about shortcuts. It's about clarifying your retirement reality.

It would be an awful shame if you retire only to realize you cannot support your *personal game plan*! Ask yourself, if your retirement income is not enough to support your *personal game plan*, which part (or parts) are you willing to part with?

By defining your expenses you truly get a clearer picture of what retirement is going to look like personally and financially. It is for this reason that the FIRST STEP of the **Financial Game Plan** is to **DEFINE YOUR EXPENSES**.

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<sup>2</sup>This may be the reason why the “rule of thumb” retirement planning methods are so popular. They just assume a certain percent of your pre-retirement income is enough to retire. They don't investigate expenses.



## Your Financial Game Plan

### DEFINE YOUR Regular EXPENSES:

This is where people start drawing blanks.<sup>3</sup> They simply don't know how much retirement costs.

Reference your Personal Game Plan to help identify all of the ways your life will change on a day-to-day basis when you retire. What are you going to need more money for? What are you going to need less money for?

#### Clarity Box:

Which expenses rise or fall is certainly going to depend on your Personal Game Plan. For example, if you'll be spending more time at home, you'll probably use your heat or A/C more. Thus your utility bills may rise. However, you'll probably cook yourself lunch as opposed to buying something at the food court.

Expenses that commonly **DECREASE** in retirement:

- **Housing**— Will your mortgage be paid off in a few years?
- **Tuition**— Will kids be out of college or financially independent?
- **Transportation**— If you're not driving to work anymore, your commuting costs (fuel, tolls, insurance) should go down.
- **Clothing**— Your retirement wardrobe may be more lax than it was at work. That may yield fewer trips to the dry cleaner and the mall.
- **Licensing**— If you're no longer working you may not need to hold certain licenses, and any associated expenses may drop.

Expenses that commonly **INCREASE** in retirement:

- **Traveling**— Are you planning to see more of the world? Where will you go, and how often will you travel?
- **Remodeling**— Spending more time at home is proven to lead to more home renovation projects.
- **Extra-curricular activities**— Writing, photography, golfing, or gardening, how do you plan to stay busy?
- **Gifts**— Do you plan on spending more time with children or grand-children? This may translate into fun outings or presents.
- **Health Insurance**— Will you be paying for Medicare Part-B? Also, will your health insurance premiums no longer be tax deductible?
- **Health/Fitness Related Expenses**— You may start a new regimen that includes fitness classes, vitamins and other health supplements.
- **Survivor Benefits**— Are you planning on leaving a part of your pension to a survivor? This can cost around 10% your pension.

#### ***“Regular Expenses” worksheet preview:***

- Complete the detailed expense sheet
- Multiply monthly expenses by 12 to convert to annual expense figure

<sup>3</sup> This is usually because they haven't done the above Personal Game Plan exercises. But once they do, they start getting a sense of how similar or different retirement is to their former work-life.

**Irregular Expenses:**

On top of your regular expenses, you should also account for **Irregular** expenses, such as a leak in the roof, a broken furnace, car repairs, and all of the other “expected” curveballs life throws your way.

This part of the exercise can be daunting. To make it easier, I have provided ballpark figures for you to use. If you feel my ballpark figures don’t match your reality, you can calculate your own.

Using the worksheet below you will be able to project the current cost of such expenses into the future. Once you have a targeted future amount, you can start saving for that future amount today, as part of your current budget.

Whether you use my ballpark figures or your own, these irregular expenses can - and should - be factored into your financial picture.

**“Irregular Expenses” worksheet preview:**

- Jot down the repair/replacement cost of the various appliances that can break.  
Use today’s dollars
  - Estimate how many years from today you expect each appliance to last
  - Convert the above cost from today’s dollars into future dollars
- Solve for the annual savings you will need to fund those future expenses by dividing that future dollar amount by the amount of years between now and then.

The Regular & Irregular Expenses combine to give a picture of what you should EXPECT in retirement. Life goes on, as expected.

If you have completed the above worksheets, then you truly deserve a hearty “Congratulations!” You have just taken one of the hardest, and most critical steps in all of retirement planning, namely defining your retirement expenses.

Now we need to define your retirement *INCOME*.



