Mesirow Wealth Management

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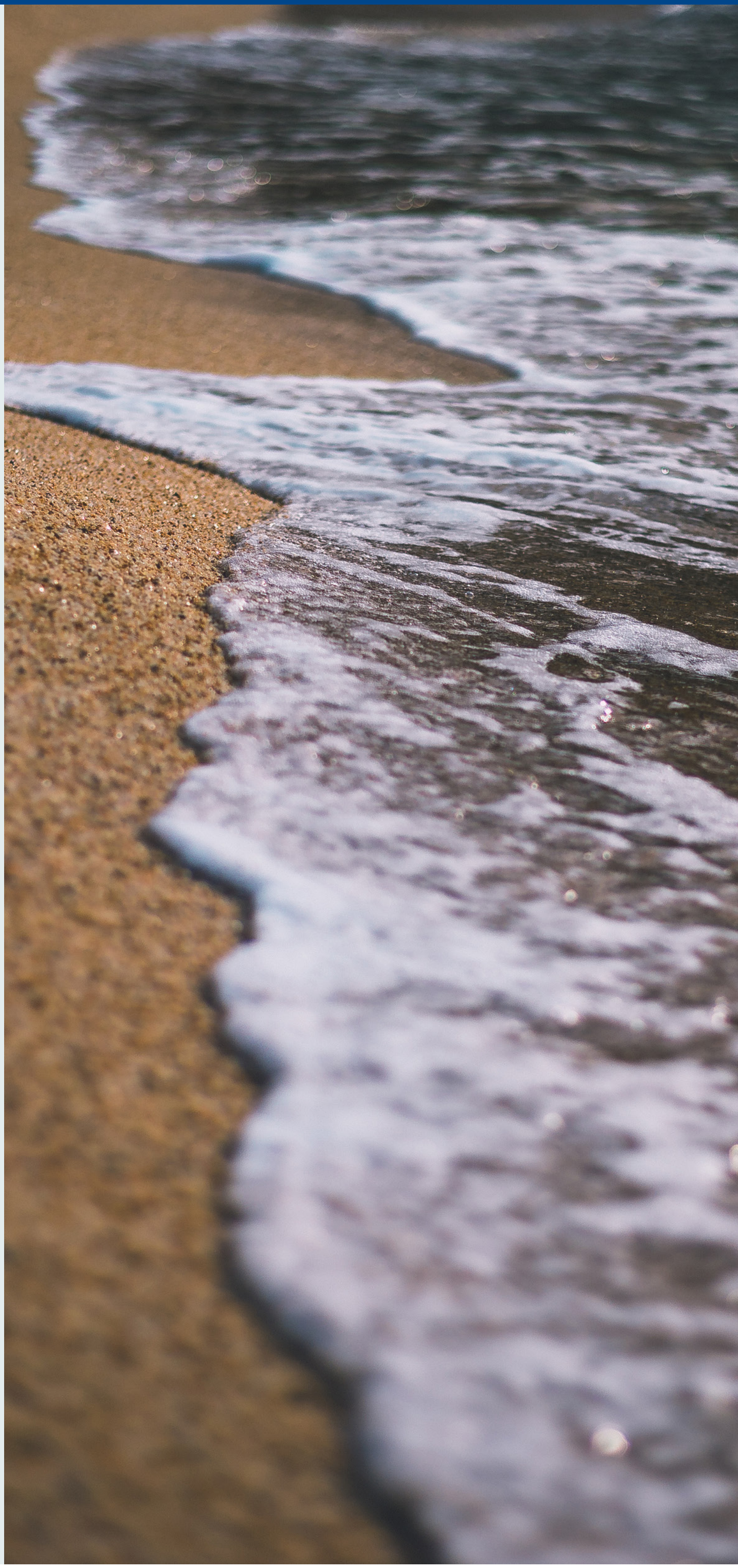
Bringing retirement into focus

Four steps toward retiring well

For many people in their 50s and early 60s, it's time to start considering if/when to retire. They'll take stock of their finances, evaluate how happy they are with their current situation and talk with friends and family about what they want to do for the next 30 or even 40 years. If that describes you, this guide can help you sort through some of the most important financial and social implications.



