

## **The READY Retiree**

By John Baker

Retirement, once a dreamy aspiration, is fast becoming a reality for the thousands of boomers moving into their sixties every day, and a more relevant question than the traditional, “What do I need to retire?” is “What do I have?” Give or take a few bucks, what pre-retirees have in their accounts today is what they’ll have to live on in retirement.

After spending decades working in the retirement market -- and after educating thousands about the basics of investing, the benefits of tax deferred savings, and the power of compounding -- I’ve come to this conclusion: people don’t like to save money.

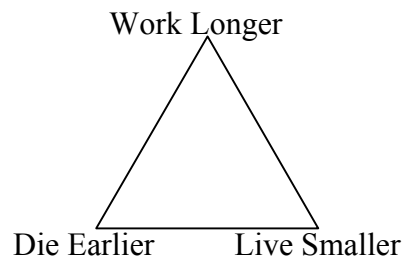
Personal savings rates in this country are negative and have been for consecutive years (for the first time since the Great Depression), and average balances in 401k plans – one of the few places Americans do sock away any savings -- is a very modest \$19,000. People used to count on their home’s equity to supplement their retirement nest egg, but that doesn’t happen so much these days.

Things aren’t prettier for the pre-retiree segment of society, those workers 50 years and older, where time left to save is short and median 401k and IRA balances are only \$60,000. Financial professionals will tell you that you can withdraw 4% from your retirement savings to be relatively assured not to outlive your money. That equates to an annual withdrawal sum of \$2,400. Ouch.

The fact is that while people want to retire (preferably early) in a place like Bermuda, most have only a fraction of the savings required to do so. The term for this gap between what you want to do and what you can afford to do is called “AGMI”:

which stands for “Ain’t Gonna Make It”. AGMI best describes those who want to retire in Bermuda but who only have saved enough to get as far as the Bermuda Triangle.

The “Retiree Bermuda Triangle” reflects the three choices most people will face in their retirement years:



Living smaller is the first alternative. A retiree once told me that the price of a basket of range balls at Golf World was \$3.75 for which he received 47 balls per basket; whereas the price of a basket of balls at Swing-A-Lot (after using a 25¢ senior discount coupon) was only \$3.50, and he got about 50 balls in each basket. “That’s a savings of 14%,” he noted victoriously. Which is literally true, but also is a bit of a varnish job when describing a savings of less than a penny a ball. I’m not sure what this man aspired for when he looked out the 30 to 35 years he had to prepare for his retirement, but I doubt counting range balls was part of his dream. He lives small in his retirement.

The second alternative, “Die Earlier”, seems least appealing of the three options, but with record levels of obesity and hypertension in our society it apparently has its adherents. Still, few would admit that dying earlier is a retirement aim.

So relative to the alternatives “Working Longer” is the likely path most Americans will follow as they enter into what is traditionally considered their “retirement years”. For baby boomers closing in on their long anticipated last day on the job, the

prospect of working longer is as exciting as a bad organ transplant: and gets rejected just as fast.

Here are five steps in reconciling the need to work longer in retirement:

1. You'll miss work. Maybe not your job, but you'll miss the energy, friendships and intellectual stimulation found only in the workplace.
2. They'll miss you. Not enough workers are coming into the marketplace, and companies need what you've got. Expect to see innovative work arrangements materialize as employers seek to retain your experience and know-how.
3. The people who brought us Social Security arbitrarily stamped "retirement age of 65" into our psyche back when the average life expectancy in America was 63. Today, if you are in relatively good health and in your middle 50's you'll likely live to 85: with a one in four chance of living into your hundreds. That's a long time to be watching Oprah. As our longevity increases, it's only natural that our expected retirement age should as well.
4. Start saving. Guess what, you're still in the accumulation game. At age fifty you legitimately have a twenty to thirty-year investment time frame.
5. Stop fantasizing. Retirement isn't necessarily a bed of roses. After a relatively short honeymoon period many retirees experience disenchantment with the pressures associated with the adjustments found in retirement. One study found that once the euphoria of the "big day" passed, over half of retirees define retirement as a struggle or admit to trying to figure out what to do.

Work, as it turns out is a boon for the human being.