# Regular Expenses Worksheet

HOME	Monthly Amount
Mortgage	
Insurance (if not escrowed)	
HOA-Condo Fee	
Groceries	
Gas	
Electric	
Water	
Phone/Internet	
Lawn	
Pool	
Housecleaning Service	
Exterminator	
Security Systems	
<b>TOTAL HOME:</b>	

FINANCIAL OBLIGATIONS	Monthly Amount
Long-Term Savings	
Personal Loan	
Credit Card Payments	
Student Loans	
Other Obligations	
<b>TOTAL FINANCIAL OBLIGATIONS:</b>	

INSURANCE	Monthly Amount
Health Insurance	
Medicare	
Life Insurance	
Survivor Benefits	
Disability Insurance	
Long Term Care Insurance	
Dental/Vision	
Liability	
<b>TOTAL INSURANCE:</b>	

VACATIONS	Monthly Amount
Plane Fare	
Accommodations	
Food	
Souvenirs	
Pet Boarding	
Rental Car	
Activities	
<b>TOTAL VACATIONS:</b>	

RECREATION	Monthly Amount
Sports Equipment	
Team Dues	
Hobbies 1	
Hobbies 2	
<b>TOTAL RECREATION:</b>	

TRANSPORTATION	Monthly Amount
Gas/Fuel	
Insurance	
Auto Loan	
Parking	
Public Transportation	
Licensing/Registrations	
Repairs	
Car Wash/Detailing Services	
<b>TOTAL TRANSPORTATION:</b>	

DEPENDANT CARE	Monthly Amount
Tuition	
Child Care	
Clothes	
Babysitting	
Toys/Child Gear	
<b>TOTAL DEPENDANT CARE:</b>	

PET CARE	Monthly Amount
Pet-Sitting	
Pet Food	
Veterinarians/Pet Medicines	
<b>TOTAL PET CARE:</b>	

DUES/SUBSCRIPTIONS	Monthly Amount
Magazines	
Newspapers	
Religious Organizations	
Charity	
Other Association/Membership	
Other Association/Membership	
<b>TOTAL DUES/SUBSCRIPTIONS:</b>	

ENTERTAINMENT	Monthly Amount
Cable TV	
Video/DVD Rentals	
Movies/Plays	
Concerts/Clubs	
Dining Out	
Books, Music (CDs, etc.)	
Downloads	
<b>TOTAL ENTERTAINMENT:</b>	

MISC PAYMENTS	Monthly Amount
Gifts	
Legal Fees	
Accounting Fees	
Professional Fees	
Other	
<b>TOTAL MISC PAYMENTS:</b>	

PERSONAL GAME PLAN ITEMS*	Annual Amount
Want 1	
Want 2	
Want 3	
Want 4	
Want 5	
Intellectual Stimulation	
Social Interaction	
Sense of Productivity	
<b>TOTAL PERSONAL GAME PLAN:</b>	

IRREGULAR EXPENSE ITEMS	Annual Amount
<b>HOME</b>	
Home Remodeling	
Home Furnishings	
Roof	
Fence	
Pool	

APPLIANCES	Annual Amount
Oven/Range	
Fridge	
Freezer	
Washer	
Dryer	
A/C	
Furnace	
Boiler	
Grill	

VEHICLES	Annual Amount
New Car	
Other Vehicle	
<b>TOTAL IRREGULAR EXPENSE:</b>	

<b>Total ANNUAL Regular Expenses**</b>	
<b>Total Personal Game Plan Expenses</b>	
<b>Total Irregular Expenses</b>	
<b>TOTAL ANNUAL EXPENSES:</b>	

\*Note about Personal Game Plan items: Make sure you don't count expenses twice. Are the items in your Personal Game Plan already accounted for in other parts of this Regular Expenses Exercise?

\*\*You will need to add all your MONTHLY expenses and multiply by 12 to reach your Total ANNUAL Regular Expenses. Your Personal Game Plan and Irregular expenses should already be in annual figures.

