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Have You Planned for All 3 Phases of Retirement?

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When making plans for life in retirement, many people immediately think about leisure activities like travel, golf or sailing. However, depending on your circumstances, your retirement can last 30 years or longer, and the things you like to do when you first leave the workforce might be vastly different than in your later years. This month's Wealth Management Insights revisits the three phases of retirement and how you can prepare – mentally and financially – for each.

What you should know:

Phase 1: The Go-Go Years

For a majority of new retirees, the early years of retirement are often the most active as they take advantage of their newfound free time. At this point in their lives, many will choose to travel, make that big "dream" purchase or spend time with the grandkids before they start lives of their own. If left unchecked, though, this uptick in spending can throw your retirement budget out of whack: A recent survey from the Employment Benefits Research Institute found that 46% of households spend more in their first two years of retirement than they did in the time leading up to retirement.

TIP: When preparing for your retirement, carefully consider what you want your early years in retirement to look like – and budget accordingly. And once you do retire, be sure to track your spending against your budget and make adjustments as necessary.

Phase 2: The Slow-Go Years

After the excitement of the Go-Go years, retirees will often slow down, forgoing long trips or keeping up with houses that are bigger than they need. As a result, your retirement budget may contract significantly due to decreased spending or "downsizing" into smaller cars and homes.

TIP: While most people welcome having fewer bills to pay, keep in mind that healthcare spending tends to increase during your Slow-Go years. These expenses tend to grow at a faster rate than other costs, which makes inflation a larger concern when minding your nest egg.

Phase 3: The No-Go Years

While the No-Go years are often characterized by established routines and a quiet lifestyle, spending actually tends to ramp up during this time. Health issues, decreased mobility and the potential need for 24-hour care can bring about a sharp increase in healthcare expenses.

TIP: When budgeting for retirement, be sure to plan for the increased costs of care. Long-term care insurance might be a consideration at this point to help soften the blow of the expense. If you're also thinking about leaving a legacy for the people and causes you care about, be sure you strike a balance between caring for others and securing your own financial future.

What you should do now:

When planning for your own retirement, it's essential you map out not only the pastimes you intend to pursue but also how your lifestyle will evolve over time. Your Baird Financial Advisor can guide you through realistic financial decisions that make the most of this time of life. Not a Baird client? **Find a Baird Financial Advisor.** ■