

As Seen in the April 2008 Issue of:

Not Born Yesterday!

Will You Outlive Your Money?

“Do I have enough money to retire comfortably?” To begin to answer that question, you first must determine how much you need and for how long.

Here are some interesting numbers. The average person will live until he or she is 77.6 years old. However, more and more people are living into their 90s, according to the Society of Actuaries, the group that studies these kinds of things. That is a long time to be living in “retirement”. It is a very good thing if you have the money and your health, but a daunting challenge if you don’t.

Of course, there are those who will never retire and I talk to more and more people who plan on working in retirement for a number of reasons, not just because they have to. However, we all need to make a reasoned estimate of how much money one ‘needs’ to maintain a lifestyle that one has come to enjoy and expect.

Even with Social Security and government medical coverage, neither of which is sufficient to achieve the goal of a comfortable retirement, you are going to need extra money. The Employee Benefit Research Institute estimates that from age 65 to 90 you will need \$180,000 just for the increase in medical cost, including premiums for Medicare and ‘Medigap’ insurance to supplement Medicare.

Keep in mind that for most of you with retirement plans, you will only be receiving about 70% of your annual salary to live on after you retire. And don’t forget to add 3% to 4% per year in expenses to guard against inflation. Twenty years from now the dollar will be worth fifty cents, meaning a new car will cost twice as much as it does today and going to a movie will be something you will have to think long and hard about.

You need to face it: Normal living costs, especially with inflation, are going to be a problem. If you have a house you can use the equity you have built over the years to help. A reverse mortgage is an option for many of us – where you don’t have to repay the loan

until you sell or move out of your house. About half the homes in the United States have no mortgage, so there is a lot of equity. Still, that is a last or almost a last resort. Some of you may be thinking of selling your house to move to a smaller retirement home, expecting this to bring you added money. According to the Society of Actuaries report, you may not make the profit you had anticipated. Or the cost of the retirement home may be higher than you expected.

Sooner than you might expect, you are going to be forced to use your IRA or 401K contributions

Without a strong retirement plan, many of you will be forced to consider part time work *during* your retirement. Some take on part time teaching jobs or consulting. But many are forced to take on jobs outside their own careers, at considerably less pay. Some start their own businesses out of their homes, so they can work when they feel like it.

Maybe the last resort will be moving in with your children. Tell them to prepare a room for you. After all, you provided a room for them for 20 years, so that is the least they could do to reciprocate. I say that in jest, but it may become the reality.

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