Retirement Readiness Checklist

Are You Financially Ready to Retire?

By Jeffrey Barnett, Founder and Managing Principal, Fintegrity LLC

A common question people ask is, "Do I have enough money to retire?" The honest answer is, "It depends"—primarily on your spending needs, your reliable income, and how much savings you have accumulated to bridge the gap between the two.

This 3-step retirement readiness checklist is designed to help you estimate whether your current resources can sustainably support your lifestyle once you stop working, and to highlight where you may want to refine your plan before you commit to retirement.

Quick Retirement Readiness Checklist

Use this list as a high-level screening tool before you dive into the numbers.

Lifestyle & Spending

- ☐ I have estimated my annual retirement spending, including housing, healthcare, taxes, travel, family support, and discretionary expenses.
- ☐ I have reviewed at least 12 months of bank and credit card statements to capture recurring and irregular expenses.

- [ ] I have thought through how my spending will change in retirement (for example, more travel early on, potential changes in housing, different healthcare costs).

Income Sources

- [ ] I know my projected Social Security benefit at different claiming ages.
- [ ] I have identified all reasonably reliable income sources (pension, ongoing compensation, rental income, trust income, etc.).
- [ ] I have a rough estimate of how much of my total retirement income I will keep after taxes.

Savings & Portfolio

- [ ] I have estimated the annual "gap" between my retirement spending and my after-tax income.
- [ ] I have a sense of whether my current savings can support that level of withdrawals for at least 25–30 years.
- [ ] I understand the difference between pre-tax and after-tax savings, and how taxes affect what I can actually spend.

> *If you cannot confidently check most of these boxes, working through the three steps below will help clarify where you stand and what adjustments might be needed.*

Step 1: Estimate Your Retirement Spending Needs

The amount you need to retire depends on your annual expenses, so the first step is estimating your total annual expenses during retirement as realistically as possible.

If you already know your current annual spending, use it as a starting point and adjust for the changes you expect in retirement. If you don't, you can approximate it by summing the payments from your checking account and/or bill-pay service over the most recent 12-month period. As you do this, scan for unusual non-recurring expenses such as a home renovation, a major medical event, or a wedding, and consider whether similar items occur frequently enough that they should be averaged into your ongoing retirement budget.

Once you have a sense of your current spending, think about how it will change when you retire:

- Will some spending increase because you plan to travel more frequently or entertain more?
- Will housing expenses decline if you relocate, pay off your mortgage, or downsize?
- How will your health insurance and healthcare costs change as you move from employer coverage to Medicare and supplemental insurance?

Take your current spending, then add and subtract your anticipated changes to arrive at an estimated annual cost of living during your retirement years. For example, you might conclude that you will want to

spend about $120,000 per year, or $10,000 per month, to maintain your lifestyle.

For those who prefer a more precise approach, a structured worksheet allows you to build a detailed, category-by-category budget. Using a comprehensive template helps ensure you account for irregular expenses that are easy to overlook, such as annual property taxes, insurance premiums, or significant home repairs.

> **For a more detailed approach, use Fintegrity's comprehensive Retirement Budget Worksheet** , which breaks expenses into 16 categories plus major purchases so you can build a more accurate retirement spending plan.

Step 2: Estimate Your Retirement Income

This income will help you cover your expenses and reduce the amount you need to withdraw from savings.

Typical retirement income sources include:

- Social Security. You can obtain your projected benefit from SSA.gov.
- Interest and dividends. Review your tax return to obtain the interest and dividend income you earned last year. Be sure to account for any planned adjustments to your portfolio.
- Pension income. Some retirees receive income from a defined benefit pension plan or an annuity.
- Compensation. May include earning income in retirement through part-time work, consulting, or board service.
- Trust or rental income and other sources. Include recurring trust distributions or net rental income where applicable.

Add the total amount of income you expect from all of these sources to arrive at your total pre-tax retirement income. To determine how much you can sustainably spend, start by subtracting income taxes from your total earnings. Remember, your tax obligation varies based on your filing status, income structure, and the state where you reside.

The result of this step is your after-tax retirement income—the amount available each year to help cover the spending needs you identified in Step 1.

Step 3: Calculate the Savings You Need

To ensure financial security in retirement, your savings must bridge the gap between your total annual expenses (Step 1) and your total after-tax income from all sources (Step 2) for each year of retirement.

Start by calculating your annual gap:

Gap = Estimated annual spending – After-tax income

In a simple example, if your expected after-tax income is about $70,000 and your annual spending goal is $120,000, then your annual gap is $50,000, which is the amount you will need to withdraw from savings each year to meet your spending target.

A widely cited rule of thumb suggests that withdrawing around 4% of your savings in the first year of retirement, and then adjusting that dollar amount for inflation, has historically given a reasonable chance of lasting roughly 25–30 years for a balanced 60/40 portfolio in average market conditions. Under this guideline, you need approximately 25 times the amount you plan to withdraw annually, because 1 divided by 0.04 equals 25.

Using the illustrative gap of $50,000, multiplying by 25 suggests you would need roughly $1.25 million in savings if those funds are all in after-tax accounts and fully available for spending.

For retirements longer than 25 years or for more conservative investors, a lower withdrawal rate or higher savings amount may be more appropriate.

If your savings are primarily in pre-tax retirement accounts, such as traditional IRAs or 401(k)s, you must adjust for the income taxes that will be owed on your withdrawals, which means you need to withdraw more than the amount you plan to spend. Conceptually, you divide your desired spending by one minus your marginal tax rate to determine the gross withdrawal needed, and then apply the same 25-times multiple to approximate the savings required in pre-tax accounts.

Most people have a combination of after-tax and pre-tax savings, so the key is to compare your current savings with the approximate amount you would need given your expected spending, income, withdrawal rate, and tax situation.

What Your Result Means

This 3-step method provides a rough estimate based on a simplified set of assumptions, so it is not a guarantee of specific outcomes. While it does not replace a comprehensive retirement plan, it offers a valuable initial assessment to help you determine if you are on the right track or if your strategy needs adjustments before you retire.

If your estimate indicates a surplus:

You are likely in good shape and may be able to retire comfortably on your current path, consider increasing your planned spending, give more to family or charity, or reduce investment risk while still meeting your goals.

If your estimate indicates a deficit:

You have options: you can reduce your desired spending, delay retirement, increase your savings rate while you are still working, adjust your investment strategy, or use some combination of these levers.

Regardless of whether your initial estimate shows a surplus or a shortfall, it is wise to confirm your findings and refine your assumptions with a fiduciary financial adviser who can model different time horizons, market environments, tax rates, health scenarios, and spending patterns. A more detailed plan can also address important questions this framework does not fully capture, such as when to claim Social Security, how to structure your investments for tax-efficient withdrawals, how to plan for healthcare and long-term care, and how to integrate your retirement income plan with your estate and legacy goals.

For help working through this process or for a retirement plan tailored to your unique circumstances—including your time horizon, risk preferences, projected investment returns, health status, tax profile, and family needs—contact Fintegrity to discuss the benefits of a detailed financial plan.