



# Retirement Readiness Guide

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Take stock and take action to step confidently into your future





# Welcome!

At Alterra, we know that unlocking your wealth's potential begins with clarity—clarity about what you have, what you need, and what steps you can take to help you retire with confidence when the time is right. After all, the idea of retiring should feel exciting, not stressful.

The *Retirement Readiness Guide* is a 6-step guided process filled with bonus tips and recommendations along the way. It's designed to offer you a straightforward pathway to determine where you are on the road to retirement and chart the course to get you where you want to be.

Steps 1–4 help you identify how much you need in your portfolio to know when you can retire with confidence. Steps 5 and 6 enable you to establish effective strategies for managing your cashflow and portfolio throughout your retirement years.

Take your time with this process. You'll get the most out of it by making sure you've gathered all the information necessary to offer you a clear snapshot of where things stand.

***Are you ready to get clear, feel confident, and take informed action in your journey to retirement? Let's go!***



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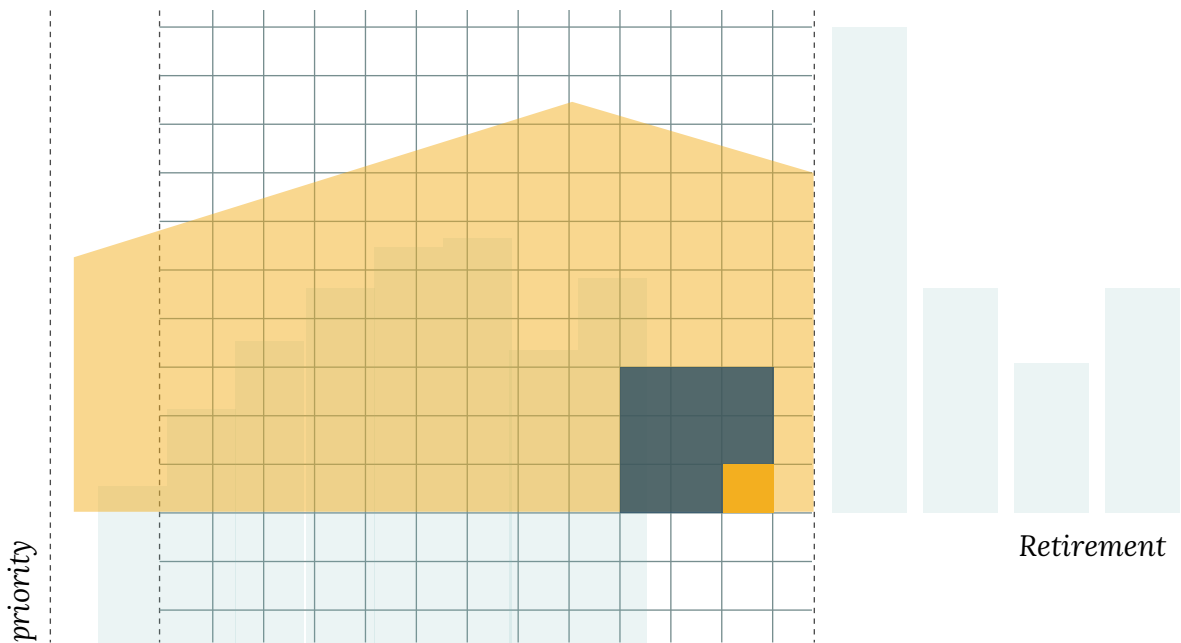
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Now's the time! You're ready to make a game plan for managing your finances.

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Set yourself up for a long, fulfilling retirement life.





## Step 1

# Know What You Have

The first step on the road to clarity and confidence is to take stock of what you currently have that will contribute to your retirement.

On the following page, we provide an overview of what this might include. And we've provided space for you to list out everything, including start dates, the amount each item contributes, and (when relevant) what it costs.

Take your time and make sure you account for everything! Having a clear and complete snapshot is the foundation of retirement readiness.



