

Information for Better Living

Will You Be Able To Retire When You Want To?

Five Factors to Consider as You Plan Your Savings for Retirement

When do you expect to retire? Just as importantly, what standard of living do you imagine having when you do? Do you see yourself with the resources to travel, spoil the grandkids, play golf or go fishing without having to pinch pennies?

Unfortunately, for millions of men and women starting to map out their retirement dreams, expectations may be on a collision course with reality, a lifestyle train wreck waiting to happen.

There are a number of variables that can impact your future financial security. It is important to understand what they are and what you can do to help control them to assure that your retirement expectations can truly become your reality.

Addressing the Variables

Here is how many people in their 50's and early 60's look at retirement. According to one university study: ¹

- Most of us plan to retire between age 62 and 65.
- Factors such as wealth, income, health insurance, pensions and health status influence retirement expectations.
- People who retire early tend to be able to afford to do so and are "more likely to have sources other than Social Security benefits to pay for additional leisure."
- Approximately 55% of those who do plan for retirement adjust their plans, as new information is made available to them.
- Self-employed and others with private health plans tend to retire later.
- Two factors that significantly alter retirement plans are health conditions and the availability of pensions and private health insurance.

Five Factors to Consider

1. Your projected longevity is both a blessing and a liability. At the start of the last century, life expectancy at birth was less than 50 years.² A hundred plus years later, reports the U.S. Department of Health and Human Services, it stands at nearly 78 years (male and female), an amazing increase of more than 50%.³

The Year You Were Born	Life Expectancy at Birth	
	Male	Female
1900	46.3 years	48.3 years
2007	75.3 years	80.4 years

Tens of thousands of people are breaking the 100-year mark. That's great news...but only if you are financially prepared. One of the greatest threats to retirement security has become the danger of living too long...of outliving resources. This makes it difficult to estimate how big your retirement nest egg should be.

What to do: Consider that your retirement income may need to last for decades. Conservative planning means planning your income beyond your life expectancy...just in case. Talk to a financial advisor to determine how much income you can safely withdraw from your investment portfolio without having it run out too quickly.



Eglin Financial Services Investments & Retirement
Located at: Eglin Federal Credit Union

Tom Hayes
Representative
838 Eglin Parkway NE
Fort Walton Beach, FL 32547-2781
850.862.0111, Ext. 1321
Fax: 850.862.1341
tom.hayes@cunamutual.com



Make sure your plans are in place so that your retirement expectations can truly become your reality.

2. Many people are unprepared financially for retirement, reports the Employee Benefit Research Institute. According to the EBRI's 2006 Retirement Confidence Survey, most Americans expect to enjoy a comfortable retirement. However, "more than two-thirds (68%) of current workers say they and their spouses have accumulated less than \$50,000 in retirement savings.⁴ Even if that money generated an unlikely 10% return, that would be only \$5,000 a year. Plus, many employer plans are reducing or freezing contributions. The result could be a dramatic shortfall in terms of retirement benefits.

What to do: The EBRI has a simple recommendation: "Some future retirees could avert a personal shortfall by increasing their savings rate.... Saving an additional 5% of compensation for the remainder of one's career" may be all that is needed. If increasing your savings still isn't enough, you may have to delay your retirement or work part-time in retirement.

3. Inflation can devastate your plan if you fail to consider it. Even at low levels, inflation can undermine the purchasing power of your money over time.

Purchasing Power and Inflation	
Inflation Rate	Time to Reduce Purchasing Power of \$1.00 to \$.50
4%	18 Years
6%	12 Years
8%	9 Years
10%	7 Years

What to do: First, factor inflation into your retirement model. Second, consider allocating some of your retirement money into income-producing assets that are designed to keep up with inflation. Lifetime payout annuities with inflation adjustments are one example.

4. Social Security is a wild card. For one thing, the full retirement age continues to rise, and with Baby Boomers ready to begin tapping into the system in a few years, there is talk about increasing it even further. Plus, the average monthly benefit for a retired worker is just a shade over \$1,000 a month, or a little more than \$12,000 a year. As it is, about two-thirds of all retirees receive 50% or

more of their retirement income from Social Security.⁵

What to do: Consider using assets to create additional guaranteed income. This may help cover the gap between what you will need, and what Social Security provides.

5. Health and healthcare costs are major variables in retirement security. People without coverage or who pay for coverage out of pocket are least likely to be able to retire. Plus, Medicare does not cover all medical costs in retirement. Finally, the risk of a long-term illness leading to confinement in a nursing home can wipe out retirement savings.

What to do: Factor in the cost of Medicare Supplement coverage when calculating your retirement costs. Also, consider purchasing long-term care insurance to help meet nursing home expenses.

Where to start: Get details. Do your homework. Meet with a professional who can help you analyze your needs. Start with your Financial Advisor at your financial institution. He or she is a registered and licensed professional who, at no charge, can help you get started making sure that your retirement expectations and your realities blend successfully for a long and financially comfortable retirement.

¹ *What to Expect when you are Expecting Rationality*, University of Michigan Research Center by Hugo Bernitez-Silva and Debra S. Dwyer (2003).

² *Life Expectancy at Birth*, National Center for Health Statistics, 2006.

³ *Life Expectancy At All Time High; Death Rates Reach New Low*, *New Report Shows*, NCHS, 2009

⁴ *Many Americans' Retirement Hopes Are Filled With Holes*, EBRI Press Release, April 4, 2006.

⁵ *Understanding the Benefits*, Social Security Administration, January 2009.