

The role of cash flow planning during your golden years

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After decades of hard work, the ultimate goal for most people is to have a confident retirement. However, pursuing this state of financial independence requires more than just a large nest egg.

The critical, yet often overlooked, component is robust cash flow planning. In 2026, as life spans lengthen and market dynamics shift, a clear, strategic approach to managing the flow of money in and out of your accounts could be the difference between a confident retirement and one fraught with anxiety.

Most people focus intensely on reaching the “magic” sum of savings they believe is sufficient to retire. While a substantial savings balance is necessary, it is not a plan for how that money will be used. A cash flow plan translates your total assets into a sustainable, predictable income stream that can cover your expenses throughout your retirement years.

Without a clear plan, some retirees face overspending and running out of money. Others will underspend and cheat themselves from living a more fulfilled retirement. Both scenarios are problematic. A cash flow plan can help provide the clarity to spend confidently.

Core components of retirement cash flow planning

A successful plan is built on a realistic understanding of three key areas: income sources, expenses and a sustainable withdrawal strategy.

1. List your income sources

Retirement income often is a complex mosaic of various sources, each with its own tax implications and payout rules. The first step is to get a clear picture of all potential inflows:

- **Social Security:** The timing of when you claim benefits can significantly impact the monthly amount.

- **Pensions:** If you are fortunate to have one, understanding the payout options (e.g., single life vs. joint life annuity) is crucial.

- **Investment accounts:** This includes withdrawals from 401(k)s and IRAs, taxable brokerage accounts and Roth IRAs.

- **Other sources:** Part-time work, rental properties or annuities.

2. List your expenses

While work-related costs like commuting and professional wardrobes disappear, other costs can rise. Travel, hobbies, health care, and giving to family or charity become larger line items. A detailed budget that distinguishes between essential (housing, food, health care) and discretionary (travel, entertainment) expenses is vital.

3. Developing a sustainable withdrawal strategy

This is the heart of cash flow planning. Keep in mind that your monthly withdrawal should be based on retirement spending projections that often a financial adviser can help with. It should reflect your goals, income, anticipated expenses and retirement assets.

- **The “Three Bucket Approach” strategy:** One of the approaches we utilize involves segmenting your portfolio into three separate

“buckets” based on when the money is needed. We recommend utilizing your checking account as your first bucket, a “short-term” bucket as your second bucket and a third bucket that holds your longer-term investments. The “short-term” bucket will fund the next three to five years of income needed to supplement your other sources of income. This bucket should comprise short-term, stable and liquid investment vehicles that provide income savings amid market drops that can occur in the third bucket. It will systematically fund the supplemental income needed in your checking account, or your first bucket. The third bucket is invested in longer-term, growth-oriented assets. You can start to replenish the “short-term” bucket in years two or three, or as needed from the third bucket.

- **Tax efficiency:** It is not uncommon for clients to take from taxable accounts first, then tax-deferred, and finally from Roth IRAs. However, proactive planning can involve strategies like Roth conversions in early retirement years to manage future tax burdens. It is always essential to consider your marginal tax brackets to help you decide when and how much to withdraw from your tax-deferred accounts. And if you are on Medicare, be careful to consider how tax-deferred account distributions impact the Medicare premiums that you pay.

The imperative of flexibility and review

We emphasize that a retirement cash flow plan is treated like a living

strategy that you review and adjust at least annually, or whenever major life events occur.

By focusing on cash flow, you can move beyond hoping your savings last to actively managing your financial future. It can provide the freedom to enjoy your retirement

without the persistent worry about money, making your golden years truly golden.



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Fixed and Variable annuities are suitable for long-term investing, such as retiring investing. Gains from tax-deferred investments are taxable as ordinary income upon withdrawal. Guarantees are based on the claims paying ability of the issuing company. Withdrawals made prior to age 59 ½ are subject to a 10% IRS penalty tax and surrender charges may apply. Variable annuities are subject to market risk and may lose value.

Traditional IRA account owners have considerations to make before converting to a Roth IRA. These primarily include income tax consequences on the converted amount in the year of conversion, withdrawal limitations from a Roth IRA, and income limitations for future contributions to a Roth IRA. In addition, if you are required to take a required minimum distribution (RMD) in the year you convert, you must do so before converting to a Roth IRA.

Contributions to a traditional IRA may be tax deductible in the contribution year, with current income tax due at withdrawal. Withdrawals prior to age 59 ½ may result in a 10% IRS penalty tax in addition to current income tax.