## Fixed Income Sources

**Income streams that will show up every month like clockwork.**

Examples include:

- Social Security
- Pensions
- Rental Income

## Healthcare

**What coverage you will have, when it starts, and how much it will cost.**

Examples include:

- Employer plans
- Medicare
- Individual coverage

## Portfolio Assets

**The savings and investments you can draw on to fill the gap between your total need and your fixed income.**

Examples include:

- Checking, savings, money market accounts
- CDs
- Taxable stocks, bonds, mutual funds, and other investments
- IRAs, 401ks, and other retirement accounts
- Health Savings Accounts



## Step 1: Know What You Have

### Fixed Income Sources

Fixed income sources include income streams that you anticipate showing up every month like clockwork. These could include, for example:

- Social Security
- Pensions
- Rental Income

Take note of each income stream, including how much you'll receive, when it will start and end, and what costs might be associated with it. (For example, make note of the total cost of taxes and upkeep for rental properties.)

Source	Start	End	Monthly
<i>Social Security</i>	/ /	/ /	\$
<i>Pensions</i>	/ /	/ /	\$
<i>Rental Income</i>	/ /	/ /	\$
	/ /	/ /	\$
	/ /	/ /	\$
	/ /	/ /	\$
	/ /	/ /	\$
	/ /	/ /	\$

Monthly Total
\$



Not sure when to take social security? The right strategy can make a big difference, and we can help. Check out our article on when to take social security (available at [alterraadvisors.com/retirement-readiness](https://alterraadvisors.com/retirement-readiness)) or just reach out!



## Step 1: Know What You Have

### Healthcare

What coverage will you have, when does it start, and how much will it cost? This could include, for example:

- **Employer Plans**—will your employer provide coverage? If so, will it last for life or stop when you become eligible for Medicare?
- **Medicare**—you’re eligible for coverage starting at age 65. See our Guide to Medicare at [alterraadvisors.com/retirement-readiness](http://alterraadvisors.com/retirement-readiness) for more!
- **Individual Coverage**—this may include coverage to bridge the gap to Medicare eligibility, as well as dental, vision, and long-term care insurance.

For plans with annual payments, calculate the monthly cost.

Source	Start	Deductibles	Monthly
<i>Employer Plan(s)</i>	/ /	\$	\$
<i>Medicare</i>	/ /	\$	\$
<i>Medicare Supplemental Coverage (Part C/D)</i>	/ /	\$	\$
	/ /	\$	\$
	/ /	\$	\$
	/ /	\$	\$
	/ /	\$	\$

Monthly Total
\$



If you’re retiring before 65 or want supplemental coverage in addition to Medicare, start looking at individual coverage options and costs, or partner with a health insurance broker to help. Need an introduction?

[Reach out!](#)



## Step 1: Know What You Have

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### Portfolio Assets

Your portfolio assets are the savings and investments you can draw on to fill the gap between your fixed income and your total financial need in retirement. They might include, for example:

- Checking, savings, money market accounts
- CDs
- Taxable stocks, bonds, mutual funds, and other investments
- IRAs, 401ks, and other retirement accounts
- Health Savings Accounts
- Future inheritance, business sale, or other lump sums expected, including how much and when you may receive them.







## Step 2

# Identify What You Need

Now that you have your financial snapshot in place, it's time to determine how much you anticipate needing over time in retirement. In the pages to come, we've provided space for you to list out your expenses—from the non-negotiables of “keeping the lights on” to the anticipated costs of enjoying and enriching your life. Common examples include:

- Day-to-Day Living Expenses (like household, utilities, groceries, etc)
- Mortgage and Debt Payments
- Big Expenses (like new cars, home remodels, etc.)
- Expenses to Enrich Life (like dream vacations and family experiences)
- Gifts, Inheritances, and Donations

Take your time and make sure you account for everything you can reasonably anticipate! The goal of this process is to realistically assess where you are on the path to retiring with confidence and comfort.



The average 65-year-old couple spends about \$315,000 over the course of their life on healthcare. Check out our article on how much healthcare will cost to help you assess your needs over the long term (available at [alterraadvisors.com/retirement-readiness](https://alterraadvisors.com/retirement-readiness)), or feel free to reach out!





Step 2: Identify What You Need

# Mortgage and Other Debt Payments

In the space below, list what you still owe each month and how long you have before each debt is paid off.

Debt	Balance	APR %	Payoff Date	Monthly payment
			/ /	\$
			/ /	\$
			/ /	\$
			/ /	\$
			/ /	\$
			/ /	\$
			/ /	\$
			/ /	\$
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			/ /	\$

Total Monthly Debt Payments
\$



## Big Expenses

Below, list the one-off, big-ticket items like home remodels, new cars, and vacation properties you anticipate needing in the years to come.

