



Pioneer Bank & Trust

Trust & Investments

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May 2016
Ask a Trust Officer

Retirement readiness

Dear Trust Officer:

How much money must I have in order to be able to retire? Is \$1 million enough?—*Peak Earning Years*

Dear Peak:

The better question is: How much *income* will you need during your retirement? If you will have a pension and Social Security checks coming in, \$1 million might easily be enough money to make you financially independent. If not, you might be surprised at how quickly you can run through your nest egg. The adequacy of your retirement fund will depend upon your expenses, your health and your longevity, as much as upon your investment returns.

Instead of focusing on the size of your portfolio, consider how much income that it generates, ignoring the volatility of asset values. These are particularly difficult economic times in which to generate reliable income, given our unprecedented period of low interest rates. Bonds are important for providing steady returns, but the interest payments that they generate just aren't as generous as most retirees expected them to be. Some investors are looking to dividends instead of interest to meet their income goals. Because some dividends may be increased over time, they may also add an element of inflation protection to the portfolio.

The only rule of thumb that seems to work for everyone is that “you just can't have too much money for retirement.”

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