

## Retirement Facts and Fiction-2

By Gary D. Case

My last column dealt with the perception and reality of working during retirement and living on less income during retirement. This column will deal with more dicey areas.

***My Pension will Give Me Retirement Income***-Dinosaurs became extinct a long time ago. Pensions are likely to follow shortly. The Employee Benefit Research Institute found that 61% of surveyed workers expect a pension, but only 40% are currently covered. And let's not lose sight of the fact that many companies, both large and small, are eliminating or freezing current benefits, and many pensions that still exist are underfunded. If you are approaching retirement and have a pension, you get to answer the question of how risky it is to take a monthly check over a lump sum. You don't have to look very far to find people who lost pension benefits AFTER they retired.

***I'll Pay Lower Taxes During Retirement***-Maybe. However; you'll more than likely end up in the same bracket, perhaps even a higher one, depending on your retirement income sources. With more companies moving from pensions to 401(k)'s and other defined contribution plans, many retirees will save money in those plans. This translates into the bulk of many retirement incomes being fully taxable. A relatively new option is a ROTH version of many retirement plans, thus making withdrawals from that portion of the plan free of income taxes. It may make sense to evaluate whether you should take advantage of the ROTH option if it is available to you.

***Non-Tax Taxes***-Beginning this year, Medicare premiums are higher for those with incomes above a certain level. Many believe that means testing for social security benefits will not be far behind. While these government administered programs are not directly taxes, they certainly have the effect of reducing retirement income.

If you pay off your mortgage prior to retiring—a prudent option—you may find that you don't have enough deductions to itemize. Many folks don't realize that up to 85% of their social security may be taxable, depending on their level of income. After age 70 ½, you are required to withdraw funds from traditional IRAs and retirement plans. I have read lately that property taxes could continue to rise for a variety of projects... 'nuff said.

There's more—What about carrying debt into retirement? What if your spouse does all the finances? How could long-term care affect your nest egg? Can your home provide retirement income? What about that inheritance? Stay tuned.

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