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Kick Your Retirement Plan into Gear With a Start-To-Finish Checklist

Planning for what could essentially be a 30-year "vacation" sounds daunting, but you can break the process down into four more manageable pieces and tackle them one by one.

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One of the hardest jobs for a financial professional is getting people to think about retirement as more than an abstract concept. We all get so caught up in our immediate needs and short-term goals, it's tough to push past the present.

No one wants to think about getting old, and it doesn't get any easier when you throw in worries about how you're going to pay for it. But retirement is inevitable, like it or not. And it's not as easy or straightforward as it used to be.

In our parents' generation, a worker would collect a pension, Social Security benefits and maybe tap some savings; go out and buy the Buick he or she always wanted; and a few years later be looking into nursing homes.

Now, you could live 30 years or longer in retirement. Most retirees don't have any kind of pension to count on. And social programs designed to give seniors a boost, such as Medicare and Social Security, likely will be revised in the future.

That means, you need a plan — a solid, written checklist you can use to help make sure you're thinking of everything, from how you're spending your money now to where you want it to go when you die. Here are some suggestions on what to include on your list:

Start with your age.

How old are you right now, and how old do you want to be when you retire? For a lot of people, that second number has to be 65; they wouldn't think of retiring without Medicare in place. Others are ready to go as soon as 62, the earliest age Social Security kicks in — or even sooner. The number is completely up to you, but you should set a goal to get your plan started.

Think about expenses, now and in the future — what you need and what you want.

There's long been this idea that your cost of living will go way down when you stop working, but that isn't necessarily true — especially for younger retirees. Some are still carrying debt from their younger years, or they're helping their kids pay down student loans. They may want to keep doing the things they love — or do the things they never got to when working.

As you age, expenses continue to pop up. You may pay off your mortgage but buy a boat. You may get your kids out of the house but take in your parents. You may move to Florida to avoid state taxes, but shell out money traveling back and forth to visit the friends and family you left behind.

It is important to be realistic: Know yourself and how you want to live. If you're a school teacher (thank you!) or a production worker and you want to live on the French Riviera, you'd better go buy a lottery ticket. But if you have $1 million saved, with a plan and some parameters, you probably can have a nice life for the rest of your years.

Determine how you're going to pay for the lifestyle you desire.

This is where things can get really tough. If you aren't retiring with a pension, you'll have to create your own stream of income — and then preserve it. Many people don't have a financial professional while they're still working — they have a 401(k) account (or two or three, depending on how many employers they've had) or an IRA that's handled by some guy at the bank they meet with once a year — maybe. Your financial professional should take a detailed inventory of all your assets and what they could become over time. Do you have the appropriate amount risk exposure? Does your financial professional even know what your risk tolerance is?

For many years, an annual withdrawal rate of 4% was considered the benchmark for many retirees. That was supposed to provide enough money to maintain your lifestyle without you running out of money. But life expectancy isn't predictable. Neither is inflation.

Imagine you have $1 million socked away. That seems like a lot. It is a lot. But at 4%, you're only getting $40,000 a year, and that's before taxes. Let's face it: Most people who have saved $1 million don't live a $40,000-a-year lifestyle. So it's critical that you have a plan that will cover your needs. That plan should include lifetime income needs as well as downside protection. There are evolved strategies now employed to help achieve both a continuous stream of income for all monthly expenses along with principle protection during any market downturn or serious correction.

Think about the unthinkable.

It's likely that, at some point, you or your spouse will have some health issues. And even with Medicare, things can get expensive. To take it a step further, if you or your spouse requires long-term care, it could be a significant financial undertaking. There are insurance options that can help you prepare for the worst, so include that on your checklist of things to consider.

You also should decide on your legacy: What you want to leave, who you want to leave it to and how you want them to get that gift. If you've avoided thinking about retirement, you've surely put this off, but it's a vital piece of your plan. The most successful competitors picture themselves at the finish line — and you should, too.

Kim Franke-Folstad contributed to this article.