Plan for the Unexpected During Retirement
By Gary Case

Let's talk about plan B. What's your back up strategy? If you have you thought about retirement planning…and every marketing firm aimed at baby boomers wants you to…you have an ideal vision of your retirement. I love the television commercial where a couple puts every spare dollar towards their child's college fund. Their daughter then announces that she has received a scholarship…enter plan B. The final scene shows a boat motoring out of the harbor…the boat's name is "College Fund". Plan B should address both positive and negative factors.

In 2005, Fidelity Investments estimated that a 65-year old couple retiring today with no employer-sponsored retiree health coverage would need about $190,000 to pay their medical expenses during the next 15-20 years. That includes $58,900 for Medicare premiums, $62,700 for prescription drugs and $68,400 for other health-care needs, like preventative care, eye exams, glasses, hearing exams, hearing aids, etc., etc., etc. How do you generate your $190,000?

Depending on which study you read (MetLife and AARP have both published studies in the past few years), at age 65 you have a 65% probability of needing some type of long-term care. That probability rises to 80% when you reach age 80. What happens if you must fund care for you or your spouse.

For three years beginning in 2000, the stock market took much more that it gave in terms of returns on retirement savings accounts. Could that happen again just after you retire?

My point isn't so much the size of your checkbook, but how you adapt to unforeseen turns of events that can alter your ideal vision of the future. In most cases, you can't default to what mom and dad did, because retirement today is drastically different than in times past, both in terms of longevity and lifestyle.

Should plan B become necessary for you, would you return to work? Put off or abandon the RV purchase? Slash withdrawals from your retirement nest egg? Whatever your answer, your plan B must be drafted to meet your particular circumstances.

An idea for addressing health care costs--establish a Health Savings Account--preferably one that offers more than savings account options, but don't spend the money. Instead, build up a tax-favored account to access at retirement.

A competent financial planner should be able to assist you in understanding the risks and opportunities you face, and help draft not only an ideal plan, but a solid plan B as well!

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