

How to Design Your Ideal Retirement

By Eve Kaplan, Certified Financial Planner [™]

Would you like to design your ideal retirement? Where do you begin? First of all, what does retirement mean to you? If you're in a relationship, does retirement mean the same to you as it does to your partner? Do you know if your "ideal retirement" is affordable or just a pipe dream?

In past generations, retirement planning didn't involve very much. You stopped work when you were "old," and you drew on savings and pensions to live out your non-working years (maybe a decade or more) with family and friends. That's all changed – nowadays, retirement can mean any or all of these things:

1. You shift from full-time work to part-time work – either at your current employer (if your firm is flexible) or at another employer.
2. You begin a new career from scratch – doing something that you always wanted to do and never had the time (and you can afford to do this, even if you don't turn a profit).
3. You stop work altogether, take some time off and then return to work (at the same or different employer) because you missed work and found being retired bored you. (note: this can be an issue if you don't have meaningful hobbies or community activities).
4. You stop work altogether and begin a new unpaid career as a volunteer in your community, across the country or overseas.
5. You stop working, find a new geographic location and split your life between your former "home" and your new "vacation home."
6. You never actually "retire" – if you have your own

business or you teach at university, for example, you have control over how long you continue working.

7. You never actually “retire” because you can work virtually for many years into the future.

In fact, the possibilities are endless. The “new” retirement assumes you’ll live another 20, 30 or 40 years in “retirement,” which you can shape in many different ways. *Forty* years in retirement, you may ask?! Retirement that lasts 30-40 years once was unthinkable but I have clients in their 50s and 60s with adult parents in their 90s – and some of those parents in their 90s are now well into 40 years of retirement.

Here are some of the things that a financial advisor can help you determine as you go about designing your ideal retirement:

1. If you have a detailed financial plan, you can ask your advisor to run various scenarios (e.g work full time to 65, work to 62 and move to a less expensive part of the States, work to 62 and spend part of each year in Italy, etc.). These scenarios can change and be updated as your thinking changes. The financial advisor inputs inflation rates, various projected investment rates of return and other assumptions to test how viable each retirement scenario is.
2. Maybe your planner advises you to postpone retirement a few years (although you don’t enjoy work) but gives you the green light to save less and spend more doing things you enjoy (example: travel). This is something you can live with and it helps take the bite out of working additional years.

Here are some issues that a financial advisor definitely should explore as you consider your ideal retirement:

1. Long-term care insurance – is it right for you? (for many of my clients, the answer is: yes). What will

premiums cost you (based upon your health condition) and will this insurance be sufficient to staunch the drain on your assets if you need at home or institutional care?

2. Significant reserves for health care. Medicare covers some medical costs but these need to be supplemented with savings (covering the so-called “donut hole”). Medicare does not cover vision or dental. Medicare does not cover at home long-term care. Medicaid will cover institutional care only if you’ve spent down virtually all of your assets.
3. The possibility that adult children or grandchildren will need significant financial support – are you willing or able to help in that way (if you want to)?
4. What happens if you’re married and your spouse unexpectedly needs care or predeceases you – are you still able to fund your ideal retirement?
5. What’s the best way to approach funding your retirement if you’re in a second marriage and have separate assets but share many common goals and expenses: living expenses, travel, etc.
6. Longevity risk is a key issue for this new generation of potential retirees. It’s great to live longer, but how will you fund your lifestyle if you live into your 80s or 90s?

No one can picture your ideal retirement better than you, but sometimes these future dreams are eclipsed by reality (you’re bored, retirement costs are higher than anticipated, other planning emergencies occur that you did not expect). Working hand-in-hand with a financial planner is the best way to methodically examine all “ideal retirement” scenarios and see how many of them leave you in the “financial pink.”

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