Staying focused on the goal

The last few years have been a study in how shifting economic conditions can affect the outlook of potential retirees. During the pandemic, research indicated a surge in the number of baby boomers (individuals born 1946–1964) announcing their intent to exit the workforce before age 67. In 2020, the number of baby boomers retiring more than doubled from 2019; the "great resignation" had begun.

However, the trend reversed following the depths of the pandemic as interest rates rose and inflation picked up. Older workers started working longer for both financial and social reasons. In fact, roughly one-in-five Americans ages 65+ (19%) were employed in 2025 — nearly double the share of those who were working 35 years ago. Not only are older workers increasing in number, but their earning power has grown more than their younger counterparts, narrowing the wage gap significantly. Overall, older workers are more satisfied with their job overall than their younger colleagues and 62% of them are working full time.

However, with the rally in the stock market, interest rates leveling off and home prices rising as the decade progressed, Bloomberg reports that the trend is now edging back towards folks retiring early.

These shifts show how easy it is to let exogenous events dictate your retirement plans. However, the goal is to make your plan such that *it doesn't make a huge difference what the stock market is doing or where interest rates are*. And that means having a firm idea of what you want your retirement to look like. Everyone's retirement is unique, and mapping out yours depends on how you answer several questions. Do you have enough assets to live comfortably? If not, what will it take to get there? How can you maintain your new desired retirement lifestyle with predictable income? What about healthcare?

In this guide, you'll find four areas of focus to help you bring all those blurry potential outcomes into sharper relief.

1. Respect the change
2. Define the terms
3. Get organized
4. Seek professional advice

Throughout this guide, when you see the telescope icon, you'll find questions you can ask a financial advisor that will help you clarify what can often be a confusing picture.

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1. Respect the change

If you're considering retiring, the first question many ask is: "Can I afford it?" That's important, of course. But there's one more question whose answer may take precedence: "Am I prepared for the life changes retirement brings?"

The pre-retirement process is difficult for many as they consider how to replace the fulfillment, achievement and social benefits derived from their career. Such difficulty often triggers anxiety, which may lead to depression, and limits the probability of success in retirement. If you are thinking about making a career transition to retirement, here are three things to ponder that may help clarify whether the time is right:

- Develop your financial self assurance
- Develop your retirement identity
- Develop your social network

Develop your financial self-assurance

This is different than making a list of your assets. You may have the financial resources to retire but lack confidence regarding your ability to financially succeed in retirement. That in turn can lead to anxiety that may limit your fun and enjoyment during this exciting stage of life. Research shows that financial planning plays a key role in developing financial self-assurance, which positively contributes to retirement confidence and well-being. Now is the time to take stock of your assets and start making realistic projections of what you can expect from them. Working with a financial advisor, even just for the planning stages, can be a big help here.

Do I currently have enough savings and investments to even consider retiring soon?

Develop your retirement identity

We spend our early and middle-age years developing skillsets and building our work identities. Working Americans spend more time engaged in their careers than any other activity. Over time, our personal and professional identities become tightly woven together. Your community frequently knows you as a physician, accountant, teacher or employee at a certain company.

About four in ten workers say their job or career is extremely or very important to their overall identity. Workers with a postgraduate degree are the most likely to see their job or career as central to their overall identity — 53% say it is.

The immediate disconnection of work identity can be challenging for individuals who do not have other avenues to achieve recognition and develop psychological success. You should carefully consider what you would like to be doing over the next 20 to 30 years or even beyond. When planning, open yourself up to new possibilities that you might find rewarding — starting another career, returning to school or expanding a hobby. Try not limit yourself to the stereotypical activities associated with retirement such as full-time travel and leisure, unless they are activities you really enjoy.

Develop your social network

Work has several non-financial benefits, such as socialization. At the end of a long career, it is common to have a meaningful part of your social interactions come through work affiliations. When you retire, your friends and colleagues may not be as accessible due to their own career demands.

