

Retirement Blindspots

Some life and financial factors that can sometimes be overlooked.

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We all have our “blue sky” visions of the way retirement should be, yet our futures may unfold in ways we do not predict. So, as you think about your “second act,” you may want to consider some life and financial factors that can suddenly arise.

You may end up retiring earlier than you expect. If you leave the workforce at “full” retirement age (FRA), which is 67 for those born in 1960 and later, you may be eligible to claim “full” Social Security benefits. Working until 67 may be worthwhile because it will reduce your monthly Social Security benefits if you claim them between age 62 and your FRA.¹

Now, do most Americans retire at 67? Not according to the annual survey from the Employee Benefit Research Institute (EBRI).

In EBRI’s 2020 Retirement Confidence Survey, 16% of pre-retirees expected to retire between ages 66-69, and 31% thought they would retire at age 70 or later. The reality is different. In surveying current retirees, EBRI found that only 6% had worked into their seventies. In fact, 70% percent of them had left work before age 65, and 33% had retired before age 60.²

You may see retirement as an extension of the present rather than the future. This is only natural, as we all live in the present – but the future will arrive. The costs you have to shoulder later in retirement may exceed those at the start of retirement. As you may be retired for 20 or 30 years, it is wise to take a long-term view of things.

You may have a health insurance gap. If you retire before age 65, what do you do about health coverage? You may shoulder 100% of the cost.

Looking forward, you may need extended care, and it seems to get more expensive each year. Wealthy households may be able to “self-insure” against extended care, but many other households struggle. In Genworth’s 2020 Cost of Care Survey, the median monthly cost of a semi-private room in a nursing home is \$7,738. In California, it is \$9,023; in Florida, \$8,803.³

Suppose you become disabled or seriously ill, and working is out of the question. How do you make ends meet?

Age may catch up to you sooner rather than later. You may stay fit, active, and mentally sharp for decades to come, but if you become mentally or physically infirm, you need to find people to trust to manage your finances.

You could be alone one day. As anyone who has ever lived alone realizes, a single person does not simply live on 50% of a couple's income. Keeping up a house, or even a condo, can be tough when you are elderly. Driving can be a concern. If your spouse or partner is absent, will there be someone to help you in the future?

These are some of the blind spots that can surprise us in retirement. They may quickly affect our money and quality of life. If you age with an awareness of them, you may have the opportunity to manage the outcome better.

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Citations

1. Social Security Administration, December 1, 2020
2. Employee Benefit Research Institute, December 1, 2020
3. Genworth Cost of Care Survey, March 30, 2020