Brinker Capital

Retirement Plan Services

Road Test Your Retirement

Before you go on a long car trip, you probably perform a road test. You know where you want to go. You figure out whether you want to use your GPS, MapQuest, or the trusty Rand McNally in your glove compartment to get you there. You check your engine, kick the tires, and make sure you have your cell phone charger. You also look at your gas gauge and figure out where and when best to refuel. A similar checklist can be used for the journey to retirement.

The retirement road test has eight checkpoints:

1. Where Are You Going?

Do you know when you want to retire and how you want to live out your golden years? In the financial planning circles, this exercise kicks off the goal based planning process. The next step involves planning your route.

Many people are using the last decade or the current financial environment to base their decisions on whether and how to save for retirement.

Just like any long trip, you should expect to encounter a variety of conditions. You could encounter accidents or construction sites that delay you for hours. Eventually traffic unclogs and you resume normal speed.

Similarly, your retirement plan may hit unexpected bumps in the road. The markets and economic conditions have not been normal over the last ten to twelve years. Smoother roads are hopefully ahead. Keep a long-term perspective and focus on what is within your control.

2. Near or Far?

Do you know where you are in relationship to your retirement destination? Rattling off your account balance isn't enough. You need context. In his book, Your Money Ratios, Charles Farrell provides these helpful retirement savings mile markers shown in the table to the left.

Age	Multiples of Income
30	0.6
40	2.4
50	5.2
60	9.4
65	12

Source:
Your Money Ratios, Charles Farrell

According to Farrell, a 42 year old who earns $100,000 a year should have at least $240,000 in his or her retirement account.

3. How Do You Get There?

The best way to prepare for retirement is to save money. While it might sound trite, it's true. Retirement planning takes discipline and fortitude, and it is helpful to set goals for yourself. A good rule of thumb is to save 12% of your pay starting when you are thirty. Your retirement savings rate should increase to 15% once you hit your mid-forties. Saving at this rate sets you on course to retire with 80% of your pre-retirement earnings.

4. Will Your Vehicle Make It?

While defined benefit programs have not completely gone the way of horse and buggies, many Americans rely upon their employer-sponsored 401(k) Plans as the vehicle-of-choice for retirement savings. There are approximately 350,000 employer sponsored 401(k) plans nationwide. Some are better than others. When you fully understand your company's plan, you can decide the role it should play in your retirement.

Ask these questions of your employer to determine whether your retirement plan is a reliable vehicle that will lead you to your goals, or a lemon.

- How often is the plan reviewed? The IRS recommends employers conduct reviews on an annual basis.
- What are the plan costs? The cost of the plan shouldn't be a mystery. In fact, the Department of Labor has new rules that go into effect in 2012 to provide greater insight and transparency into costs. The goal is usually not to find the cheapest plan, but instead one that allows participants to retire well.

About Brinker Capital

Brinker Capital, Inc. is a registered investment advisor and a leading independent investment management firm which provides managed account investment programs to individual and institutional investors through financial advisors. Brinker was founded in 1987 by Charles Widger and is located in suburban Philadelphia.

- What are the investment options? Do the investment managers meet the fiduciary standards set forth by ERISA? Do they include risk-based portfolio? Do you have access to a variety of fund families? Do you have access to individual funds to build an asset allocation strategy that best suits your needs? Are Exchange Trade Funds (ETFs) used to lower the overall cost of investing? If the answers to these questions are affirmative, your confidence should be boosted. An investment platform that consists of only one fund family, target date investment funds, and not-actively-managed default investments (money market funds) should cause you to put on your hazard lights.
- Why were the vendors chosen? With thousands of investment managers in the market, why were the ones included chosen? It might give you more confidence to know that the investment platform chosen beat out five others because it offered the broadest selection of investments, the greatest transparency into cost, and had a solid long-term performance track record.
- Where can you go for help? Are there educational resources and retirement professionals that you can talk to about your situation and concerns?

5. Do You Have Enough Fuel?

Millions of American's are at risk of running out of "gas" before they reach retirement. Nearly 30% of workers of all ages recently surveyed by the Employer Benefits Research Institute are not confident that they will have enough to retiree. 54% of retirees report in the same survey that they have saved less than $25,000. These alarming statistics shouldn't give you comfort that there is safety in numbers. There is no retirement bailout on the horizon.

While the financial markets and the economy have created many obstacles, there is still time to get back on track. With the right planning process, solid navigation and sound advice you can still reach your destination.

6. Where and When Will You Fill Your Tank?

If your retirement account is running low, you have to figure out how and when to refuel. Remember: you are in the driver's seat. Take control of the situation before it becomes an emergency.

There are a few ways you can refuel your retirement account. You can defer more money, or you can work longer. Or both.

- A modest increase in retirement savings can amount to substantial accumulation. Going from $1,000 to $2,000 a year might seem like a big leap. But, could you save $2.74 per day? What if you knew that one less double-latte a day could double your retirement savings results?
- A delay in retirement gives you more time to save. It also enables your account more time to compound. Five additional working years at a 6% compound return will turn a $200,000 account into one worth $268,000. The Employee Benefits Research Institute reports that 36% of workers now expect to work after age 65.

7. Can Your Vehicle's Performance be improved?

Automobiles need their tires periodically rotated and their oil changed to ensure top performance. Similarly, an investment tune-up may lead to improved performance for your retirement plan.

The last ten years have caused a flight to conservatism. This is an understandable response to extreme market volatility; however it will keep you in the "travel" lane throughout your journey. Ultra conservative investments may not keep up with inflation and have the same impact as a swerve to the breakdown lane. To get in the fast lane, you may have to embrace a more aggressive investment strategy. Increasing your risk tolerance may be a more appropriate solution than having to increase deferrals dramatically or postpone retirement.

Review the historical averages of various investment combinations and consider how many years you have until retirement. Make a decision by looking at the road ahead of you and not what is in the rearview mirror.

8. Are Your Lines of Communication Open?

Although you are in control over your retirement journey, you don't have to make the trip alone. Make sure you attend your company's regular enrollment meeting. If you have questions, talk to your employer. Set up a meeting with the investment advisor for the plan.

With the right information, you have time to course correct and still arrive at your destination.

The trip to retirement can span decades, so it makes sense to conduct a road test annually. The beginning of the calendar year is the ideal time to pull over to a rest area. Take the time to look at how much you have in retirement savings and whether you have the right plan in place to achieve the kind of retirement you want.