Expense	Date	Anticipated amount
	/ /	\$
	/ /	\$
	/ /	\$
	/ /	\$
	/ /	\$
	/ /	\$
	/ /	\$
	/ /	\$
	/ /	\$
	/ /	\$
	/ /	\$
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	/ /	\$
	/ /	\$
	/ /	\$

Total Anticipated Budget
\$



Overspending is one of the biggest risks to your retirement plan, so it's important to be as thoughtful as possible when assessing your needs!



Step 2: Identify What You Need

## Expenses That Enrich Your Life

In the space below, list the expenses that you anticipate for the things that bring meaning and joy into your life. These might include things like a budget for travel, family experiences, fine dining, and any other spending you'd ideally be able to maintain.

Expense	Monthly Budget
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$

Total Monthly Budget
\$

\*To account for expenses like travel that may not take place every month, assess your ideal yearly budget and then break that number down to a monthly cost. This will help ensure you are tracking and saving effectively for those fun events!



## Gifts, Inheritance, Donations

In the space below, list the ways you'd like to give of your assets to loved ones and to causes you care about in the years to come. This could be a monthly line item in the budget, a periodic large gift, or a mix of the two.

Gift	Frequency	Amount
		\$
		\$
		\$
		\$
		\$
		\$
		\$
		\$
		\$
		\$
		\$
		\$
		\$
		\$

Total Gift Amount
\$



**Gifts and big-ticket expenses** are important to factor into your overall need and projections, but they may not need to be part of your regular monthly budget. At Alterra, we take a big-picture view to break down your needs through monthly income and lump sum payments.



## Step 2: Identify What You Need

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### Adding it All Up

Congratulations! You've created a snapshot of your financial needs for the coming years. Working through these numbers is one of the most important things you can do to discover where you are on the path to retiring comfortably and confidently.

Now it's time to add it up to see the numbers as clearly as possible. In the table below, write out the totals from the previous pages.

### Monthly Expenses in Budget

Expense	Total monthly need
<i>Day-to-day living expenses</i>	\$
<i>Mortgage/debt payments (while they last)</i>	\$
<i>Retirement fun (travel, etc.)</i>	\$
	Total Anticipated Budget
	\$

### Gifts and Big-Ticket Expenses

In the space below, list the ways you'd like to give of your assets to loved ones and to causes you care about in the years to come. This could be a monthly line item in the budget, a periodic large gift, or a mix of the two.

Expense	Total monthly need
<i>Big-ticket items</i>	\$
<i>Gifts to family, friends, and charity</i>	\$
	Total Anticipated Budget
	\$





## Step 3

# Establish a Timeline

Now that you have a clear understanding of your finances, it's time to start thinking about your retirement timeline. There is no "right" time to retire—just a "right for you" approach to this next phase in life. This is your chance to think about when you want to be able to stop working and begin shifting your focus to other priorities in your life.

Imagine you're being interviewed about your hopes and dreams for retirement. How would you answer the following questions? Your answers will help you start thinking clearly and realistically about a retirement timeline that's right for you.

When would you like the flexibility to stop working if you want to?

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If you're married, will you both stop working at the same time? If not, what do you want the intervening years to look like?

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Do you want stop working all at once or slow down over a number of years?

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Step 3: **Establish a Timeline**

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Do you want to earn any part-time income? If so, what will you do and for how long?  
(Don't forget to add this to your income sources in Step 1!)

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Is there a point at which you may not be able to work any longer, even if you want or plan to keep going?

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Is there anything you want to make sure you do before you retire to bring a sense of closure and/or achievement to this period of your working life?

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**Bonus question!** If your retirement includes selling your business, how much time will you need to build into your retirement timeline to ensure that you can leave with confidence?

