Perspective

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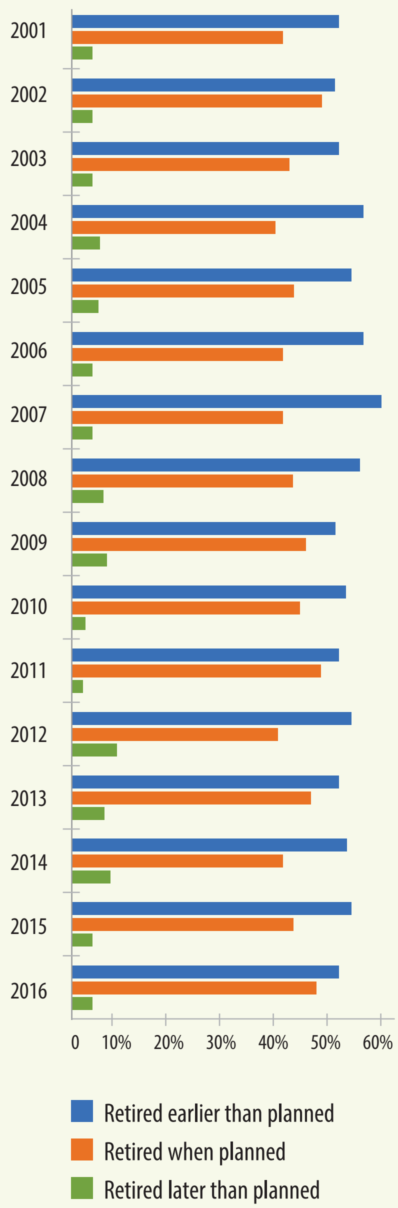
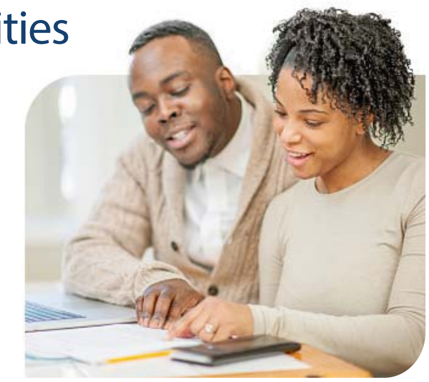
Retirement Realities:
Many Americans Retire Earlier Than They'd Planned



Source: EBRI.

When it Comes to Retirement, it's Best to Plan for All Possibilities



In 1929, economist Irving Fisher said, "Stock prices have reached what looks like a permanently high plateau." Three days later, the market crashed.

Predicting the future is difficult. It's one of the reasons retirement planning can be so challenging. One common mistake people make is selecting a specific retirement age rather than remaining flexible. The Employee Benefits Research Institute (EBRI) Retirement Confidence Survey consistently finds that workers' expectations about when they will retire are quite different from retirees' actual experience.[1]

For example, in 2016, 37% of working Americans who participated in the survey expected to work past age 65, and 6% did not plan to retire at all. Retiring later is a sensible decision since many people need to work longer to help ensure they have enough income.

- The Social Security full retirement age for anyone born after 1959 is 67.[2]
- Life expectancy at age 65 increased by more than five years between 1990 and 2015.
- Out-of-pocket medical expenditures have been increasing. (Estimates suggest a 65-year-old couple will need $260,000 to cover healthcare costs in retirement.)[3]

While there are many good reasons to retire later, the reality is that a significant percentage of people retire earlier than expected. EBRI's 2016 survey found that 46% of retirees had left work earlier than expected.[1] In fact, every survey year since 1990, EBRI has reported that about one-third to one-half of participating retirees stopped working earlier than expected. Some lucky individuals retire early because they can afford to do so; however, most (55%) retire ahead of schedule because of a health problem or disability.[1]

While it's not possible to know what will happen in the future, it is possible to prepare for various eventualities. If you want to review your retirement plan, let us know. We can help you develop a flexible plan that makes retirement possible — and comfortable — at different ages. ■

[1] EBRI. *2016 RCS Fact Sheet #2 Expectations About Retirement.* March 22, 2016.
[2] SSA.gov. *Retirement Planner: Full Retirement Age.* Cited February 24, 2017.
[3] CDC.gov. *Health, United States, 2015: With Special Feature on Racial and Ethnic Health Disparities.* Table 15. Page 95. May 2016.
[4] Fidelity.com 'Health Care Costs for Couples in Retirement Rise to an Estimated $260,000, Fidelity Analysis Shows.' August 16, 2016.

An IRA Contribution Could Help Lower Your Taxes…And Do A Lot More

During tax season, people contribute to Traditional IRAs because they can claim deductions on their individual federal income tax returns for the amount contributed.[5] Of course, IRAs can do a whole lot more than provide a tax deduction. They're versatile tools that can provide investors with:

- **Tax-free income during retirement.** Unlike Traditional IRAs, Roth IRAs do not provide a tax deduction today. Contributions are made with after-tax dollars; however, any earnings compound tax-free and withdrawals are tax-free, too, as long as certain requirements are met.[6]
- **A way to consolidate retirement assets.** People change employers frequently. According to LinkedIn, college graduates are on track to have more than four jobs by age 32.[7] When people change jobs, they often leave their retirement plan accounts behind.[8] Managing multiple retirement accounts through different employers can be complex. There are several options you should consider.[9] Contact us to learn more.
- **Retirement savings for a spouse who does not work.** If your spouse does not work and you file a joint tax return, you have the option to contribute to a Traditional or Roth Spousal IRA. This gives you a chance to save more for retirement.[10]

IRA contributions can be made until April 18, 2017. ■

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[5] The deduction may be limited if you, or your spouse, are covered by a retirement plan at work and your income exceeds certain levels.

[6] Roth withdrawals are federally tax-free and penalty-free if the account has been open for at least five-years, and the account owner is age 59½ or older, disabled, or deceased. There also are special exceptions for medical expenses, first-time home purchases, and college expenses.

[7] Berger, Guy. *Will This Year's College Grads Job-Hop More Than Previous Grads?* LinkedIn blog. April 12, 2016.

[8] Cormier, Warren J. *Eliminating Friction and Leaks in America's Defined Contribution System.* P. 18. Boston Research Group, April 2013.

[9] Prior to rolling over assets from an employer-sponsored retirement plan into an IRA, it's important that you understand your options and do a full comparison on the differences in the guarantees and protections offered by each respective type of account as well as the differences in liquidity/loans, types of investments, fees and any potential penalties.

[9] IRS.gov. *Retirement Topics - IRA Contribution Limits.* Cited February 24, 2017.

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