Prior to retirement, it may be helpful to develop social relationships that will provide you with meaningful activities during your new free time. Also, because individuals are living longer, it is important to develop social relationships with people in different age cohorts. Individuals in your cohort may make different lifestyle decisions in retirement such as relocation. Younger friends may be a source of social stability given their stage in life. You may also benefit each other through informal mentoring as you pass on wisdom and they keep you current with technology.

The decision to retire involves a myriad of lifestyle changes, challenges and opportunities. Comprehensive financial planning, the ability to define your "new self" outside of a work environment and the ability to develop new social relationships will all impact your successful transition from your career to your new adventure in retirement.

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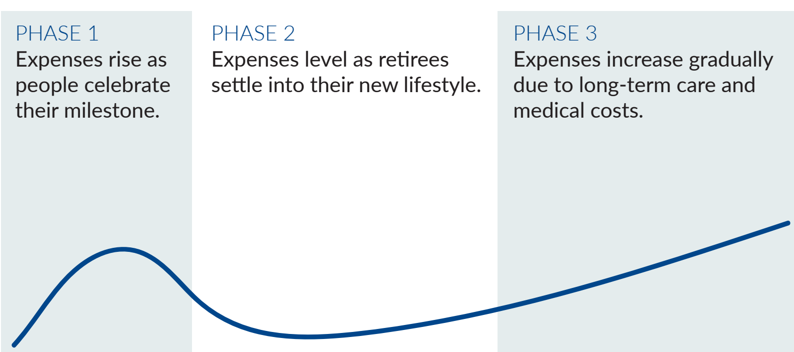
2. Define the terms

If the answer to the question of “is this really what I want to do” is “Yes!” then the next question is: “Can I afford it?” There are a lot of variables in that equation, but it starts with defining the terms. To start doing so in a practical way, we suggest concentrating on three areas: cash flow needs, income sources and healthcare considerations.

Cash flow needs

The first step is estimating how much you think you’ll need to earn each year you expect to be retired. What will your monthly expenses be in retirement, based on the lifestyle you have defined?

80% Rule. A good rule of thumb is that retirees typically retain 80 percent of their expenses in retirement. Keep in mind that this isn’t a set amount that will stay the same. It will need to increase to keep pace with inflation. In addition, for many, retirement spending occurs in three phases:



Other funding needs. Many people have additional continuing expenses that have nothing to do with day-to-day costs. Do you own property or have a vacation home that you want to keep and maintain? Will you want to continue your current charitable contributions? Are there organizations to which you want to offer major philanthropic support? For many, the desire to “make a difference” is a key motivation for retiring as soon as they confidently can. Making a plan of which organizations you want to support, and the level of support you want to provide, can be a major factor.

How do I build a rainy day fund into my plan so that I have enough liquid cash?

Income sources

Your investments and personal assets will likely supply most of your income during your retirement. If you plan to retire before age 67, that's even more true, as those who start drawing before that age will receive less.

Personal investments. The income generated by your personal investments (retirement plan, IRAs, savings, liquid and non-liquid assets, etc.) will be determined by a number of variables: asset allocation, risk tolerance, time horizon and the tax status of those investments. You will also need your target rate of return to at least beat the inflation rate so you don't lose buying power. Partnering with a financial planner can be a big help when trying to determine what return rate you can reasonably expect from your different assets.

What rate of return can I reasonably expect to see from my current assets going forward?

Which assets you will tap first to create income. The timing on which assets you tap first is important since it impacts how each of those portfolios are invested. Do your income-producing assets create enough on their own, or will you need to supplement them somehow? A huge factor is figuring out the most tax-advantageous way to create income so that you can minimize the tax burden. Does liquidating some of your equity assets make sense given your tax rate versus the capital gains rate? Again, a financial advisor can be a key partner in this process.

