Optimizing Your Retirement Income: What Works Best and Why

With the oldest baby boomers hitting 62 this year, and more than 70 million of them likely to enter retirement over the next 20 years, the hard truth is that only a small minority are accumulating enough savings to provide for their income needs during decades in retirement.

This uncomfortable reality is particularly true given the overall rise in life expectancy, sharply rising medical costs, the trend toward more active and costly retirement lifestyles, and, not least, the relentless toll of inflation.

For the financially fortunate with sufficient personal savings, Social Security benefits, and corporate pensions to meet all their retirement income needs, the main financial challenges of retirement are how to invest and spend wisely and perhaps provide for their heirs as well.

However, more than 75% of all workers age 55 or older report having less than $250,000 in investments apart from their homes and pensions, according to a recent survey by the Employee Benefit Research Institute (EBRI). At a recommended initial withdrawal amount of 4%, that provides an income from their investments of just $10,000 in the first year of retirement. Nevertheless, those approaching retirement can improve their income and financial security in retirement depending on their flexibility and their approach to four big decisions that are usually under their control:

Generally, no single decision will improve pre-retirees' potential retirement security as much as continuing to work even a few more years beyond the anticipated retirement date.

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