Description	Cost in Today's Dollars		Years Until Expense	Assumed Inflation Factor		Cost in Future Dollars		Need to Save Annually	
	If you were to have this expense this year, how much would it cost you?		How many years from now do you expect to incur this expense?	Inflation Factor*		Multiply the Cost in Today's Dollars by the Assumed Inflation Factor		Divide the Cost in Future Dollars by the Years Until Expense	
HOME	Ex.		Ex.		Ex. **		Ex.		Ex.
Home Remodeling	\$25,000		5		1.16		\$29,000		\$5,800.00
Home Furnishings	\$9,000		10		1.34		\$1,206.00		\$1,206.00
Roof	\$10,000		10		1.34		\$1,340.00		\$1,340.00
Fence	n/a		n/a		n/a		n/a		n/a
Pool	n/a		n/a		n/a		n/a		n/a
<b>APPLIANCES</b>									
Oven/Range	\$2,000		10		1.34		\$2,680		\$268.00
Fridge	\$2,000		10		1.34		\$2,680		\$268.00
Freezer	\$700		10		1.34		\$938		\$93.80
Washer	\$600		5		1.16		\$696		\$139.20
Dryer	\$600		5		1.16		\$696		\$139.20
A/C	\$6,500		10		1.34		\$8,710		\$871.00
Furnace	n/a		n/a		n/a		n/a		n/a
Boiler	\$1,000		7		1.23		\$1,230		\$175.71
Grill	\$400		3		1.09		\$436		\$145.33
<b>VEHICLES</b>									
New Car	\$25,000		4		1.13		\$28,250		\$7,062.50
Other Vehicle	n/a		n/a		n/a		n/a		n/a

\*The Inflation Factor can be found on the Compounding Returns Table (below). Find the factor that corresponds to your assumed inflation rate and years until expense.

\*\*The assumed inflation rate in this example is 3%

**TOTAL IRREGULAR EXPENSES**

Example:  
\$17,508.7

Years from Today	Typical Inflation Rates																	
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	16%	17%	18%
1	1.01	1.02	1.03	1.04	1.05	1.06	1.07	1.08	1.09	1.10	1.11	1.12	1.13	1.14	1.15	1.16	1.17	1.18
2	1.02	1.04	1.06	1.08	1.10	1.12	1.14	1.17	1.19	1.21	1.23	1.25	1.28	1.30	1.32	1.35	1.37	1.39
3	1.03	1.06	1.09	1.12	1.16	1.19	1.23	1.26	1.30	1.33	1.37	1.40	1.44	1.48	1.52	1.56	1.60	1.64
4	1.04	1.08	1.13	1.17	1.22	1.26	1.31	1.36	1.41	1.46	1.52	1.57	1.63	1.69	1.75	1.81	1.87	1.94
5	1.05	1.10	1.16	1.22	1.28	1.34	1.40	1.47	1.54	1.61	1.69	1.76	1.84	1.93	2.01	2.10	2.19	2.29
6	1.06	1.13	1.19	1.27	1.34	1.42	1.50	1.59	1.68	1.77	1.87	1.97	2.08	2.19	2.31	2.44	2.57	2.70
7	1.07	1.15	1.23	1.32	1.41	1.50	1.61	1.71	1.83	1.95	2.08	2.21	2.35	2.50	2.66	2.83	3.00	3.19
8	1.08	1.17	1.27	1.37	1.48	1.59	1.72	1.85	1.99	2.14	2.30	2.48	2.66	2.85	3.06	3.28	3.51	3.76
9	1.09	1.20	1.30	1.42	1.55	1.69	1.84	2.00	2.17	2.36	2.56	2.77	3.00	3.25	3.52	3.80	4.11	4.44
10	1.10	1.22	1.34	1.48	1.63	1.79	1.97	2.16	2.37	2.59	2.84	3.11	3.39	3.71	4.05	4.41	4.81	5.23
11	1.12	1.24	1.38	1.54	1.71	1.90	2.10	2.33	2.58	2.85	3.15	3.48	3.84	4.23	4.65	5.12	5.62	6.18
12	1.13	1.27	1.43	1.60	1.80	2.01	2.25	2.52	2.81	3.14	3.50	3.90	4.33	4.82	5.35	5.94	6.58	7.29
13	1.14	1.29	1.47	1.67	1.89	2.13	2.41	2.72	3.07	3.45	3.88	4.36	4.90	5.49	6.15	6.89	7.70	8.60
14	1.15	1.32	1.51	1.73	1.98	2.26	2.58	2.94	3.34	3.80	4.31	4.89	5.53	6.26	7.08	7.99	9.01	10.15
15	1.16	1.35	1.56	1.80	2.08	2.40	2.76	3.17	3.64	4.18	4.78	5.47	6.25	7.14	8.14	9.27	10.54	11.97
16	1.17	1.37	1.60	1.87	2.18	2.54	2.95	3.43	3.97	4.59	5.31	6.13	7.07	8.14	9.36	10.75	12.33	14.13
17	1.18	1.40	1.65	1.95	2.29	2.69	3.16	3.70	4.33	5.05	5.90	6.87	7.99	9.28	10.76	12.47	14.43	16.67
18	1.20	1.43	1.70	2.03	2.41	2.85	3.38	4.00	4.72	5.56	6.54	7.69	9.02	10.58	12.38	14.46	16.88	19.67
19	1.21	1.46	1.75	2.11	2.53	3.03	3.62	4.32	5.14	6.12	7.26	8.61	10.20	12.06	14.23	16.78	19.75	23.21
20	1.22	1.49	1.81	2.19	2.65	3.21	3.87	4.66	5.60	6.73	8.06	9.65	11.52	13.74	16.37	19.46	23.11	27.39



