AMERICA'S RETIREMENT CRISIS

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Approximately 50 million people in the U.S. are in the midst of the retirement process. Baby boomers are retiring at a rate of *10,000 people per day*. They are leaving the workforce en mass, but many of them are doing so without the adequate financial support needed to see them through the rest of their lives.

According to a 2015 study by the U.S. Government Accountability office, *nearly half of households age 55 and older have zero retirement savings*. No 401(k). No IRA. With the shift to defined contribution plans, almost 30 percent do not even have a defined benefit plan to lean on. There is still Social Security, but with an *average payout of only $1,317* in 2017, it will not get retirees far.

Some people manage to save money, but the median savings for *56 to 61-year-olds is a meager $17,000*, according to the Economic Policy Institute. When you consider that the average national wage as of 2015 was *just over $48,000*, these families are looking at less than six months' worth of living expenses covered by their savings.

The reasons for this deficit in retirement savings vary. For some, it may have been the stock market crash of 2008-2009, which scared many Baby Boomers into selling off their investments. The simultaneously flat wage growth and low interest rates of the previous seven years have not helped returns, either. There is hope as interest rates are beginning to inch upwards again, enabling *annuity payments to increase*. However, to benefit from this, a retiree must first have savings in an annuity, which nearly 50 percent do not.

The retirement crisis, it appears, is real and it is imminent. As the number of people over the age of 65 increases each year and more and more Baby Boomers move into retirement unprepared, the question arises:

> HOW CAN WE STAVE OFF THIS CRISIS BEFORE IT OCCURS?

Diverting Disaster While Achieving Your Dream

The only way to defend yourself from a crisis is to prepare. Do you know exactly how much money you will need to live comfortably in retirement? This is the first question pre-retirees should ask themselves when they sit down to plan for their future. If you do not know how much you need, you cannot adequately assess your retirement readiness, which will cause you to run the risk of joining the ranks of the millions of Baby Boomers retiring without enough savings.

According to Nick Murray, a financial professional with over 50 years' experience in the industry and the author of twelve books for financial services professionals, there are only two real outcomes for retirement and they are mutually exclusive:

Outcome #1: A retiree's money outlives their retirement	or	Outcome #2: A retiree outlives their money

With Outcome #1 the consequences are dignity and independence. With Option #2 the consequence is a personal retirement crisis. The only thing in the world that determines your particular outcome is a formal, written, date and dollar specific, retirement and accumulation plan. With a clearly defined plan of what it will take to finance your dream retirement and how you are going to get there, you can save yourself from a potential disaster in your golden years.

The first step in combatting the retirement crisis, then, is to create your retirement plan.

Step One:
Determine How Much You Will Need

Every plan starts with a goal. For future retirees, that goal is the dollar amount you will need to live comfortably in retirement. This number depends on the lifestyle you hope to lead and how much it will cost to make it happen. Start by analyzing your current monthly expenses. How will these expenses change in retirement? Once you have a projected budget, you can begin to map out how much you'll need to live on each year.

Typically this number is around *60-80 percent of your current annual income*, but again, it will vary depending on your lifestyle and living situation. Another important consideration is where you plan to live. Can you move to an area with a lower cost of living? Are you planning to downsize? For many retirees, their house is their biggest asset. If you have already paid off your mortgage, selling could be one way of freeing up more equity to go toward retirement savings.

Step Two:
Save To Reach That Dollar Amount

Starting today, maximize your contributions to your retirement plans. If you have access to an employer-sponsored plan, contribute as much as the law allows. In 2017, that number is $18,000 for those under 50 years of age and $24,000 for those 50 years of age and older.

Consider adding a Roth IRA to your retirement savings, as well. Contributions to Roth IRAs are made after taxes have been paid on the funds, but this means that when you withdraw, you can do it tax-free, provided the account is at least five years old and you are at least 59 ½ years old at the time of the distribution. Keep in mind that you must meet certain eligibility requirements before you can contribute to a Roth IRA. As of 2017, the amount you can contribute begins to phase out at gross adjusted incomes of $118,000 for individuals and $186,000 for married couples filing jointly. If you earn $133,000 or more as an individual or $132,000 or more as a married couple, the IRS prohibits contributions to a Roth IRA.

If your spouse is unemployed, you may be able to make contributions to a spousal IRA on his or her behalf. The more you can put away now the better off you'll be come retirement.

If saving $18,000 to $24,000 and more each year does not seem possible, put your spending habits under a microscope and find ways to make this more manageable. Remember, whatever you do not spend now goes towards funding your dream retirement along with the dignity and independence that go hand in hand with it. Any discretionary spending you can forgo in favor of saving will make a difference. With the power of compound interest, sacrifices as small as packing your lunch for work each day can have a large impact ten or 20 years down the line.