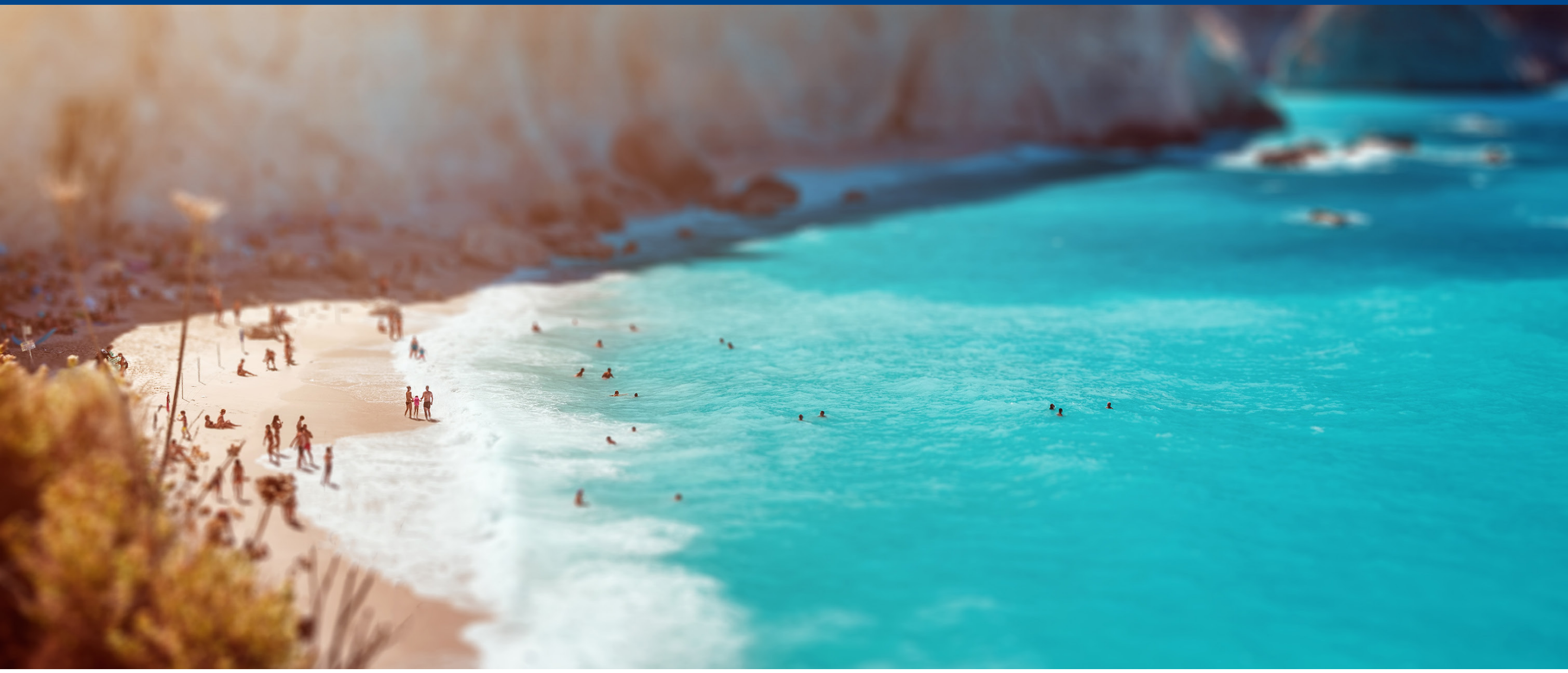
How can I minimize the tax impact on my investments, especially at year end, when mutual fund capital gains are distributed?

Social Security. It's not easy to determine the best time to begin taking Social Security. You can access retirement assets at 59½. But generally, the goal is to wait if you can. The longer you wait, the higher your payouts will tend to be. Most people will want to create a reliable income stream from investments prior to at least age 70. You can learn more about how to maximize your social security paycheck here. But every case is different and a financial advisor can help you figure what is best for your unique situation.

At what age should I start taking Social Security?

Required minimum distributions (RMDs). Most likely, these won't start until you are 73. But when assessing whether you can afford to retire now, those payments can become part of your longer-term strategy. Perhaps they can play a role in covering the rising costs in Phase 3 mentioned on page 6. You'll find a comprehensive list of strategies for managing your RMDs here.

What are some alternatives to taking a required minimum distribution when I hit 72½?



Healthcare considerations

For many, healthcare expenses — from regular prescriptions to major procedures — represent a major outlay in retirement. They are also hard to predict. So, we've given them separate consideration.

