



Retirement: Goodbye Tension, Hello Pension

“I hope I die before I get old.”

- Pete Townshend of the Who

To a teenager, old age and retirement seem unimaginable. The sense of youthful invincibility is intoxicating and “long-term planning” means counting the days until summer vacation. Inevitably, though, the spontaneity of youth gives way to a more mature view of life. As we inevitably get older, most of us will reconsider Pete Townshend’s attitude towards old age and begin to realize that we may need a better long-term plan.

If you are in your 40’s, you are cruising along and perhaps starting to think about what the road to retirement might look like. In your 50’s, you begin to recognize that the road is becoming shorter, and by the time you hit 60, the prospect of retirement is quickly becoming a large object in your windshield. We all recognize that retirement is getting closer every day, but most Americans still lack a coherent plan.

This failure in planning is certainly not due to a growing feeling of confidence about how retirement will play-out: In the early 1990s, nearly 75% of American workers said they were confident that they would be comfortable in retirement. In 2012, the figure fell to just over 50%. Stagnant wage growth,

low returns on stocks and bonds, and a dramatic shift away from guaranteed pensions and towards 401(k)s and other self-directed retirement vehicles has left many Americans wondering when, or even if, they can retire.

A goal without a plan is just a wish

An important first step is to think about *what you want*. When would you like to retire, what kind of retirement lifestyle do you reasonably envision, and what sacrifices are you willing to make in order to get there? You should consider both monetary and non-monetary goals: you may have a certain level of spending in mind, but you should also consider how much time you would like to spend on your hobbies or on volunteer work, and whether you are willing to make certain tradeoffs. Some people are willing to reduce their retirement expenses in order to retire earlier; others would prefer to forego additional years of leisure in exchange for a greater level of spending during those years.

Once you have determined what your goals are, you need to establish a plan that will allow you to achieve

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them. Without a plan, your goal is not a goal; it's a wish. Wishes are nice, and while they do sometimes come true, we do not recommend wagering your retirement lifestyle on them. You will be better-served by a well-defined retirement plan which provides you with a specific road map and a detailed understanding of how you will get there.

Your plan needs to address a variety of questions: When can you retire? How much can you spend when you get there? How will current savings and future Social Security impact the plan? How will any retirement plans (defined benefit, 401(k), IRA's etc.) factor into the equation? What about taxes, insurance and health care costs? What sort of legacy do you want to leave to your heirs? The answers to these questions are complex and highly individualized, and the process can often seem overwhelming. So, whether you take it on yourself or decide to work with a qualified financial professional, designing a plan is critical to your future security and peace of mind.

Taking a leap of faith

Your retirement plan is not only about being financially prepared; you must also be psychologically prepared to make the conversion. After you leave the office on your last day, you will be facing a very different life; even if your retirement plan looks solid, the transition from earning a paycheck to living off your retirement savings can be a significant source of stress. Soon after you retire, you will begin to feel differently about money and you may even begin to have second thoughts about some aspects of your plan.

In addition to providing positive cash flow, your work is a significant part of your identity and your daily environment. Changing that identity and environment after many years can often be a disorienting, emotional and somewhat stressful experience. For some, this change in routine and financial dynamics has the potential to make a transition into retirement feel more like a terrifying jump off a cliff rather than a jubilant leap into a relaxing future.

Taking the leap with confidence

A trusted financial planner can make all the difference. You see the retirement transition as an exciting but frightening new adventure, but an experienced retirement planner has walked many folks just like you through this same adventure, and will be prepared to keep you on track.

It is imperative that you have a high level of confidence in your advisor and the plan that has been created for you. Your emotions may try to get the better of you as you begin your life of leisure, but having trust in your plan and in the counsel of your advisor will allow you to adapt and overcome. A talented advisor will turn your retirement wishes into well-defined goals, design a plan to allow you to get there, and keep you on track along the way. And it's never too early to start.

Pete Townshend wrote those famous lyrics at the age of 20. He is currently 71, and apparently his retirement plan was to be a rock star and live a lavish lifestyle on the royalties. That turned out to be a solid plan for Pete, but the rest of us will need to be a bit more practical. If you have never had a detailed conversation about retirement with your advisor, you should address it now. If you do not have an advisor or are not confident in the one you have, it's time to actively search for a qualified partner to help you through the process. You'll probably never be a rock star, so start thinking, start planning, start working with a qualified advisor, and most important, start now.

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