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## Step 4

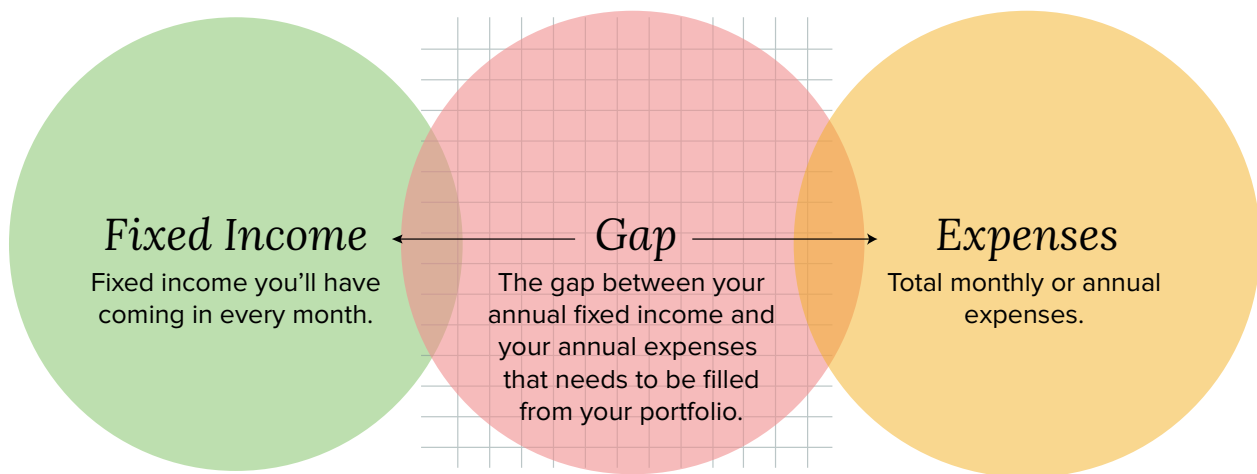
# Find Your Retirement Number

Now that you have a clear snapshot of your retirement income, expenses, and target date, it's time to find your *Retirement Number*—the amount you need in your portfolio to know that you are ready to retire comfortably and confidently in the way you've always imagined.

To find this number, the first thing you need to do is identify your income gap.

## Identify Your Income Gap

Your income gap is the difference between what you have (the total monthly **fixed income** you identified in Step 1) and what you need (the total annual **expenses** you identified in Step 2). ***This gap is the monthly amount your portfolio will need to cover each month so you can live your dream retirement life.***



Your monthly income gap: \$\_\_\_\_\_



### Find Your Retirement Number

Now that you've identified the amount you will need to reliably generate in order to supplement your fixed income each month, you have the information needed to find your *Retirement Number*. This is the amount-in-total you will need in your portfolio to know that you are ready to retire.

**What exactly does your *Retirement Number* tell you?** You will know you are ready to retire if the total amount in your portfolio statement can sustainably fill your monthly income gap. Your *Retirement Number*, therefore, is what you need in your **nest egg** to support you with predictable **paychecks** throughout your retirement years.

Everyone's *Retirement Number* will be different based on factors that are unique to them. But, to help model what the process of finding your *Retirement Number* might look like, we've developed a case study based on the specific needs and goals of a hypothetical couple named Annie and Scott. Like you, they're wondering whether they have enough to retire—and just how much they need to retire with confidence.



# A Hypothetical Guide to Finding Annie and Scott's Retirement Number

In the following example, we are using hypothetical numbers based on what Annie and Scott want and need for a happy retirement life. Your *Retirement Number* should be based on your own vision for what you want to do in the years to come. Don't worry, we can help!

**Scenario:** Annie and Scott's monthly needed income to enjoy retirement is \$10,000, and their fixed monthly income (e.g., from her pension and social security) is \$3,000. Their decision on when to take social security was a big part of the equation! Based on their numbers, their income gap (the monthly amount they'll need to fill from investments) is: \$7,000.

Based on Annie and Scott's scenario, we worked together to make reasonable assumptions for investment growth, inflation, and taxes, and we added in enough for them to meet any unforeseen circumstances while still having plenty for the legacy they want to leave behind.

Now, let's run some numbers! If their portfolio earns 5% and inflation is 3% each year (historically conservative benchmarks), they will need about \$2.5 million to generate the income they need on a monthly basis.

