



When Is It Time to Retire?

“Retirement is not in my vocabulary. They aren't going to get rid of me that way.” Betty White

The Rolling Stones have been touring together for over 57 years. The ages of the remaining original band members range from 76 to 78, yet from 2017 to 2019 they did a 45-show tour of Europe and North America, which was temporarily interrupted only by lead singer Mick Jagger's need to have heart surgery.

All of the Stones are well into that period of life in which they are expected to contemplate retirement. But when asked if they would retire after the tour, guitarist Keith Richards said, “We're feeling good. And we love what we do. There's no reason to stop really.”

While the Stones are confident in their lack of a retirement timetable, for most of us non-show-business folks the issue of retirement is one we often ponder. And the most difficult question to answer seems to be “How do you know when it is time to retire?” This question is so perplexing because it involves both a complex financial decision and a sensitive emotional decision that will literally change your life, probably forever. Given the gravity of this question, it may be better to think about the retirement dilemma as two separate questions: When *can* you retire, and when *should* you retire?

When *can* you retire?

We all know that the Stones can retire. After selling out stadium concerts for decades it is a safe bet that their current wealth will more than sustain them for the remainder of their lives. However, for those unfortunates

who are not successful rock stars, the financial considerations are a bit more difficult.

The first step to determining your ability to retire is to get a good estimate of how much you will spend in retirement. You can begin with an estimate of current spending and adjust based on some expenses that may increase in retirement (such as healthcare and travel) and others that may decrease (such as work-related expenses).

Social Security will help pay for some of your expenses in retirement, but if you are like most Americans, your Social Security benefits will not be sufficient to cover everything. You will need to have some savings and investments in addition to your government benefits, and depending on the lifestyle you envision in retirement, those needs could be substantial.

A good rule of thumb for determining how large a nest egg you will need is the “4% rule.” This is how it works: In the first year of your retirement you withdraw 4% of your investable assets. Then in each subsequent year you withdraw that same dollar amount, adjusted to account for inflation. Based on historical market returns and inflation levels, if you have a level of assets high enough to adhere to this rule, it is very likely that your nest egg will sustain you through a 30-year retirement period.

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For example, if you and your spouse will need an annual pre-tax income of \$90,000 in retirement and your joint Social Security will cover only \$50,000 of that amount, under the 4% rule you will need \$1 million of savings (\$1,000,000 x 4%) to generate the remaining \$40,000 of income. There are many other factors to consider, such as tax rates, individual life expectancy, and your desire to leave an inheritance for your heirs, but the 4% rule will at least give you a rough framework to use when deciding if you *can* retire.

When *should* you retire?

Asking when you *can* retire is certainly a complex question, but deciding when you *should* retire is probably the more difficult of the two. Even if you have adequate financial assets to support you in retirement, you may not be psychologically and emotionally ready to make the transition.

Although the thought of not having to work may sound appealing, you must consider what activities will replace the hours that you previously spent working. And you also need to consider whom you will spend that time with. If your spouse and most of your friends are still gainfully employed, you may find retirement boring or even a bit lonely, so you may want to consider part-time or volunteer work instead of full retirement.

You also need to consider how retirement will affect your personal identity. During your working years you have probably answered the question “What do you do?” with a description of your profession. Before you decide to retire you should imagine how you will answer that question as a retiree and decide whether you are satisfied with the

answer. You may find that it is the freedom of retirement rather than the leisure that makes it appealing, and easing into retirement by consulting or working part time for a few years may allow for a more enjoyable transition.

The Stones have the financial ability to retire, but they are clearly not ready. If you think you might be ready to retire, you need to ask yourself whether you *can* and whether you *should*. More than any other time in your life, this is when you will most benefit from the advice of an experienced professional advisor. Not only does a good advisor have the financial knowledge to help you navigate how, and whether, your assets can support the retirement lifestyle you want, he or she also has the necessary experience to help guide you through one of the most profound and emotional life changes you will ever undergo. And while most of us are unlikely to end up touring with the Rolling Stones, with the proper planning, we may just be able to retire like rock stars.

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