

6 STEPS TO AN EARLY RETIREMENT

DON'T RETIRE EARLY WITHOUT THESE SIX ITEMS
CROSSED OFF YOUR LIST



You've spent years in the workforce, saved diligently, invested intelligently, and are able to start retirement early. For many investors, trading working years for retired years feels like the dream. But let's face it, retiring early is intimidating.

Your savings will need to last longer and running out of money during retirement is simply not an option.

With that said, we still believe that an early retirement is within reach for many investors, and we've compiled six critical steps that can help you feel confident about the process. To explore each of these items in greater detail or to see how they fit into your comprehensive financial plan, please reach out to your team at CTS Financial Group.

#1 YOU'VE MAPPED OUT A BUDGET

The perfect retirement is different for everyone, so avoid the "retirement rules of thumb" and carefully consider what you want the next 30, 40, or 50 years of your life to look like. After accounting for living expenses, travel costs, healthcare needs, and debt obligations, put pencil to paper and determine how much this lifestyle will cost on a monthly and annual basis. During this process, don't forget to include the impacts of inflation, which has averaged roughly 2.50% per year since 1990.¹

#2 INCOME SOURCES ARE LINED UP

In 2018, the average Social Security benefit was \$1,413 per month or about \$17,000 per year.² Because of this, Social Security should be looked to as just a small portion of a broader retirement income strategy. Rental properties, bonds, dividend-paying stocks, and treasury notes are all examples of income-generating assets that can be considered. Creating streams of retirement income are especially important for an early retirement, as the more income you can expect during your retired years means the less you need to have saved as you begin retirement. This brings us to our next point.

#3 YOU KNOW HOW MUCH YOU NEED SAVED

Once you have an annual budget established and an idea of how much retirement income you can expect, the next step is to determine the savings needed to support this lifestyle. Conventional wisdom states that drawing 4% each year from your retirement savings is safe and sustainable when looking at a 30-year retirement horizon. However, this rule of thumb was developed during the 20th century, a period with historically high interest rates for bonds, treasury notes, and CDs. Considering today's low interest rate environment and lofty stock market valuations, many advisors now view just 2% to 3% as a safe annual withdrawal rate for new retirees.

To put this all together, consider the case of an investor who has an annual retirement budget of \$75,000, expects \$25,000 per year in retirement income, and feels that a safe annual withdrawal rate is 2%.

$$\frac{[\text{Annual Budget} - \text{Expected Income}]}{[\text{Annual Withdrawal Rate}]} = [\text{Retirement Savings Needed}]$$

$$[\$75,000 - \$25,000] / [0.02] = [\$2,500,000]$$

While this is a simplified, hypothetical example, it highlights the thought process required as you consider how much money you'll need to have saved.

#4 YOUR CREATIVE POWER HAS A HOME

With the financial aspects of retirement addressed, it's time to consider the personal items. Setting big goals, making an impact, and collaborating with other professionals shouldn't stop once you exit the workforce. Consider a side gig, volunteer work, or starting a business to ensure that your creative energy has an outlet. While the financial considerations of retirement are critical, finding motivation and purpose is key to making the most of the experience.

#5 YOUR SPOUSE IS ON BOARD

While an early retirement might seem perfect for you, it's important that your spouse is completely and totally in agreement. This is especially true for couples that will see one partner retire early while the other continues the nine-to-five work week. How will your spouse feel as they continue to work and you live the retired life? What new responsibilities will you take on now that you're retired? How can you support your partner's career while making time for hobbies, a new business, or travel?

#6 YOU HAVE GOTTEN A SECOND OPINION

Determining when to begin retirement and how much you need to have saved are both big decisions. Like any major decision, it's always wise



to get a second opinion. Speaking with a trusted financial advisor who can evaluate your budgetary needs, the amount you have saved, and your portfolio's asset allocation will help ensure you start retirement on the right foot and feel confident about your financial trajectory.

Here at CTS Financial Group, we've assisted hundreds of individuals and families plan for retirement and we'd love the opportunity to support your goals. Reach out to info@CTSFinancialGroup.com to set up a complimentary meeting where we'll review your portfolio and ensure it matches your vision for retirement.

1 Data from the Bureau of Labor Statistics and accessed [here](#)

2 Social Security Administration, [Social Security Fact Sheet](#)

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