So, in this example, Annie and Scott's ***Retirement Number is: \$2.5 million.***



The numbers in this scenario are not based on a simple rule. In fact, simple rules are often misleading. For example, you may have heard of the 4% withdrawal rule for retirement planning, which is based on an assumption of how much you will withdraw from your retirement savings annually. However, simple rules of thumb don't account for market fluctuations, inflation, healthcare costs, individual lifestyles, and all the other things that can affect your long-term financial well-being in retirement. That's why we use the *Retirement Number*. It's our benchmark for tailoring a strategy based on your goals, risk tolerance, and changing financial landscape. We recommend meeting with a qualified financial team like Alterra to come up with your *Retirement Number* and create a plan that's right for you.





## Summary of Annie and Scott's Numbers

### Annie and Scott's Income Gap

Monthly income to enjoy retirement. ....	\$10,000
Fixed Monthly Income .....	(\$3,000)
Income Gap. ....	\$7,000

### Annie and Scott's Retirement Number Assumptions

Family Legacy. ....	\$1,000,000
Annual Portfolio Return. ....	5%
Annual Inflation .....	3%
Life Expectancy .....	95 years
<b>Retirement Number</b> .....	<b>\$2,500,000</b>



## Step 4: Find Your Retirement Number

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As we explored in Annie and Scott's case study, it's critical to find the *Retirement Number* that is specific to you and your needs.

If you're a do-it-yourselfer, you likely have the calculators, spreadsheets, and projections you need to find your *Retirement Number*. But if you aren't, we've got you!

**At Alterra, we find our clients' unique *Retirement Number* in every retirement plan we build.**

**An addendum for the anxious:** A lot of folks we talk to worry about the “what ifs” that might affect their monthly needs down the road. Finding the *Retirement Number* means that you don't need to worry—you've run the numbers based on your projected needs using historically conservative benchmarks and including a robust buffer for unforeseen circumstances.



That said, what we often do with our clients is “run the numbers.” You can adjust the numbers you've identified above (e.g., your total monthly or annual need, the projected inflation rate increase, or your portfolio yield by percentage) to explore how this impacts your *Retirement Number*.

By recognizing that your unique *Retirement Number* is simply a math equation based on known variables, it takes the mystery and the worry out of the process so you can retire with confidence when the time is right.



## Let's Check-in!

At this stage of your retirement readiness discovery journey, you have four key components of your assessment process clearly mapped out:

- What you have coming in on a monthly basis
- What you anticipate needing on a monthly and annual basis
- Your ideal timeline for retirement
- Your target *Retirement Number* for your portfolio balance

So, it's time for a retirement readiness check-in.

If you have discovered that you already have more in your portfolio than your *Retirement Number*, CONGRATS! You are financially ready to retire, and you can move right along to Step 5 in this workbook.

**But if you're not quite there yet, don't worry.** Turn the page, and let's start thinking together about how to get you where you want to be.





## Getting Creative with Your Retirement Number

Lots of people who go through this process discover that they are not quite where they hoped they would be in relation to their retirement goals. If this is you, you're not alone! And there is a lot you can control about what retirement looks like and when it can happen.

Let's explore just two of the major variables that go into what your *Retirement Number* means for you:

- When you want to stop working
- How much you want to spend

Take a moment to think creatively. Are there ways you might reduce your spending goals? Or, perhaps, would you be interested in working part-time for longer? Small and large changes alike can help reduce your *Retirement Number*, if that's a goal for you. Use the space below to jot down any ideas you have about how to shift the variables of your *Retirement Number* to explore what effect these changes could have.

