

Retirement.

Whether currently retired, or planning for retirement, financial needs at this stage in life demand special attention. When envisioning retirement, the thoughts focus on how to enjoy this stage of life through companionship, travel, entertainment, new hobbies and other areas rather than to consider the idea that, “When I retire, I’m going to worry about money.”

The focus of this regular column will be to discuss key financial areas important to retirees or those close to retirement. In this initial column, I’d like to touch on some illusions and realities of retirement. Future columns will touch on other key areas for financial consideration, including long-term care insurance, the rising cost of healthcare, and estate planning.

Retirement is a great concern to many—although 70% of workers are somewhat or very confident they will have enough money to live comfortably in retirement, an increasing number of us are at risk of being unable to maintain our standard of living in retirement.¹

Illusion: Retirement won’t last that long

Reality: Retirement could be longer than your working career. Once reaching age 65, men have a 49% chance of reaching age 86 and a 26% chance of reaching age 92. Women have a 49% chance of reaching age 89 and a 23% chance of reaching age 95. At least one person in the marriage has a 63% chance of reaching age 90 and a 36% chance of age 95.²

This reality has implications for retirement planning and income distribution planning, as well as estate planning. The fastest growing segments of our population are currently those over age 90 and those over age 100!

Illusion: Someone will take care of me. Retirement is the reward for hard work—once reaching age 65, you’ll be able to do the things you’ve always wanted to do. The government, former employer or family will help during this phase of life.

Reality: That someone might be you. The Social Security system is facing further stress as more baby boomers reach retirement age and begin drawing benefits. The percentage of workers covered by pensions has dropped to 13% in 2004 vs. 59% in 1983. Now, a greater share of workers (63% in 2004 vs. 19% in 1983) is covered by contributory plans such as IRA accounts or 401(k) plans.³

This means that there is a much greater responsibility for retirement planning and income distribution for each individual—to plan for the future that was envisioned for retirement and, perhaps most important, to plan not to outlive the assets that have been carefully accumulated.

Please let me know your thoughts on this column and also let me know what specific topics you would like to see covered in future columns

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¹ The 2006 Retirement Confidence Survey, Employee Benefits Research Institute (EBRI), 4/07

² Society of Actuaries Annuity 2000 Mortality Tables

³ Center for Retirement Research at Boston College, 2006