The Three-Step Retirement Plan Tune-Up

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Conducting an annual review of your retirement goals and strategy is a great way to help ensure that your plans for your financial future remain realistic and on track. With that in mind, taking the three easy steps outlined below will help you conduct your retirement tune-up.

Step 1: Review Your Retirement Goals

Your first step should be to review your retirement savings goals and assess whether anything significant has occurred during the past year that might affect either your outlook for retirement or your current strategies to prepare for it.

For example, have you decided to change the date when you'll retire? Or have you experienced any new milestones such as getting married, divorced, or having a child? Any of these events may affect how much you will want to save to fund the retirement you envision.

Step 2: Take a Fresh Look at Your Retirement Strategy

Your portfolio's specific mix of stocks, bonds, and cash, known as your asset allocation, should complement your financial goals, risk tolerance, and time horizon.[1] If you haven't taken a fresh look at your investments in a while, don't assume that your old asset allocation is still appropriate for your current needs.

Even if your personal outlook hasn't changed, keep in mind that uneven returns provided by different investments may have caused your portfolio to shift from your intended asset allocation. Given the market volatility that has occurred since 2007, if you have not reviewed your asset allocation since that time, there may be a good chance that uneven returns have caused it to change. If your asset allocation needs to be rebalanced, now may be the time for action.

Step 3: Consider Saving More

None of us know what the future may hold. A good way to improve the odds that you have saved enough for retirement is to save more, no matter how prepared you may already be.

If you have not already done so, consider funding an IRA. For the 2011 tax year, you can contribute a maximum of $5,000 and those aged 50 and older can make an additional catch-up contribution of $1,000. These limits are set annually by the IRS. More information can be obtained at www.irs.gov.

If you participate in a workplace-sponsored retirement plan -- such as a 401(k), 403(b), or 457 -- you can contribute up to $16,500 for 2011. Those aged 50 and over can add up to another $5,500. If you are eligible for a plan at work, but haven't enrolled yet, what are you waiting for?

Conducting a retirement tune-up is always a great idea, but don't forget to consult with your financial advisor to discuss what else you can do to help achieve retirement security.

[1]Asset allocation does not assure a profit or protect against a loss in a declining market.

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August 2011 - This column is provided through the Financial Planning Association, the membership organization for the financial planning community, and is brought to you by Paul Lemon, CPA/PFS, CFP®, a local member of FPA.