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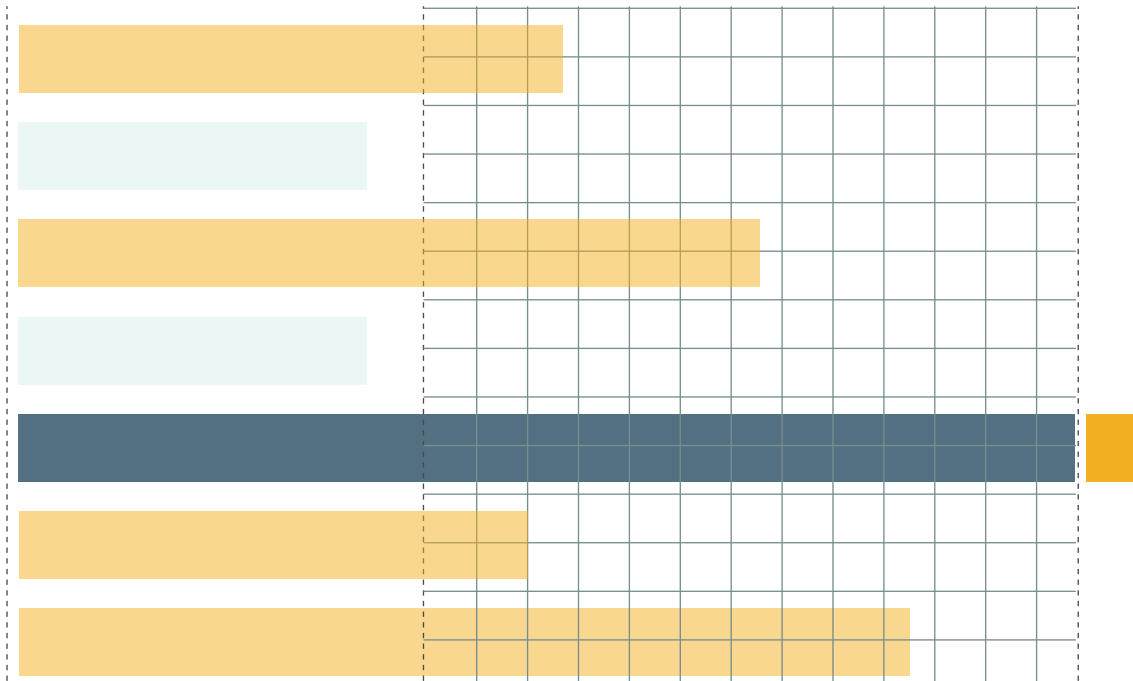
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**Remember:** regardless of where you start, with the right plan, you can find an achievable goal!



At Alterra, we can help you to find the best ways to close your income gap based on factors you control. If you would like to explore how we can partner with you on the journey to a confident and enjoyable retirement, let's talk!





## Step 5

# Set up Your Paycheck Strategy

With your *Retirement Number* identified, you know exactly how much is “enough” to enable you to retire confidently. Now, it’s time to strategize the best set up for getting money into your account each month to supplement your fixed income.

### ***How will you convert your nest egg to monthly income?***

Here are two effective strategies to consider:

### Golden Goose

This approach is about shifting your portfolio from a focus on growth to a focus on income. It enables you to invest for income by only spending dividends and interest without having to sell investments. In effect, you use your portfolio like a rental property. This is a good option for those who prefer the idea of investing for income.

