FIVE WAYS

to Stay Confident in Retirement



NXT Phase
Financial Services



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Today's retirees are living longer than ever before and experiencing retirement in new ways.

Gone are the days when people worked 50 years for the same employer, retired on a predictable pension, and settled down into a quiet lifestyle.

Today's retirees are more active—with baby boomers controlling 70% of the country's disposable income. They're traveling the world, learning new skills, and redefining what creates a retirement community. With 10,000 boomers retiring daily, this drive to enjoy a vibrant retirement is becoming more common.[1,2]

In addition, pre-retirees appear to feel more confident about retirement than years past, with over two-thirds saying in a 2020 EBRI survey that they believe they can retire comfortably. One approach to maintain confidence in retirement is to assess your needs, look ahead, and prepare for both the known and unknown.[3]

While you can't be certain what the future holds, you can strategize for the retirement life you want—and take these five steps to help you get there with confidence.

Money spent per item by a retired couple.[4]





Step
01

Calculate Your Actual Costs

The good news is that 67% of pre-retirees have considered creating a budget for retirement. Knowing how much money you need is critical when forming a retirement strategy.[5]

If you don't identify your actual retirement costs, you risk leaving yourself without the necessary income to cover your expenses. Were you to find yourself in that gap, you might need to adjust your lifestyle.

You can build financial strategies that may help you become more confident by knowing how much your retirement might cost, and identifying many of the expenses you can anticipate. Here are some questions to ask as you create your budget:

How much are my living costs?

Expenses can add up quickly in retirement. On average, households run by people who are 65 years and older spend about $4,238 each month.[6]

To identify your costs, list every dollar you spend to support your daily living needs, from your transportation to your food. Pay particular attention to any expenses that you might be able to eliminate from your budget.

What are my health care costs?

Health care expenses are the second-highest financial priority among retirees. A retired couple should prepare to spend $325,000 or more to cover expenses during their

retirement years. A single man should prepare for $157,000, and a single woman, for $178,000.[7]

One choice that can help retirees prepare for health care is investing in a Health Savings Account (HSA). An HSA isn't insurance, but it does provide a tax-advantaged savings account to which you, and potentially, your employer, can make contributions over time. You can use these funds to pay for most medical expenses, including prescription drugs, dental care, and vision care.

Keep in mind: Once you start Medicare, you can no longer contribute pre-tax dollars to your HSA. If you were to withdraw money from your HSA for a non-medical reason, that money becomes taxable income, and you face an additional 20% penalty. After age 65, you can take money out without the 20% penalty, but it still becomes taxable income. HSA contributions are exempt from federal income tax, but they are not exempt from state taxes in certain states.

What income will I have?

Income can come from a variety of sources, such as retirement accounts, pensions, part-time work, Social Security, and other sources. Generally, retirees may need 75% of their pre-retirement income to enjoy a comfortable retirement. However, that number can vary significantly depending on your lifestyle.[8]





Step
02

Manage Debt

Some retirees are retiring with debt. For households headed by individuals who are 75 years and older, an average of 7.3% of their total income goes towards debt payments.[9]

Today's retirees are much more likely to have these liabilities than any generation before them. The average debt for families led by someone 55 years and older is $82,481.[10]

Debt can play a role in any financial strategy, but it's critical to understand its benefits and limitations, especially in retirement.



Step
03

Forecast Income

Start your retirement strategy by calculating your actual costs and creating a working budget.

Put together lists of both the sources of your funds as well as where you are directing those funds. Without a clear look at your income and where you are directing it, you might lose sight of your budget and find maintaining your lifestyle more challenging.

About 35% of workers expect Social Security benefits will be a major source of income during retirement. In reality, over 64% of retirees say that Social Security is a major source of income in their retirement. The average monthly payout is $1,543.[11, 12]

When strategizing, you should consider having diverse sources of income designed to last the rest of your life. Work with a trusted financial professional to help you identify income needs. Only 41% of workers investing for retirement take this potentially helpful step. The amount of income you may require varies from person to person, since different lifestyle choices, health care expenses, and other personal details may drive your budget.[13]



Step
04

Build Your Savings

Here's a retirement reality check: In a 2020 survey by Alliance for Lifetime Income, 49% of Americans responded that they are anxious that their savings will not last their retirement. While we're feeling more confident about retirement, money issues are still a worry.[14]

On average, you'll want to prepare for $987,000 in total costs for retirement. For many, that's a staggering amount of money. These costs may include Social Security payments, with the balance coming from a possible combination of retirement accounts and private savings.[15]

Many people say that they expect to rely on their employer-provided savings to be a vital source of retirement income.

Savings & the Pension Problem

The once-common pension is disappearing in the U.S. Pensions were the most common retirement plan offered by employers up until the 1980's. Now, only 17% of private sector workers have access to a pension.[16]



Step
05

Continue Working

While many people think of retirement as a time when they'll stop working for others, continuing to work is part of their overall strategy.

Sixty-eight percent of baby boomers say that they plan to either keep working past the age of 65—or not retire at all.[17]

No matter whether or not you are preparing to work, here are some benefits that working can bring your retirement:

- **Augment your income.** Whether for extra spending money or to cover daily expenses, continuing to work may help you keep money in your pocket. It may also fill gaps left from other income sources. Your financial goals may help guide the amount of money you need to keep making from part- or full-time work.
- **Explore new passions.** For some people, retirement work means tapping into old or new passions. When you feed these interests, you may also encourage ongoing personal growth in your later years, which further supports your health.
- **Stay social.** Maintaining a social network in retirement may help people stay positive and healthy. In fact, 23% of workers who are working or plan to work past the age of 65 do so just to maintain social connections—and about 20% of workers say they fear feeling isolated and alone in retirement. Staying active at work may help you beat these blues.[18]



The Takeaway

Creating a strategy for retirement is essential. Only you know what a fulfilling retirement means for you, and today is a perfect time to take steps toward the life you envision. By calculating your costs, getting ahead of your savings, and working with a professional, you may set yourself up to retire comfortably—and confidently.

Remember, if you have any financial questions, we can help you navigate a complicated retirement landscape and collaborate with your legal and tax professionals. We believe that retiring is an opportunity to realize your best life, and we're here to help you make that vision a reality.

Disclosures & Sources

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