

Three-Step Retirement Planning Strategy for Couples

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Communication is one of the foundations of a successful relationship. It also can help you and your partner structure a solid retirement planning strategy.

Planning for two can be more complex than planning for one. It is not unusual for two individuals to have very different plans and financial resources -- for example, one may have more money set aside or may be eligible to collect retirement benefits significantly earlier than the other.

If you are part of a dual-income couple, be sure to review the following considerations.

Step One: Talk About the Future

If you and your partner expect to retire at different times or need to negotiate priorities regarding how you'll spend time and money during retirement, it is important to start talking about the future now.

First, make sure your planned retirement dates are realistic. Next, estimate your combined retirement income needs as well as the amount of money you are each likely to have accumulated by retirement. If it looks like you may be facing a shortfall, try to contribute as much as possible to your employer-sponsored retirement plan while you still can.

Step Two: Make Sure You Are Properly Diversified

Within a single portfolio, diversification involves spreading your money among different types of investment options so that any losses in one area may be offset by potential gains elsewhere.¹ With two or more retirement accounts, the same theory applies. It is important for you and your partner to evaluate all of your portfolios at the same time to see whether the overall investment mix is well diversified. For example, if you and your spouse have similar investment portfolios, your overall level of risk could be higher than you realize, since a decline in one portfolio would

likely be accompanied by a similar decline in the other. If that's the case, you might want to rebalance your asset allocation by shifting money that is already in your accounts to different asset classes (stock funds, bond funds, or cash investments) or by directing future contributions to the under-represented asset classes.¹

Step Three: Get on the Same Page

When laying the groundwork for a financial future that includes your significant other, ask yourselves the following questions:

- Do you understand each other's "financial personality"? It is never too late to have an honest discussion about financial habits and objectives. Try to look past your differences and focus on shared goals.
- Have you calculated how much money you are likely to need to fund a financially secure retirement? Do both of you think this amount is realistic? It's tough to work together toward a shared goal if the two of you have different ideas about what exactly that goal is.
- Have you consulted a financial professional? Making a date to discuss your entire range of goals may put you in a stronger position financially to survive unforeseen circumstances.

Regardless of your particular situation, a little advance planning can make the transition to retirement much more pleasant for both you and your better half.

¹Diversification and asset allocation do not ensure a profit or protect against a loss in a declining market.

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