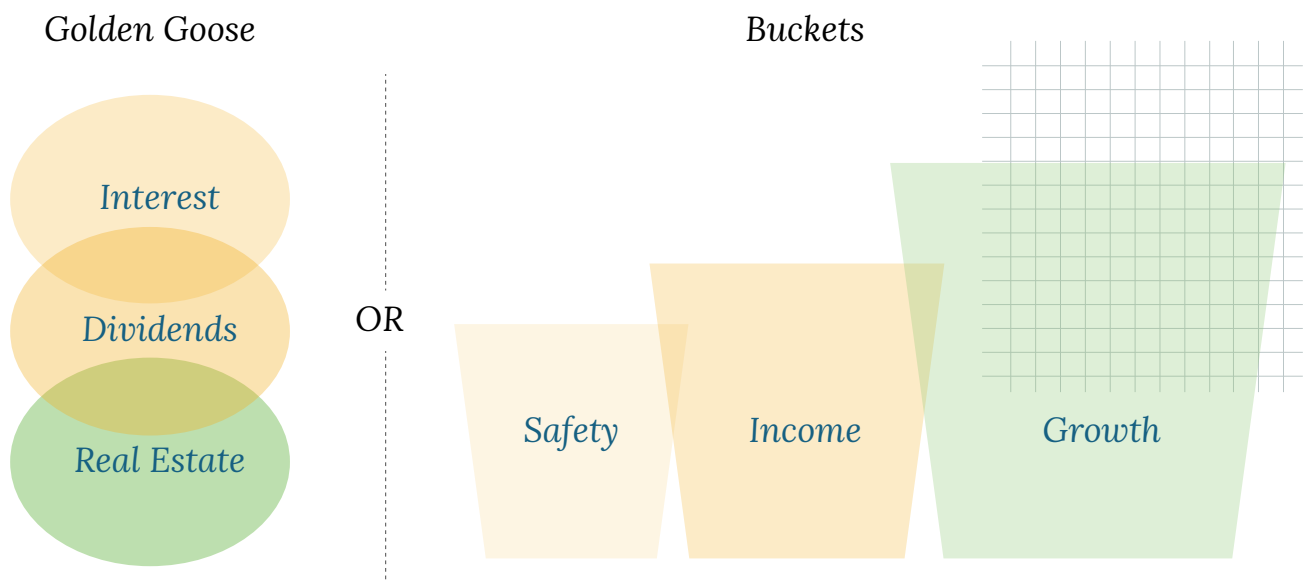


## Step 5: Set Up Your Paycheck Strategy

### Buckets

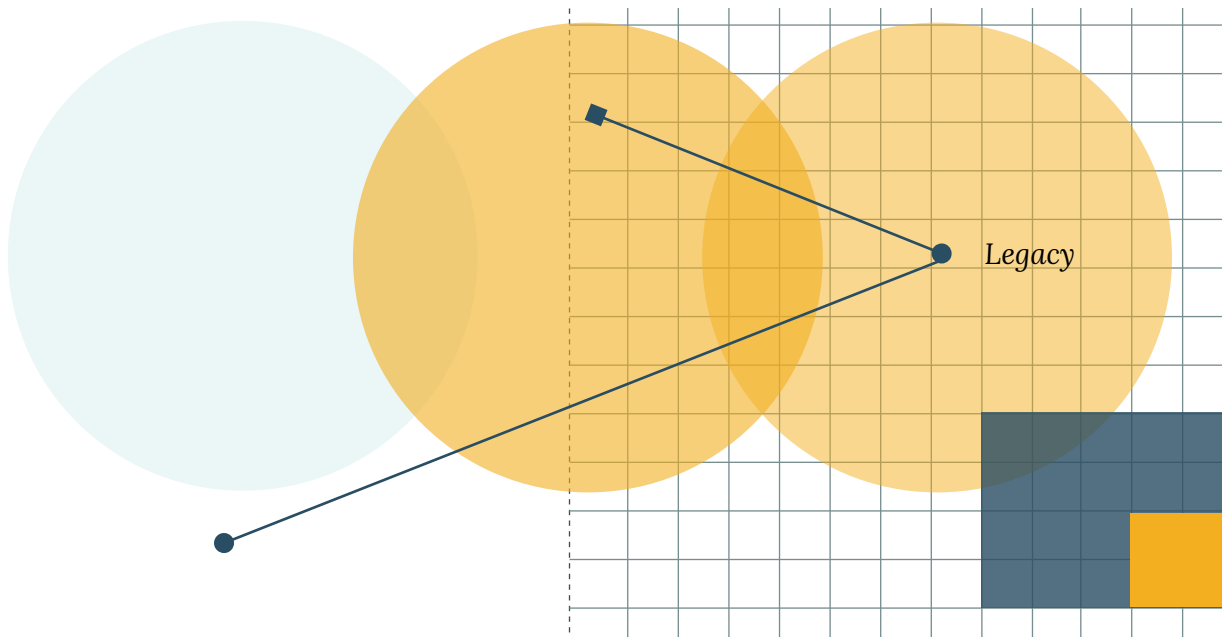
This is a great option for those who require their portfolio to grow over time or just prefer the idea of staying growth-focused with some of their nest egg. With this method, you'll want to set up three buckets.

- **Your Safety Bucket** is your reserve, between six and twelve months of expenses.
- **Your Income Bucket** sends your monthly paycheck, usually holding five to seven years of income.
- **Your Growth Bucket** invests everything else, can be invested for higher growth, and is used to refill your Safety and Income buckets as needed.



**Don't forget about taxes!** When it comes to your retirement income, every dollar you pay in unnecessary taxes is one less dollar available to support your ideal retirement life. See our Guide to Reducing Retirement Income Tax for more information by visiting [alterraadvisors.com/retirement-readiness](https://alterraadvisors.com/retirement-readiness).