What are the limitations and coverage options for Medicare?

Life expectancy. This important variable impacts how long your money will need to last, and it's critical to your planning. Many of today's retirees should plan on living for 30–40+ years in retirement.

Medical care. Funding your medical care will change when you are eligible for Medicare at age 65. Be sure you know the ins and outs of premium payments, coverage limits and the additional insurance coverage you may need. This article can help.

Caregiving and long-term care needs. A surprising number of people find themselves caring for a parent of family member in retirement, or hiring a caregiver to help. Factoring in those costs is an important part of the plan.

3. Get organized

Just like any well-run business, well-organized individuals and families have a system in place to document and track their finances. Below are four ideas that you can implement to get started on organizing your financial life and taking the first steps towards determining when you can comfortably retire. A financial planner can help you input this information in one, easy to use online system.

Create your personal balance sheet

Your balance sheet is a comprehensive listing of all your assets and liabilities. The asset side of the balance sheet should contain a list of all property, bank accounts, investment accounts, and any other business or personal assets. The liability side of the balance sheet should include major financial responsibilities, such as a mortgage or loans.

The value in this exercise is that once you get organized and see all your accounts laid out in a list, you'll most likely notice that you are dealing with six to ten different financial institutions — two banks for cash and savings accounts, two or more credit card providers, and multiple places for both personal and work investment accounts. There is likely significant overlap between these accounts that, if consolidated, could lead to lower fees and easier monitoring of these accounts. Think "simplify."

The two most common "aha moments" we hear are that when reviewing all these assets and accounts, people have forgotten about a retirement plan at a previous employer or can't remember why they set up similar accounts at multiple institutions in the first place. This form can help you create a record of where all your documents and records are located.

Create your personal cash flow statement

Your cash flow statement is a listing of all your cash inflows and outflows. People are usually quick to identify their sources of current income, whether that be from their current employer, Social Security, or a pension or annuity payment. However, when pressed about the expense information, aside from mortgage or liability payments, many aren't sure how much they spend each month on items such as food, entertainment, or clothing. Knowing the relationship between these inflows and outflows is the first vital step in answering the question "when can I afford to retire?" Remember above when we asked about "respect the change?" That comes into play here. How will your personal cash flow needs be affected by the retirement lifestyle you choose to pursue? Simplifying and downsizing will create a very different set of cash flow needs than a plan to travel extensively. If you have been successful doing your investing, you may want to build in a cash reserve that allows you to take advantage of a market opportunity or avoid having to sell a security at a bad time to meet a sudden cash need.

Again, a financial advisor can be an invaluable partner when figuring out a realistic plan that fits your income needs and risk tolerance.

Do an annual financial review

When was the last time you sat down and did a full financial review? This involves much more than assessing how your financial accounts did over the last quarter. For example, a financial review can help you understand if your insurance and estate documents are up to date. Since you first established your insurance needs and estate documents, your asset levels may have increased, and may need to be updated. Several things could lead to the need to update both sets of documents, such as acquiring real property or wanting to update beneficiary designations.

Can a financial advisor help with making sure my assets are properly titled and my beneficiaries are up to date?

How much will the projected value of my estate be worth at age 85, 90, and 95?

4. Seek professional advice

If you think the above sounds like a lot of work, you're right. You not only need to be sure your assets are allocated properly, but also be sure they are working within a holistic plan that integrates constantly changing tax laws, your preferred retirement lifestyle, potential health care needs for you and your family, evolving financial goals and the disposition of your other assets (such as real estate holdings or alternative investments like hedge funds). What's even more concerning is that it's at this stage that you have the most to lose if you make a bad decision.

That's why many people choose to work with a financial planner or advisor to assist them as they sort through their options, help them make informed decisions and keep up on changing regulations.

How will new legislation impact my strategy?

You don't need to give up managing your own assets

You may enjoy investing your assets. You may even be pretty good at it. Teaming with a wealth advisor doesn't mean you need to give that up.

I like doing some of my own stock trading. Does using an advisor mean I have to give that up?