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## Define Your Income

Through the above exercises you have defined what your personal retirement will look like and what it will cost you. The next hurdle is quantifying your retirement **income**. To do this, we will need to add together all your income sources.

What are your retirement income sources? There are five basic sources of income. See how many of these apply to you:

### 1. Work-generated income:

Though your life, most of your income was work-generated.<sup>4</sup> Just because you retire, doesn't mean you'll stop receiving work-generated income. As the name suggests, "work-generated income" is money that will only come to you if you work for it. If you stop working, this money stops too.

This category includes:

- Post-retirement salary - do you plan to work part-time in order to bring in extra money?
- Commissions – same as above.
- Spouse—does your spouse bring in other income?

### 2. Residual income:

Unlike "work-generated income" which stops if you no longer work, residual income is work-income that continues even after you stop working. This includes:

- Business Dividends
- Trailing Commissions
- Investment Properties

### 3. Support income:

This category consists of money you didn't work to earn, but nonetheless are entitled to, including:

- Alimony
- Child Support
- Gifts
- Trusts

### 4. Guaranteed Lifetime income:

These sources are contractually guaranteed to provide income for as long as you live. They include:

- Pensions
- Social Security
- Annuities

#### Clarity Box:

Between your HR department and the Social Security website, you should be able to get a relatively accurate calculation of your Guaranteed Lifetime income. But I realize that may not always be the case. Woe to the pre-retiree whose HR cannot give a relatively confident pension estimate!

<sup>4</sup> At least for most of us.

**5. Variable/Investment-related income:**

This is income generated by your money, not you. It usually goes up and down, depending on the vehicle and the markets. This includes:

- Interests
- Dividends
- Capital Gains
- Retirement Accounts (ie. IRAs, 401(k)s, Thrift Savings Plan)

**Do you need to rely on your Investment related income?**

In order for you to afford retirement, your income needs to exceed your expenses.<sup>5</sup>

If your income fluctuates, it adds a layer of challenge to your retirement planning. Because your investment income fluctuates, we're going to deal with it separately. If you don't need to rely on your investment related income at all, that would be ideal. That's why we're going to calculate your income in two steps:

- Step #1: Calculate your NON-Variable/Non-investment-related income.
- Step # 2: Calculate your Variable/Investment-related income.

**TAXES:**

Step #1 above will calculate your **gross** income; meaning, you still need to subtract taxes. It's annoying but necessary. This is a common oversight which I ensure my clients don't overlook.

Unfortunately, there's no one-size-fits-all tax calculation, but a safe assumed tax rate is 20% (if you are in a State with no income tax, you may get away with a 15% assumed tax rate).

After you subtract out your taxes, you will be left with your NET income.

Go ahead, add up your non-investment income and see if it's enough.