Step 6:

## Establish a Management Plan

**How do you plan to manage your finances in retirement?**

Having an established game plan for how to manage your finances is the key to ensuring that all the thought and effort you have put into preparing for your retirement life works effectively and stays on track. We usually see one of two approaches.

### Do it Yourself

If you enjoy doing your own financial planning and have the time and expertise, you may enjoy the do-it-yourself route. To ensure that you're ready to manage your finances effectively, you'll need the right tools, assumptions, investment portfolio strategy, tax strategy, and overall plan to get started on the right foot. You'll also need a structure to regularly review your plan to make sure you're still on track. The ideal do-it-yourselfer likes the challenge!



## Step 6: Establish a Management Plan

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### Partnership with Professionals

If the idea of “going it alone” on your retirement plan doesn’t fill you with enthusiasm, the right professional team can be the difference between a stress-filled and a stress-free retirement. Your ideal team will depend on your individual needs and goals—it’s not a one-size-fits-all proposition! By partnering with the right professionals, you get the benefits of their expertise and oversight to keep your plan on track while you enjoy your life in retirement.

#### Building Your Ideal Team

***At Alterra, our goal is to help you live your aspirations, preserve what you’ve built, make memories, and sleep well.***

We help build your plan from start to finish, set up and manage your retirement paycheck strategies, and work with you to keep your plan on track for the long term. At our regularly scheduled reviews, we:

- Respond to emerging changes in your life
- Coordinate with your other professionals to ensure everything’s aligned
- Evaluate strategies as your goals and needs shift over time
- Discuss your ideas and concerns

We’re always here to answer your questions and keep things running so you can get back to your life and doing what you love.

If partnering with Alterra sounds like the right path for you, [let’s talk!](#)





## Bonus!

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# Make a Plan for Your Time

—the most underrated step toward retirement readiness

With your financial snapshots in hand, your *Retirement Number* identified, and a clear plan for a steady paycheck established, it's tempting to think your work here is done. However, many of our clients find that making a plan for their time is the most important step in planning their ideal retirement life...and one they almost didn't think about!

## What will your retired life actually look like?

You've spent your life up to this point building a business, crafting a career, raising a family, and honing valuable skills. For many of us, these have been the defining features of our lives and have given us a sense of purpose. But as you enter retirement, you are entering a new phase with many of these defining accomplishments already, well, accomplished!

## Where will your sense of purpose come from in this new phase of life?

To help you start the exciting (and evolving!) process of making a plan for your time in retirement, Craig Hamilton here at Alterra has some wise words to share on the topic of developing what he calls a Life Portfolio. In his article, [\*4 Parts of a Joy-Filled Retirement "Life Portfolio,"\*](#) Craig says:

“What if we thought of retirement not as the finish line, but the starting line for our next great adventure? A fulfilling retired life may operate at a different pace, but it can still leave you satisfied at the end of each day knowing that you continue to make a difference in your life and in the lives of those you care about.”



Craig suggests that your Life Portfolio, like your financial portfolio, should be diversified. Here is some of what it might include:

- Continuing your career skills
- Volunteering with causes you care about
- Investing in family
- Using hobbies as rest, the way you did during your working years.

While this isn't a prescription for everyone, it's worth considering how you'll allocate your time with the same care you take to allocate your finances.

**What are some things you might consider adding to your Life Portfolio, and how much time might you consider allotting to them on a monthly basis?**

Activity	Monthly Time Allotment <i>(if applicable)</i>





## Unlocking your wealth's potential in retirement— from dream to plan

In this workbook, you've taken your ideal retirement from a dream to a plan in action! *The Retirement Readiness Guide* has helped you develop the clarity you need about whether you are prepared financially to take the next step—and what you need to get there.

Although this guided process has been designed to make things as clear and simple as possible, we know that the idea of retirement can be overwhelming and that things are often easier on paper than in life. Our team is proud to offer expert guidance as you navigate important decisions and experienced wealth management so you can stay on track with your goals. We call this the Alterra Advantage—a value proposition that can add to your bottom line and help you sleep better at night.

You don't need to go it alone. We can help! Visit [How We Work](#) to learn how our process can bring the clarity you need to step confidently into this exciting next phase of life.

Congratulations on charting a course into your retirement. May the years ahead bring you ease, satisfaction, and purpose as you continue to create a life and legacy you love.

—The Alterra Team



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