Many who invest their own money enjoy staying current on market happenings and think they'll be less so if they use an advisor. However, the latest OnDemand Research from DALBAR's Business Technology Division reveals that "mutual fund investors employing the use of financial advisors are enjoying supreme value from their firms' digital offerings compared to their counterparts that do not use advisors."

Bringing in an advisor doesn't mean you'll be less connected to how your assets are invested. It may mean you'll be more aware of how well they're performing. In addition, you can outsource critical, complex financial management tasks to an expert so you can spend your time in ways that are more meaningful to you.

A professional can help you optimize what you've built

Sophisticated portfolio management involves a lot more than choosing solid investments and allocating them within a portfolio. It factors in tax loss harvesting, economic forecasting, back-testing, portfolio modeling and more. A savvy investor may be able to achieve a decent level of return on their own. But how much time are you willing to spend to pursue it, and how can you be sure that your trades complement the rest of your financial plan?

Can a financial advisor help me take advantage of more sophisticated strategies, like tax loss harvesting?

Financial advisors typically have a wealth of resources and back-office personnel to help them invest your assets in the most advantageous ways possible. They also have the technology to handle tax and reporting requirements — for some, that's reason enough alone to work with an advisor.

Set your sights on your best life in retirement

It's unlikely a lot of people reflect on their life and think, "I wish I would have spent more time researching investments."

That's why working with a financial advisor has the potential to set you free in retirement. Their sole purpose is to help make sure all your assets work together efficiently in pursuit of your most important goals. Let your advisor, in partnership with your tax professional, be the ones who stay current on changing tax regulations, manage the gain/loss balance in your portfolio and do the research necessary to adjust your asset mix in response to changes in your life. They can do that while you're playing golf, visiting family, working in your community or whatever else you love doing most.

By defining your retirement lifestyle, the financial terms, getting organized and teaming with a professional when needed, you can set yourself on the path to living your best life in retirement. We invite you to speak with a Mesirow wealth advisor today and start making that dream retirement a reality.

Additional Resources

The Knowledge Center on Mesirow's web site offers you a wealth of helpful and practical information. Below are links to a few articles that may be of particularly assistance when trying to determine if you can retire soon.

- **Making a career transition to retirement:** The pre-retirement process is difficult for many as they consider not only financial issues, but also how to replace the fulfillment, achievement and social benefits derived from their career. In "Making a career transition to retirement", you'll find key elements to consider when thinking about your post-work life.
- **Having "the talk" with your children.** Discussions between parents and children are not easy and get more complex as we advance to different stages in life. However, **not** having them may result in a more devastating outcome. Even if you're not yet retired, it's not too early to start working out the details with your loved ones. Our "having the talk" article can help set the agenda.
- **The ABCDs of Medicare.** Medicare is likely to be a chief source of medical coverage for most retirees, especially as they get older. So, it's important to be familiar with the basics. What does it provide? How much does it cost, what can you do if your income has changed? We break it all down in "The ABCDs of Medicare."
- **How to maximize your social security benefit.** Social Security retirement benefits are an essential part many retirees' comprehensive financial plan. Not only do these benefits provide for 40% of the average retiree's income, but their unique characteristics cannot easily be replicated by another investment strategy or product. To determine how best to maximize your Social Security benefit, first understand which types of benefits are available, and then identify the most opportune time to begin receiving these benefits, based on your individual situation. "How to maximize your social security paycheck" can help.

About Mesirow

Mesirow is an independent, employee-owned financial services firm founded in 1937. Headquartered in Chicago, with locations around the world, we serve clients through a personal, custom approach to reaching financial goals and acting as a force for social good. With capabilities spanning Private Capital & Currency, Capital Markets & Investment Banking, and Advisory Services, we invest in what matters: our clients, our communities and our culture.

Mesirow Wealth Management is the firm's founding capability. We are the initial namesake business of Norman Mesirow, whose vision was to serve with purpose, applying the highest standards of professionalism in advising individuals and families on their most important life goals.

We look forward to having an opportunity to serve you and your family.

To learn more, visit mesirow.com/wealthmanagement, call 847.681.2300 or email.