



“The Point of No Return”

For most people, retirement is a one-way street. You don't retire from the work force and then think “Oh, no. I changed my mind. I'm going back to work now.” Nope, once you decide to stop earning money, you enter a decades-long phase of spending it. And a host of additional truths will present themselves along the way . . . thankfully, many of them will be quite pleasant.

- **Retirement is Expensive:** It's “the biggest purchase you'll ever make” (David Blanchett, Morningstar). J.P. Morgan estimates that a couple earning \$150,000 today should have saved at least \$1.8 Million by age 65. Through retirement, this couple is likely to spend over \$3.5 Million (which is why the \$1.8 million needs to grow).
- **But Gloomy Forecasts May be Overblown:** Studies bemoan the fact that people don't save enough and have pitifully low savings balances for retirement, that they won't make it. But people adapt, they adjust. Retirees don't just spend blindly until their last cent is gone. They slow down, they deny themselves, they move in with their kids (Ha!). The issue is not so much running out of money, as it is not having *enough to truly enjoy life*.
- **You're Still a Long Term Investor:** A couple who retires at age 65 has a 50% chance that at least one of them will live until age 90 (Social Security Period Life Table). The good news for your investment portfolio –that has to see you through this- is that the stock market (S&P 500*) has been positive in 80% of the past 35 years. And the total return of stocks and bonds (Barclay's Aggregate Index*) have not been negative in the same year for the last 41 years (BTN Research).
- **Retirees are Happier Than They Thought They'd be:** Surveys by The Wall Street Journal and the Employee Benefits Research Institute (EBRI) found the vast majority of retirees are satisfied or very satisfied in retirement (only 1 in 10 report being dissatisfied). Most were surprised how well their money was holding up; they had more joy than pain; and enjoyed the luxury of time to spend with friends, and the chance to explore and try a new things.
- **Spending is Uneven:** Rules of thumb indicate that retirees should plan on spending at a level about 80% of pre-retirement income. This is helpful but it's too simplistic. On *average*, household spending is highest in your mid-40s. After age 65, though, spending declines by 20% over the next 10 years, and continues to do

so until an uptick toward the end when some folks see increased health care-related expenses (Bureau of Labor Statistics consumer expenditure survey).

- **How Spending Changes:** Being in a lower tax bracket and not saving for retirement immediately lowers your “costs.” You’ll spend less on clothes, transportation, and food and beverages over the years. If you retire with a mortgage, you’ll have it paid off at some point. You won’t travel as much after age 80 or 85, and at some point you will have bought your last car. Yes, healthcare costs will go up later on, but those are (on average) offset with other reductions.
- **Show Some Love:** Are you surprised that 32% of people over 65 do not have a Will and advanced directives (Gallup Analytics)? We are. Some of you reading this have acted as an executor of an estate for which there was no Will, or it hadn’t been updated in years. You know the stress, emotional anxiety, and potential irreconcilable rifts it can cause for families. We believe preparing your estate ahead of time, and preparing your family is a profound act of love. There’s not much excuse not to.
- **Surprises?** There can be. In the first two years of retirement 46% of households spend more than they did just prior to retirement, some far more (EBRI study). That could hurt long-term. We reported last August that 31% of households continue to provide financial help for an adult child; 21% for elderly parents (American Consumer Credit Counseling). And too many of you, when you plan for retirement . . . forget to factor in the new car every 10 years; spending \$75,000 to re-do your kitchen; shelling out for a big wedding; or just average annual home maintenance. Let alone a long term illness you haven’t insured against.

Deciding to retire and how you’ll live the next 30 years is a big deal. But, as much as we focus on saving and preparing, we do hear from so many of you that it’s a wonderful, truly interesting and full chapter in your life.

The best way to ensure enjoyment is to anticipate and plan for this phase of life. Having your act together starting out will help you hurdle some of life’s pitfalls down the road. Let us help.

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Craig Pulliam and Michael Comstock are CERTIFIED FINANCIAL PLANNER™ professionals practicing at 112 Westwood Place, Suite 310, Brentwood, TN. They own Premier Wealth Management, LLC. Advisory services offered through Commonwealth Financial Network, a Registered Investment Adviser.

We can be reached at 615-777-2125.

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