***"Income" worksheet preview:***

- Fill in your expected income from the various sources
- Add them together to calculate your GROSS income
  - Subtract taxes to determine your NET income
- Subtract your expenses (Regular Expenses Worksheet) from your NET income to determine if you have an EXCESS or SHORTFALL.

<sup>5</sup> You knew that



## Income Worksheet

	Example	
	Annual Amount	Annual Amount
<b>WORK GENERATED INCOME</b>		
Salary	n/a	
Commissions	n/a	
<b>RESIDUAL INCOME</b>		
Business Dividends	n/a	
Trailing Commissions	n/a	
Investment Properties	n/a	
<b>SUPPORT INCOME</b>		
Alimony	n/a	
Child Support	n/a	
Gifts	n/a	
Trusts	\$4,000.00	
<b>GUARANTEED LIFETIME INCOME</b>		
Pensions	\$48,730.00	
Social Security	\$31,000.00	
Annuities	n/a	
<b>TOTAL GROSS INCOME</b>	<b>\$83,730.00</b>	
<b>TAXES &amp; NET INCOME:</b> Multiply Gross Income by Post-tax factor		
Post-tax income factor*	0.8	
<b>The result is your TOTAL NET INCOME</b>	<b>\$66,984.00</b>	

\*If you know your factor enter it here. If you do not know your factor, assume 0.8. If you live in a state with no income tax you may be able to assume 0.85.

**EXCESS or SHORTFALL:**

## And now, the moment of truth!

Does your NET income exceed your expenses?

Net Income	
Minus Expenses	
Equals <b>EXCESS or SHORTFALL</b>	

For those who answer 'YES' – Congratulations! You can afford to retire.<sup>6</sup>

For those who answer 'NO' – don't worry just yet. You still may be able to afford retirement if your investments can pick up the shortfall.

<sup>6</sup> Assuming your numbers are right and you're comfortable projecting this performance into the future. It never hurts to double check your worksheets and your numbers to make sure you're not leaving something out. And it never hurts to consider "what if" scenarios and any assumptions made about the future, which are beyond the scope of this work. See the disclaimer at the beginning of this book.



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**What do your investments NEED to do?**

By this point you discovered that you either:

- Could retire **without** relying on your investment income, or
- Cannot retire unless your investments generate the shortfall in your income, which you quantified above.
- Such a discovery is super-valuable, because it helps you answer a question which is critical to any investor, namely, “what do my investments NEED to do?”

Knowing what your investments need to do will help you determine what RATE OF GROWTH you need, and, correspondingly, HOW MUCH RISK DO YOU NEED TO BE EXPOSED TO in order to achieve the returns you NEED.

What do YOUR investments need to do?

**Clarity box:**

When I help clients answer this question, I also help them differentiate between 3 words: HOPE vs. EXPECT vs. NEED.

HOPE and EXPECT are very different. When I play lotto, I HOPE to win, but I EXPECT to lose.

When you invest your money, you hope it goes up but what do you EXPECT it to do? You realize that it may fluctuate, right? Sometimes it goes up, sometimes it goes down. What *range of fluctuation* do you expect from your portfolio? With my clients I help define the range of fluctuation they are comfortable with, and make sure the expected range of fluctuation in their portfolio matches their risk tolerance.

EXPECT & NEED are also very different. If you know what you NEED, you may discover that you don't have to take as much risk to get those results.

If you can retire **without** relying on your investment income - that means your investment money is not needed for your retirement. You can earmark it for another need - ie. inheritance, charity, a splurge.

However, if you cannot retire without investment income, you will need to **quantify** what that need is, and then position your assets to produce that need throughout retirement.

**How to quantify your investment NEED:**

Let's do the math to quantify your investment NEED.

We start with the shortfall in your income that you calculated above. That is the amount that your investments NEED TO GENERATE.

But remember, if you take money out of your retirement accounts, you will most likely need to pay income tax on that amount. And after taxes you will have LESS than you needed.

So we need to calculate your PRE-TAX NEED.

The “Investment need” worksheet will help you with all the steps.

The first step is to take the above shortfall amount and ADD 20% tax to it (15% if you live in a state with no income tax). The formula for that is

$\text{SHORTFALL} / .80 = \underline{\hspace{2cm}}$ . (If you live in a state with no income tax, you can use .85 instead of .80.)

