Will You Be Caught Flat-Footed by the "New Retirement"?!

by Eve Kaplan, Certified Financial Planner(R)

Will you be caught flat-footed by the "new retirement"? This "new retirement" looks nothing like your parents' and grandparents' retirement. The "new retirement" is a very mixed bag – there's good news, bad news and elements of unpredictability. First, the good news. People are living longer than ever and are more active into their 70s, 80s and beyond. The bad news? You may end up working (long?) past 65 – even if you are reluctant to do so. Or you may need to transition from full-time work to part-time or flexible work at the age your parents retired. The unpredictable news? Your aging parents also are living longer (and may need your help), your adult children are taking longer to start families and also may need additional financial support a*nd* you need to prepare for y*our own s*harply rising health care and nursing care expenses.

All these challenges – and opportunities – require more planning than ever. It's imprudent to stop work when you want to without having a financial planner crunch numbers and give you an objective opinion about your financial situation and your investment portfolio. Times have changed.

If you're in your 40s and up, consider:

1. It's great to work past 65 if you love your work, but it requires a mental reset if you discover you need to keep working – even if you dislike your job and you can't wait to retire.
2. The "new retirement" means you may end up switching employers and job descriptions over time, and work part-

time work into your 60s and 70s (even your 80s).

3. It may cost you more to be “retired” than working. My old 1990s financial planning textbook says retirement living expenses typically decline 20% vs expenses while you work, but the “new retirement” carries a higher price tag – primarily from increased health care costs..
4. The “new retirement” means juggling a lot of unexpected balls in the air: a) ballooning health care expenses for you, your parents or your adult children b) your assisted living and/or nursing care needs, c) lending a financial hand to your parents for their medical and living expenses and d) lending a financial hand to your adult children and grandchildren.
5. The ‘new retirement” means you spend more time and money on fitness and other regimes to stay healthy and active as long as possible.
6. The “new retirement” needs to be fueled by portfolios carefully designed to fund expenses for 30 or more years. They need to be rebalanced regularly and reconfigured periodically to take on board falling or rising interest rates, inflation or deflation, higher or lower stock markets, etc.
7. The “new retirement” includes carefully considering Social Security alternatives to maximize benefits. It also means planning for the possibility that higher income retirees will end up with a “haircut” (less in hand from the government over time) than lower income individuals. Medicare also may go this route by effectively charging wealthier retirees more than poor retirees in order to avoid running out of funds.
8. The “new retirement” may include moving out of state to a less expensive or more tax-advantaged state– or out of the US altogether.

If you’re in your 40s and 50s, it’s not too early to begin thinking and planning for the “new retirement. If you’re in your 60s and older, it’s not too late to explore your options and get a 1st or 2nd opinion. As people continue to live into their 90s, it's vital to review your expectations and your financial situation so you don't become a burden to your children or other family members. When I talk to my clients, one of the greatest fears is becoming a burden to their families. This is something smart planning can help avoid.