

Random Thoughts About Retirement

There's a lot of talk about retirement, but this whole idea of retirement is a fairly recent phenomenon when you consider history. Prior to 1935 and Social Security, people just worked as long as they were physically able. If they were able to save a few dollars, they were able to live independently!

However, if they were unsuccessful, they might end up in the poor house. And yes, the poor house was a "thing" and if a person was not successful financially; unable to work; or didn't have family to support them – they were forced to move into a house with a bunch of other poor people and live out their final days. Not a happy ending.

I'm not a big fan of government programs, but I will say Social Security has helped many people preserve their dignity. Unfortunately, according to the Bureau of Labor Statistics, 52% of retired people today have Social Security as their primary source of income. Retiring is a popular topic of conversation; but many fail to plan. They fail to plan, because **planning is hard work.**

Today, there are many things to consider when contemplating retirement. Lifestyle is probably the most important consideration. Many people do not have a good grasp on what they actually spend in the course of a year. Understanding your pattern of spending and lifestyle is a good first step in quantifying your retirement planning needs.

After this introspection, there are headwinds to be considered too. Here are some examples:

- **Longevity.** People are living longer today than ever before. It is estimated millions of baby boomers may live to be 100. Living to 100 will not be an unusual event in the future.
- **Inflation**. $100 today could be worth far less in the future. Your financial resources have to grow just to stay even. It's important to invest wisely. There is such a thing as being too conservative.
- **Taxes.** It's really not what you earn, it's what you keep. Your net income supports your lifestyle both now, when you are employed, and later, when you are retired. Tax planning can help to minimize taxes, and the amount of tax you will pay over your lifetime.

Besides the monetary aspects of retirement planning, you should also consider what you will "do" in retirement. Retiring to an easy chair in front of a TV is probably not a good lifestyle choice.

As retirement income planners, we've talked to many clients who plan to work longer. Some plan to work well into their 70's. Others, plan to continue to work part-time in retirement.



Regardless, life planning is just as important as financial planning! **Here are some sample questions you might ask yourself prior to retirement:**

- What do you want to do more (or less) of?
- Who do you want to spend time with?
- Do you want to move to a warmer climate; or closer to children and grandchildren; or stay in your current home?
- Would you like to buy a second home?
- Would you like to travel and see the world?
- Do you want to play golf, pickleball, or tennis?
- Do you want to volunteer and spend time doing charitable work?
- Are you adventuresome and want to explore?

You can plan on your own, but many people find it helpful to engage a holistic wealth advisor. Someone who is **qualified.** Someone you can **trust.** And someone who is a **fiduciary** and will place your interests well above their own. This is what we do at H Financial.



This **Industry Insight** was written by Garrett S. Hoge, CFP®, ChFC®, MS.

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