

## Retirement planning at every life stage

**There's no one right retirement for everybody, so you need to create your retirement plan to fit your individual situation. This overview will get you thinking about the kind of retirement you want and how to get there.**



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Preparing for retirement can be intimidating. You're facing great uncertainties about how your financial future will unfold, with a lot at stake. Fortunately, a comfortable and sustainable retirement should be within your reach if you prepare for it properly.

You'll find that a little planning can go a long way to getting you where you need to go, although that doesn't mean it's necessarily easy. You will need to

gradually define retirement planning objectives for the kind of retirement you want and then find a way to get there. There's no one right retirement for everybody, so you need to create your retirement plan to fit your individual situation.

Before we get into details, we should draw a distinction between what are typically the core activities of retirement planning and preparing financially for retirement in the broader sense. Retirement planning typically focuses on setting retirement objectives and then outlines a path for achieving them, whether it's in a formal written financial plan or is more informal. It tends to focus on a few key activities—like figuring out when and how much you need to save—that tend to have the greatest impact on getting you where you need to go. However, to make the most of preparing for retirement overall, your efforts need to extend beyond the usual area of focus for retirement planning to achieving excellence across a broader set of financial activities, like effectively handling debt and managing your investments.

While this article focuses on core activities of retirement planning at every life stage, from your early working years, to when you're ready to wind down your career (it really is never too soon to think about retirement), a broader retirement preparation checklist is provided in the table below to give you a sense of the fuller picture.

## Getting started: Retirement planning in your early career years

The tricky thing about this stage is finding the right moment to start saving for retirement at a time when preparing for a distant retirement isn't usually your financial priority. This typically applies in your 20s and early 30s (but may extend later).

Early on, you're liable to have many demands on your modest paycheck. You may be paying down student debts, struggling to cover the rent or trying to save the down payment for a first home. Then you may be going through the financial crunch of buying a first home, juggling a huge mortgage and paying enormous child care costs after starting a family. To be realistic, you may not be able to make much headway in saving for retirement at this stage. That's okay for now as long you're pursuing other sensible goals in a prudent way.

Try to get through the crunch years as soon as you can in decent overall financial shape (for example, by avoiding a build-up of high-interest credit card debt). Of course, if you're one of those people who is able to save for retirement from early in your career—which often happens if you don't buy a home or have children—then it's a smart idea to do so.

It's important to realize that even if you're not able to save for retirement directly at this age, taking other prudent financial actions can be a big step in the right direction. Investing in a good education can lead to relatively high-paying jobs later that create capacity for future saving. Paying down student, consumer and other debt eliminates costly interest expense and helps get you more quickly to the point where you *can* save. Just making your regular mortgage payments contributes in part to gradually paying down your mortgage balance and building home equity, which is saving in a different form. So these kinds of sensible, commonplace activities can still help you prepare for retirement, even if you don't yet have savings in the bank to show for it.

## Next steps: retirement planning in your mid-career years

This period often starts in your late 30s or early 40s but could begin earlier or later, and takes you to the doorstep of retirement (which is typically in your early 60s but could also be earlier or later). After the financial crunch starts to ease, you should make planning for retirement a priority and ramp up your savings efforts. The good news is that your capacity to save typically opens up as you gradually pay down your mortgage, child-care costs subside, and your salary often continues to grow along with promotions and experience. But you should understand that starting to save at this point means you will need to save much more per year than if you had started earlier, to compensate for having much fewer years left to save.

As your disposable income builds, you need to make sure you're saving enough and not spending too much. It is critical to make the most of every opportunity to save when those opportunities come. Now is a great time to prepare a financial plan focused on retirement so you can see where you stand. Getting assistance from a [qualified financial planner](#) can be a big help. Your retirement plan should begin to establish three key interconnected objectives:

- how much you need to spend in retirement to get the retired lifestyle you want;
- the age at which you'd like to retire;
- and the size of nest egg you'll need at retirement.

Then you look at what you've saved so far and expect to save until retirement to see if you're on track for achieving your objectives or not. Early on your objectives are liable to be pretty vague and approximate, which is fine to get started. Gradually refine them as you get closer to retirement. If you have a shortfall in your plan, identifying the gap as early as possible should help you to fix it while you have time on your side. Your most powerful tool for closing a shortfall in your middle years is usually to ramp up your savings efforts, so that you're saving as much money per year as you can over many years. You may also plan to work a little longer, or spend less in retirement—but be

cautious in those assumptions. For example, generally it's not a good idea at this stage to count on working until age 70 to make your plan work. That's because you can't be sure so many years in advance that you will still have the physical ability, energy or desire to keep working full-time for that long.

## The final stretch: planning at the doorstep of retirement

When you're within a few years of retirement (which typically happens in your early 60s, but could be earlier or later), then you should refine your plan to make sure you're fully ready for retirement when the day arrives. At this point, you should have clearer goals for spending in retirement, the timing of your retirement and the size of nest egg you'll have at retirement. If you have a shortfall now, ramping up savings can still help, but its effect is limited by having only a few years left to save. If you enjoy your work and are in good health, then working a little longer might have a sizable impact. An often under-appreciated option is to be creative and flexible in finding a fulfilling retirement on a more modest budget.

## Concluding thoughts

After retirement, you'll still need to monitor your plan and then adjust it as circumstances change. At each stage of your life, try to be flexible and creative in planning the best retirement that's right for you within whatever means you have.

## Checklist: preparing financially for retirement

## **Follow three key over-all interconnected objectives for a retirement plan**

- The amount you spend each year in retirement to get the lifestyle you want
- The age you fully retire
- The amount of savings you have at retirement

## **Find the right savings path to achieve your objectives at retirement**

### **Other financial activities to handle effectively**

- Manage debt carefully at each stage of your life
- Build your career so that it supports your standard of living throughout life
- Find the optimal transition from your career job to being fully retired
- Start your government pensions at the right time for you
- Determine sustainable and tax-efficient retirement withdrawals that meet your needs
- Make the most of managing your investments
- Find the right financial advice at a reasonable price
- Make appropriate use of the value in your home (if you're a homeowner)
- Protect yourself from potential high care costs late in life
- Create as fulfilling a retirement lifestyle as possible that also fits your means

*David Aston is an award-winning personal finance writer and author of [The Sleep-Easy Retirement Guide: Answers to the 12 Biggest Financial Questions](#)*

*That Keep You Up at Night, available from bookstores and online retailers starting January 15, 2020. He has a Chartered Financial Analyst designation and an M.A. in economics.*