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Don't Bet Your Retirement on a Simple Approach

You have probably heard about the old 70 percent rule that suggests retirees will need the equivalent of about 70 percent of their current income level to maintain their lifestyle in retirement. This assumes that retirement living costs will be 30 percent less during working years. While it may have been applied appropriately for retirees two or three decades ago, it is fraught with significant risk and potential disaster for today's retirees.

Overly simple formulas have no place in serious retirement planning [1], especially when you consider that people are living longer than their parents or grandparents. If it were a simple matter of saving more to account for inflation throughout longer life spans, the issue would be fairly straight forward.

As a result of human longevity, today's retirees will encounter costs that their parents never had to consider. The result is an increasing number of retirees are finding life in retirement can be just as costly, if not more so, than their working years.

With people living longer, the cost of staying healthy can increase with age. While it is true that some of life's big expenses, such as raising and educating children, are behind you, there are a whole new set of expenses that could come at you unexpectedly. An emerging societal trend shows an increasing number of Baby Boomer households now include more grandparents than children, and it is quite possible that they could spend as much time and money caring for aging parents as they did their children.

The need for long term care can be the single largest expense seniors incur. The longer people live, the higher the probability they will require assistance with activities of daily living. Where a caregiver family member is unable or unavailable to provide assistance, the cost to receive care can amount to $100 to $300 a day. Don't overlook the value of Long Term Care Insurance [2].

Retirement income planning today must anticipate the cost of aging, not just the cost of inflation. Regardless of the planning method or process, it would be a mistake to succumb to standard formulas or an over simplified approach to retirement planning.

With so much at stake, it is very important to have your retirement plans and goals reviewed by a trusted and impartial financial advisor who can provide sound guidance.

Questions about your retirement planning strategy?
Contact our office! [3]

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