

How much money do you need to retire comfortably?

By Marion Humphries 04/04/18

If I received a dollar for each time I have been asked this question, I would likely be able to retire in greater comfort. There isn't a one-size-fits-all answer to the question. If it were as simple as that, my services as a retirement consultant would not be needed.

Finding the solution for your unique financial situation and lifestyle is key.

There are several concepts that have been presented regarding the amount of money that one would need to retire comfortably. The 70% rule is a common one. It's a concept that has been around for a very long time. It suggests that in retirement, you should be able to live on 70% of your pre-retirement income. Unfortunately, today's retiree is much more active particularly in the early years of retirement. As a result, the cost of supporting an active lifestyle may require even more than your pre-retirement income. The 70% concept may be a good starting point in the discussion of retirement income needs, but it really comes down to supporting your desired lifestyle in retirement with the income sources available to you.

Another concept is the 'million dollar' idea. It suggests one million dollars would be sufficient to finance your retirement. That's a pretty random concept. Why not make it 1.5 million just to be on the safe side. Once again, depending on lifestyle, one million dollars may be too much for some and not enough for others. Those who have not saved diligently throughout their career will not likely be able to achieve this level of savings.

The third concept suggests that retirement savings should be equal to 10-12 times your current employment income. Accordingly, if you are earning \$80,000 per year your total retirement savings should be \$800,000 to \$1 million. To achieve this amount of savings you would have to save approximately \$1000 per month for 30 years at a rate of return of 5%.

Retirement age, lifestyle, health, longevity, rate of return on investments, rate of inflation, where you live and how you live will determine the amount of income you will need to sustain your desired lifestyle throughout your lifetime. No one knows with certainty how these particular variables will play out. We do know, proper planning will help to reduce the risk of outliving your money.

