CFP BOARD

Early Retirement: How to Give Yourself the Ultimate Holiday Gift

CFP Board Consumer Advocate provides a road map for planning an early retirement

Washington, D.C., December 11, 2015 – Early retirement, one in which you're healthy enough to enjoy savings accumulated over a lifetime, often seems possible only for the ultra-wealthy. But with early and careful strategizing, many more hardworking Americans can make this dream a reality. CFP Board offers considerations for ensuring you have an early retirement plan that can withstand and adapt to life's unexpected challenges.

"Retiring in your 50's and early 60's is a goal for many, but it requires significant planning," said Metro-Detroit CFP Ambassador Robert Schmansky, CFP®. "The sooner you can start to plan the better. Don't wait until the last minute to take a look at the risks that you may face in an early retirement."

The latest contribution to LetsMakeaPlan.org explains how retirees leaving the workforce early can plan a retirement that makes their golden years live up to their name.

- **Build uncertainty into retirement projections and test your assumptions**. For example, if longevity runs in your family, add years to your life span projections, and be sure to consider how inflation in medical, energy and other costs will impact projected expenses. Using retirement planning software that runs Monte Carlo simulations of investment returns, or consulting a CFP® professional who does these analyses, will help test how long your resources will last.

- **Prepare for your expenses to vary over time.** Studies show that expenses are greatest at the beginning and end of retirement, as new retirees are typically more active and enjoy travelling, and long-term care costs increase towards the end of life.

- **Purchase insurance for worst-case scenarios.** Long-term care insurance (LTC) and longevity insurance can mitigate serious retirement risks. LTC covers personal care assistance, and some hybrid policies convert unused benefits into life insurance coverage if you do not need long-term care. Longevity insurance financially protects you from living a longer life than expected by beginning to pay out when you are 80 or 85.

- **Assess your ability to pare down your expenses**. In the event of a financial emergency, how many of your expenses could be cut? The more fixed, regular obligations you have, such as car or mortgage payments, the less ability you will have to respond to emergencies, making early retirement less advisable.

- **Ensure that your family is doing their own financial planning***.* An early retirement can be derailed if family members end up needing your financial assistance. One step is to make certain that your children have proper life insurance to meet their own families' needs.

- **Plan to re-enter the workforce, just in case**. Life is unpredictable, and if your resources run out before the end of your lifetime, you may need to return to work. Make sure your résumé is up-to-date, hone skills throughout retirement, and stay in touch with your contacts to make your re-entry easier.

Planning early and carefully is the key to an enjoyable early retirement, as is the flexibility to adjust course for life's unexpected events. Consult a CFP® professional who can help you properly strategize your retirement and make this dream come true.

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ABOUT ROBERT SCHMANSKY, CFP®

Robert Schmansky is the founder of Clear Financial Advisors of Metro-Detroit. Rob has over a decade of experience helping individuals and families meet their financial goals and overcome money concerns. He is frequently quoted in the media on issues regarding personal financial planning, and has been a contributing writer for U.S. News & World Report, Forbes and Yahoo!Finance, and an investment expert for FiLife, a former Dow Jones/IAC joint Internet venture. He has been an adjunct instructor of economics and the required courses for candidates to sit for the CFP® exam. Investment News selected Rob as a 2015 40 Under 40 financial planning professional and he is the 2013 PlanPlus Global Financial Planning Awards North American finalist.

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