HAVE YOU THOUGHT ABOUT HOW TO MANAGE YOUR MONEY IN RETIREMENT?

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We think a lot about getting to retirement. How much do we set aside each month? Is the nest egg growing fast enough? But what happens when you actually get to the point of retirement?

Few of us have thought about how to manage money while in retirement. That can be problematic because the way you do things during retirement can have a profound impact on how long your money lasts.

The ultimate goal is to make sure you don't outlive your money, which means incorporating a plan for managing your money in retirement is a must. Here are some things to consider:

Continued Growth during Retirement |The old myth about retirement portfolios is that almost everything should be in fixed income by the time you retire. Unfortunately, that way of thinking may not hold you over.

Life expectancy is on the rise. Somewhat ironically, longevity risk is a growing problem for retirees as they face the reality that they could spend 30 or 40 years in retirement. A portfolio made almost entirely of fixed income investments probably isn't adequate to provide the growth they will need and may not even keep pace with inflation.

One way to manage your assets during retirement is to use a bucket system. With the bucket system, you divide your assets into three "buckets" based on when you will need the money.

The first bucket is money you need in the next 5 years. Most of this bucket should be in cash and fixed income assets. Your next bucket is money you expect to need in 5 to 10 years. This bucket includes a mix of fixed income assets and some equity assets. Finally, your long-term bucket – money you won't need for at least 10 years – can include stock funds and other growth assets.

As you move through retirement, you will shift money into different buckets. With part of your portfolio continuing to grow, you have a reasonable expectation that you can keep up with inflation. A financial planner can help you identify your cash needs and design an investment plan to meet them.

Annuities | If you are concerned about market fluctuations, annuities can be a good option for part of your retirement portfolio. Annuities get a lot of bad press these days, but they can be useful when used properly. An independent financial consultant, one who is not incentivized to sell you a specific product, can help you determine if an annuity is right for you and help you select one.

When Do You Take Social Security Benefits? | The longer you wait to start taking Social Security, the larger your monthly benefit will be. But it's not always just about the size of the monthly benefit. You need to coordinate your Social Security benefits with your retirement account withdrawals. Pay attention to the tax considerations as well. Your Social Security benefits can be taxable, depending on your income and other factors. That needs to be considered when withdrawing from retirement accounts, since your account withdrawals might be taxable, too. Speak with a professional who can help you work out when to take Social Security benefits and how to minimize your taxes.

Required Minimum Distributions (RMDs) | With certain retirement accounts, like Traditional IRAs and 401(k)s, you are required to take out a set amount of money when you are 70 ½. This money is taxed as regular income when it is withdrawn from your account.

The way you draw down your accounts matters. If you rely on Social Security benefits, an annuity, and withdraw money from a Roth, the tax consequences once you reach 70 ½ and are required to take specific distributions from your Traditional IRA can be significant. If you suddenly start taking RMDs on top of everything else, your income can potentially increase enough to result in a higher tax bill.

One of the best things you can do is consult with a financial planner about your account withdrawals. In some cases, it makes sense to begin taking distributions before you are forced to. Create a drawdown plan that minimizes your tax burden while helping you avoid large RMDs later.

Your pools of money need to be assessed holistically. A knowledgeable retirement expert can help you create a plan that allows a portion of your money to continue working for you while at the same time you get the income stream you need to meet your goals.

Incorporating Health Savings Accounts (HSAs) | If you qualify to contribute to a Health Savings Account, build it up now and plan to use the money during retirement. If you can manage your out-of-pocket expenses without the HSA now, your money can grow truly tax-free until you use it in retirement.

With the right planning, the HSA can be used as a retirement healthcare account. This is an opportunity for you to cover your healthcare costs during retirement, after the HSA has had time to grow. Think of it like a 401(k) plan – just for healthcare expenses.

Many retirees underestimate their healthcare expenses in retirement. An HSA can help cover these costs later in life. As you save for retirement and plan your finances during retirement, consider incorporating the HSA.

Bottom Line | Retirement planning doesn't stop once you've reached your nest egg goal and you retire. The most important aspects of retirement planning happen after you retire, but they should be planned well in advance. Consult with a financial planner who can help you create a plan that helps you get the most out of your assets during your golden years.