**THIS IS YOUR PRE-TAX NEED.**

**What RATE OF RETURN do you need?:**

The next step is to convert your PRE-TAX NEED into a percentage of your portfolio.

Add all your investment assets that you have earmarked for retirement (ie. IRAs, 401Ks, TSP, Brokerage accounts, etc.) together.

Take your Pre-Tax Need and divide by your total investments. The result is the PERCENT your investments need to generate year-after-year to fund your retirement.

**“Investment NEED” worksheet preview:**

- Calculate your Pre-Tax income need
- Add all your investment accounts together
- Divide your Pre-Tax income need by your total investments



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## Investment Needs Worksheet

**Table 1: Investment NEED: In terms of dollars and cents**  
How much money do your investments need to produce?

*Example*

Income Shortfall (from "Moment of Truth" worksheet)	\$17,016.00	
Post-tax income factor*	0.8	
Divide your Income Shortfall by the Post-tax income factor		
The result is your Investment Income Need	\$21,270.00	

\*If you know your factor enter it here. If you do not know your factor, assume 0.8. If you live in a state with no income tax you may be able to assume 0.85.

**Table 2: Investment NEED: In terms of rate of return**  
What rate of return do your investments need to yield?

Input the value of each of your investment accounts

Investment Accounts	Account Value	Account Value
Thrift Savings Plan (TSP)	\$571,340.00	
401 (k)s	n/a	
IRA's	\$93,682.00	
Brokerage	\$22,512.00	
Other	n/a	
TOTAL Investment Account Value:	\$687,534.00	

Divide your Investment Income Need (above) by the Total Investment Account Value

The result is your Investment RETURN Need	0.0309	
Note: The Required Rate of Return appears as a decimal	x100	x100
Multiply by 100 to get the percent return	3.09%	

**You're done! Now what?****TAKE ACTION!**

There are a few easy action steps you can take right now to strengthen your financial position.

**Position your investments:**

Whether your investment NEED is 2%, 5%, 8% or more, you've got to take action and position your assets to yield such growth. You will also need to be comfortable with the associated risks that come along with those targeted yields.

**How to Position your Thrift Savings Plan (TSP):**

For those with money invested in the TSP, you must allocate your TSP investments to match your NEED. If you are unsure of how to do this, you can use my recommended TSP allocations, which I update every month. I've designed TSP portfolios with TARGETED RATES OF RETURN and EXPECTED RANGES OF FLUCTUATION. You can request a free copy of my most recent TSP Planning Report at [StephenZelcer.com](http://StephenZelcer.com).

I have studied the TSP and I've designed TSP portfolios with TARGETED RATES OF RETURN and EXPECTED RANGES OF FLUCTUATION. When you become a member of [StephenZelcer.com](http://StephenZelcer.com) you will see my target allocation for the return that you need. You will also be updated every month as the national & global investment climate change. This is an awesome, super-valuable service. See [StephenZelcer.com](http://StephenZelcer.com) for more information.

**How to Position your other assets:**

You will also want to make sure that **all** your assets are WORKING IN TANDEM. Don't just look at your Cash, IRAs, TSP, Home Equity, Life insurances or non-qualified brokerage accounts in a vacuum. SYNCHRONIZE them! They're on the same team.

This is something I do for my clients - *Organize, Strategize, Maximize*<sup>™</sup>. I coordinate all their assets. This way we minimize the inefficiencies of your total financial picture, and we strategize a plan for life. [Contact me](#) to schedule a FREE initial consultation.

**The IMPORTANCE of Your Retirement:**

I know you have high hopes for retirement. For many, retirement is a new chapter where people can find depth, meaning and happiness in their lives. That's VERY IMPORTANT.

That's why I created this workbook; to help people create and plan a meaningful happy life. I hope I have advanced you towards that end. And I hope I can continue to help you. Feel free to [contact me](#) with any questions or comments.



## **Retirement Planning for Federal Employees.**

I am Fiduciary Advisor Specializing in Retirement Planning and Federal Benefits.

Learn how I help Federal employees Organize, Strategize, and Maximize their Financial lives.

[StephenZelcer.com](http://StephenZelcer.com)

