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New Survey of Financial Advisors Identifies Top Advice for Retirement Planning 5, 10 and 20 Years Out

Advisors from the National Association of Personal Financial Advisors (NAPFA) Say Tax Planning and Emergency Savings Critical; Longevity Most Pressing Issue For Consumers and Policymakers

Chicago, IL – To adequately prepare for retirement, Americans need to minimize taxes, save for emergencies and be prepared to live longer than their parents, according to NAPFA-Registered Financial Advisors who ranked a comprehensive list of tried and true advice for people who are five, 10 and 20 years away from retirement.

According to the Federal Reserve's 2014 survey on the *Economic Well-Being of American Households*, 39 percent of Americans indicated that they have given little or no thought to financial planning for retirement. Furthermore, 31 percent of non-retirement respondents have no retirement savings or pensions whatsoever.

"We conducted this poll to raise consumer awareness about the urgency of preparing for retirement and the importance of having a comprehensive plan in place," said NAPFA CEO Geof Brown. "We encourage consumers to act on these tips which advisors rank as the most important steps to take five, 10 and 20 years out from retirement. When it comes to retirement planning, consumers need to remember that while the days are long, the years are short. "

To jumpstart Americans' retirement planning, NAPFA asked its members to rank advice that represents the type of comprehensive planning that consumers should expect from a financial planner, including estate planning, investments, education funding, insurance and risk management, retirement planning and senior issues, among others. NAPFA-Registered Financial Advisors are CFP-certified, Fee-Only advisors that meet the highest education and ethics standards in the financial planning profession.

The poll found that advice focused on maximizing retirement savings through tax planning ranks high with advisors in each time-frame category. Advisors recommend contributing the maximum amount of pre-tax income to 401(k)'s, utilizing tax-advantaged IRAs and staying abreast of tax-reduction opportunities provided by the IRS.

Mitigating the impact of a possible income disruption, whether due to job loss or disability, also ranked high with advisors. "Tips to prepare for possible income loss are common, but the high ranking in two out of three time-frame categories is surprising," said Brown. "Clearly the 2008 recession has had a long-term effect on the psyches of both advisors and their clients. Combine that with lagging wages and the unpredictability of corporate America, and you have a large number of Americans who are still very concerned about job security."

A write-in question asking advisors to list their clients' top concerns showed that clients are worried about their own longevity which could cause them to outlive their retirement income. "Clients are anxious about running out of money for retirement as they age. With people living longer, this is top of mind for advisors, too. Our clients need to make plans now for how they'll live in the future. If clients wait too long, their options will narrow and decisions will need to be made in times of stress," according to an advisor who participated in the poll.

Americans' increasing longevity is also a challenge for policy makers, according to advisors. When asked about the biggest policy issue facing America, advisors overwhelmingly pointed to fixing social security as the number one financial issue that the nation's next president must address.

"Planning for retirement is a big weight on consumers' shoulders – but the right guidance and tips can make the process feel approachable," said Brown. "We hope this poll will act as a motivator, helping consumers be proactive by identifying initial issues to consider and defining what services they should expect from advisors."

Nearly 100 NAPFA-Registered Financial Advisors participated in the poll. Results of the poll are also shared on an infographic, available here. Please visit the NAPFA site for more resources about financial advice or to find an advisor in your area.

Top 8 pieces of advice as ranked by NAPFA-Registered Financial Advisors:

20 years before retirement:

1. Fully fund an emergency fund of three to six months of living expenses to avoid tapping into your 401(k) or home equity in the event of an emergency.
2. Boost your earning potential and benefits package now by contributing the maximum annual amount to your 401(k), or at least enough to receive a full employer match.
3. Contribute money to a ROTH IRA or other account to make sure you are saving in a tax-optimized manner.
4. Coordinate your insurance needs with your employer's benefits package to be sure you have adequate coverage should you become disabled (long-term disability) and evaluate the level of life insurance you need.
5. Ensure you have a diversified investment portfolio so that you are investing for growth and create tax diversification by allocating assets across taxable, tax-deferred and tax-free sources. Consolidate multiple retirement accounts and/or brokerage accounts you may have.
6. Make sure you have basic estate planning documents in place (i.e. a will, power of attorney, possibly a revocable trust, a living will, healthcare proxy, etc.)
7. Set a benchmark "magic number" for an adequate retirement fund and establish a step-by-step plan for reaching your goal.

8. Do not sacrifice your retirement to put your children through college. It is possible to take out loans for college but not for retirement.

10 years before retirement:

1. Be tax efficient with your investments. For example, you should defer as much of your salary as you can to your defined contribution plans.
2. Save to an emergency fund and stay aware of your company's financial situation. Companies are prone to reorganizations and layoffs, and older workers can be vulnerable.
3. Brainstorm any "big ticket" financial commitments (caretaking for a family member, etc.) for the next 10 years and consider how these items might affect your ability to retire in your preferred timeframe.
4. Take a hard look at any major debts that you have and develop a 10 year plan to eliminate them.
5. Reallocate your portfolio based on your earnings timeline with a focus on performance, risk and expenses. Decide when – or if – you should shift to a more conservative asset allocation.
6. Review what your tax obligations may be with your current investments and use tax optimization strategies to benefit your savings.
7. Review your estate documents to ensure the language is still accurate. For example, are the named trustees and beneficiaries still alive and capable?
8. Research when your stock-based compensation might expire and what stock awards you can retain after retirement.

5 years before retirement:

1. Make a list of retirement "needs" and "wants." If you do not have enough savings for all your "needs," make a five-year plan to increase your funds.
2. Fine-tune your retirement income plans. Review your projected expenses, add up your reliable sources of income and figure out how your investment portfolio will cover the gap.
3. Run tax projections periodically to ensure you take advantage of opportunities the IRS provides, such as ROTH IRA conversion strategies.
4. Double check your reported Social Security earnings and resolve any discrepancies now. Explore your Social Security claiming options and make sure you understand the timing of applying for benefits.
5. Ask your HR department about the relationship between your current health insurance and Medicare, as well as what your options are when you reach age 65. Get information about any pension or defined contribution options and any other retiree benefits.
6. Continually monitor and analyze your asset allocation to make sure it is the right one for you. Understand whether you should move to a more conservative asset allocation or continue investing for growth.
7. Research when stock-based compensation might expire and what stock awards you can retain after retirement.
8. Make sure that all of your estate documents are up-to-date. Verify that your named executors and proxies know your wishes and are willing to act on them if needed.

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About NAPFA
Since 1983, The National Association of Personal Financial Advisors has provided Fee-Only financial planners across the country with some of the strictest guidelines possible for professional competency, comprehensive financial planning, and Fee-Only compensation. With more than 2,500 members across the country, NAPFA has become the leading professional association in the United States dedicated to the advancement of Fee-Only financial planning. Learn more at www.napfa.org.