

Pre-tirement

Planning your post-work life

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Over the next two decades, the most chronicled generation in America will gradually enter retirement. At that point, each wave of baby boomers will discover if their various retirement plans, Social Security benefits and personal savings will be sufficient to maintain their existing lifestyles and needs.

Baby boomers -- those born from 1946 to 1965 -- grew up through the Red-Scare fifties, protested Vietnam, got jobs and 401(k)s, gave us computers, and generally held high expectations for living long and full lives. Now, as boomers get older, many are beginning to focus their attention on retirement and how, exactly, they will do it.

Unlike the previous Great Depression-to-World War II generation, many baby boomers believe they cannot depend solely on Social Security benefits during their retirement years. In fact, many economists question the future of Social Security trust funds altogether.

To further compound concern, many currently employed boomers may not have employer-funded retirement plans. In 1983, 62% of workers were covered by a Defined Benefit Retirement Plan (pension). In 2004, only 20% were covered. In today's work world, employees, rather than employers, generally assume full responsibility for funding their retirement plans, many using Defined Contribution Plans (401(k) type). It is no surprise, then, that uncertainty and worry occupy the minds of many of those without guaranteed pensions.

Survey Says. . .

A 2002 survey conducted for the AARP found that only 20% of boomers are very satisfied with their personal finances. In contrast, 31% feel their financial situation is worse than they expected at this stage in their lives. Only about one-half of boomers, 51%, feel confident that they will achieve their financial goals.

As is true of every generation facing the retirement planning process, baby boomers should have a disciplined savings program in place. If you're a baby boomer, keep in mind that haphazard deposits may be counterproductive. If all of this seems complicated, it is. Whatever decisions you make, it may be helpful to get a second opinion and discuss it with a financial advisor who is experienced in assisting retirees with planning the withdrawal of funds and with a tax professional. Just like a business, retirement from work needs a "plan." Developing a plan, implementing it and providing ongoing monitoring will go a long way to help you to make your money last as long as you need.

Broadening Perspectives

Oh, to retire. When and how will it ever happen? Unless you were born into old money, won the lottery, or are Bill Gates, you're in the same boat as the rest of the country. There are no definitive answers. However, boomers can gain insight into just how they'll plan for retirement by estimating and analyzing the following:

The Plus Side

- Potential income sources (e.g., pensions; income-producing real estate; funds in trust; dividends generated from an investment portfolio; etc.)
- Projected balances of retirement and savings plans (401-k plans; 403-b plans; Traditional IRAs; Roth IRAs; Deferred Compensation Plans; etc.)
- Estimate of Social Security income to be received (husband and wife -- even if only one worked to meet the eligibility criteria).

The Negative Side

- Costs of future healthcare insurance premiums and needs (including Long Term Care Insurance)
- Costs of housing (possible mortgage, condo & maintenance fees)
- Cost of other insurances (auto, home, life, etc.)
- Lifestyle costs (vacations, country clubs, restaurants, keeping two cars)

The Unpredictable Side

- Annualized rate of inflation over retirement years (the last 81 years have averaged 3%)
- The length of years your retirement may last. Will you live to age 80, 85, 90 or beyond?