

Retirement Facts and Fiction

By Gary D. Case

A recent print ad says, “When you were young, you wanted to live forever. Now you’re afraid you just might.” As the Baby Boomer Generation moves towards retirement, how much wishful thinking is involved in how we plan for our retirement? Some assumptions we make are easy—how we wish to spend our time, or what our social security check will be. Other answers are harder to come by—nest eggs, taxes, long-term care, to name a few. Let’s look at some of the facts and fiction surrounding retirement planning assumptions.

Working During Retirement-Mitch Anthony’s book “The New Retirementality,” asserts that the new face of retirement is one where seniors stay engaged throughout their lifetimes. While there is merit to this thought, relying on income from work during retirement to compensate for inadequate retirement savings is a risky proposition. What if you can’t work? Health problems, no appealing work being available are just two possible negative scenarios. A McKinsey & Co. study found that 40% of retirees stopped working earlier than planned due to layoffs and health problems. In fact, only about 10% of retirees are actually able to pay their bills by working during retirement.

I’ll Live On Less-This may be true, IF you are currently saving for retirement, or have other work related or lifestyle related expenses that will either disappear or decrease at retirement...but don’t count on much of a decrease. Many costs will increase later in life: travel, home improvements, and especially health care. A report published by the Employee Benefit Research Institute says that 55% of retirees are living on 95% or more of their pre-retirement income. By the time you’re in your mid 50’s; put a pencil to detailing your projected retirement living expenses. This is an area where a Financial Planner experienced in retirement planning can assist you...they have likely had the discussion a few more times than you.

In future columns, I’ll deal with the issues of income taxes, carrying debt into retirement, the safety of your pensions, and the long-term care might have on your nest egg. Each of these areas has an impact on retirement planning, and it’s not too early to begin seriously thinking about these issues. Coupled with a properly allocated retirement nest egg, knowing what’s fact and what’s fiction with respect to spending money in retirement can add to your security.

Gary Case, CFP®, Cornerstone Financial Planning, 917 2nd Street South, Nampa, 466-1971, is a Registered Representative of Cambridge Investment Research, a Broker/Dealer (Member NASD/SIPC) and Investment Advisor Representative of Cambridge Investment Research Advisors, Inc., a Registered Investment Advisor. Cambridge and Cornerstone are not affiliated. This column is for informational purposes only and should not be used as the primary basis for an investment decision. Consult an advisor for your personal situation.