Step Three:

Find Dual Sources Of Income And Save Your Extra Earnings

While you are still young and energetic enough, consider seeking a secondary source of income. This could be a side-hustle such as offering consultant services outside of the office, or it could be the start of your own business. Many retirees plan to become entrepreneurs once in retirement, but why wait? Starting today could mean that you get the slow-earning early years of building a business out of the way while still receiving income from your day job. By the time you hit full retirement, you will have a thriving business underway. In the meantime, any profits you generate can be funneled into your savings to further boost your nest egg.

Step Four:

Reconsider Your Retirement Date

If the amount you have saved and the amount you need are not equal, consider pushing out your retirement start date. You could stay in your job full time or reduce your hours. Many retirees find that continuing to work brings a sense of purpose and fulfillment to their days. The majority of working retirees do so because it *helps them stay mentally active*. What's more, retirees who stay in the workforce are more likely to *live longer and report feeling healthier*.

Can you make room for work in your dream retirement? Additional income will help slow the withdrawal from your retirement savings, and the longer you can keep from dipping into your savings the longer your money can continue to grow tax-deferred. If the company has 20 or more employees, staying on with your employer may also give you access to cheaper health care through your workplace plan. If the company has fewer than 20 employees, you will be required to switch to Medicare at age 65.

Step Five:
Take Care Of Your Physical Health

Health care is one of the largest costs facing retirees. It is also notoriously hard to estimate and predict. Many people fall into the trap of believing that Medicare alone will cover them, but even couples with Medicare coverage spend *an average $260,000* on medical costs from age 65 and on. The older you get, the more you are likely to spend, with *85-year-olds spending more than double* that of their younger counterparts.

The problem with Medicare is that it only scratches the surface of what you will need in regard to medical coverage in retirement. Prescription drugs, personalized care, and dental and vision coverage will all cost you extra. Adding to the burden, Medicare premiums increase with age. As you begin to need it more, it will cost you more.

While you cannot avoid health care costs in the future, you can help stave them off by keeping healthy today. Stay active and eat right, and most of all, visit your doctor regularly while your health care plan still pays for the majority of your medical needs.

Step Six:
Write Down Your Dollar Specific, Date Specific Retirement And Accumulation Plan

You have crunched the numbers and reviewed your budget; now it is time to make a commitment to your future self and follow through. Write your retirement plan down, starting with the dollar amount of savings you need and the date by which you intend to have accumulated it. Next, map out how you are going to get to that point from where you stand today. Include all of the strategies from steps two through four above and any other saving or income-generating methods you can think of. Ensuring that your money outlives you starts with a written, date and dollar specific, retirement and accumulation plan and ends with you taking action on that plan today.

Protecting Your Dream Retirement Starts With Today

> 10,000 people retire every day, and only half of all households aged 55 and over have any retirement savings.

Americans are staring down an impending retirement crisis. It is no longer possible to rely on defined benefit plans and pension payouts, and Social Security is less than half of what the average worker earns. Individuals must rely on their own savings to finance their dream retirements. If you are not saving, you are only doing your future self a disservice.

All of this information points back to the question posed at the beginning of this: Do you know exactly how much money you will need to live comfortably in retirement? If the answer to this question isn't "yes," you should talk to a financial adviser as soon as possible.

A financial adviser can not only help you determine the dollar amount you will need to finance the retirement of your dreams, but also help you devise a plan to make that number a reality. A financial adviser should be someone you can trust, someone you feel comfortable working with and someone you can partner with for the rest of your life. This individual will be the backbone of your financial future.

Not only do you need to find the ideal financial adviser, but to make the relationship work in your favor, you have to be the ideal client as well. This means finding the ability to trust your adviser and respect his or her expertise. You are partners in this journey, and as such, you need to work on a foundation of mutual trust and respect.

It is possible to plan for retirement without the support of a financial adviser, but doing so is an added risk to your future success. The older you get, the more security you will need in your finances. An expert can be your guide, ensuring you that stay on track and are protected from any future financial storms. When you consider all that is at stake, life is too important to risk navigating it blind. After all, your dignity and independence depend on your success.

Brian D. White, M.B.A is the president and owner of Century Financial LLC located in Germantown, TN. At Century Financial, we believe that Financial Planning is about much more than your wealth. Our focus is helping you achieve success in your wealth and your life. We understand the challenges, risks, strategies and solutions that investing presents. For more information, please visit http://www.centuryfinancialllc.com