

Retirement Now vs. Retirement Then

Today's retirees must be more self-reliant than their predecessors.

Decades ago, retirement was fairly predictable: Social Security and a pension provided much of your income, you moved to the Sun Belt, played tennis or golf, and you lived to age 70 or 75.

To varying degrees, this was the American retirement experience during the last few decades of the previous century. Those days are gone; retirees must now assume greater degrees of financial self-reliance.

There is no private-pension safety net today. At one time, when Social Security was paired with a pension from a lifelong employer, a retiree could potentially enjoy a middle-class lifestyle. In January, the average monthly Social Security benefit was \$1,341. The highest possible monthly benefit for someone retiring at Social Security's full retirement age in 2016 is \$2,787.80, or \$33,453.60 a year. So in many areas of this country, living only on Social Security does not afford you the same lifestyle you may have had when you were working. Elders who thought they could rely on Social Security to get by have learned a bitter truth, one we should note. We must supplement Social Security with other income streams or sources.^{1,2,3,4}

We carry more debt than our parents and grandparents did. It is much easier to borrow money (and live on margin) than it was decades ago. Some people face the prospect of retiring with outstanding student loans, car loans, and business loans, in addition to home loans.³

Some of us are retiring unmarried. With the divorce rate being where it is, some baby boomers will retire alone. Perhaps they will share a residence with a sibling, child, or friends; that may give them something of an economic cushion in terms of meeting daily living costs. Then again, some married households were single-income households in the 1970s and 1980s, but retirees managed.³

We will probably live longer than our parents did. In 1985, the average life expectancy for a 65-year-old man in this country was 79; the average life expectancy for a 65-year-old woman was 84. Today, the average 65-year-old man is projected to live to 91, the average 65-year-old woman to 94. Our parents could depend on the combination of Social Security, pension income, and fixed-income vehicles for a 10-year or 15-year retirement. In contrast, many of us will have to try some growth investing to keep our money growing across a probable 20-year or 30-year retirement.⁴

We will likely have to insure ourselves if we retire before age 65. The national average retirement age (according to a SmartAsset study of Census Bureau data) is now 63. With private health insurance becoming the new normal, that means many of us will have to find some kind of private health coverage if we retire too young to be eligible for Medicare. Furthermore, the cost of many out-of-pocket medical expenses not covered by Medicare is certainly greater than it once was.⁵

We must rise to the financial challenge retirement presents. During the 1980s, more than 40% of U.S. private sector employees participated in a pension plan designed to bring them eventual retirement income. In the middle of that decade, Social Security accounted for 65% of U.S. retiree income. Right now, 19% of private firms offer traditional pension plan programs and Social Security represents but 27% of retiree income.⁴

Our retirement will differ from that of our parents. It will likely be longer and arguably feature a better quality of life. Every aspect of our later years may become more comfortable, more bearable for ourselves and our loved ones. Retirement planning is one of the most valuable tools to assist you in realizing that goal.

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Citations.

- 1 - faq.ssa.gov/link/portal/34011/34019/Article/3736/What-is-the-average-monthly-benefit-for-a-retired-worker [2/17/16]
- 2 - faq.ssa.gov/link/portal/34011/34019/Article/3735/What-is-the-maximum-Social-Security-retirement-benefit-payable [2/18/16]
- 3 - blog.nsbank.com/retirement-planning-3/ [12/14/15]
- 4 - marketwatch.com/story/how-retirement-has-changed-in-the-last-30-years-2016-02-16 [2/16/16]
- 5 - smartasset.com/retirement/average-retirement-age-in-every-state [10/28/15]