

Retirement planning is no longer an extravagance reserved for the affluent or an optional lavishness for the disciplined investor. The following concerns combine to make retirement planning necessary for every American:

- **Retirement plans.** Even with an employer-sponsored retirement plan and Social Security benefits, workers and their spouses may not have sufficient funds to maintain their pre-retirement standard of living during retirement. Modifications in tax rates, interest rates and inflation will affect purchasing power. Employer-sponsored retirement plans seldom provide 100 percent of the income needed for retirement. Most employer-sponsored retirement plans typically replace only a portion of an employee's salary. Even retiring executives with exceptional arrangements, such as deferred compensation plans, may face deficits.
- **Medical expenses.** Although data regarding medical care for older Americans may be improving, many people over age 65 still have to deal with poor health during their retirement years. Poor health means higher medical bills for services, medicine and equipment. A lengthy hospital stay or round-the-clock nursing care can quickly drain a lifetime of savings.
- **Cost of living.** Contrary to generally held opinion, the cost of living does not automatically decrease in the retirement years. While retirees might no longer feel the need to buy attire for the office, that hardly means their need for cash reduces. As a future retiree, ask yourself what you hope to do to fill the time previously spent on the job. Do you plan to travel or possibly take up a new hobby? Whatever it is, it probably will represent a new expense. If the level of income drops in retirement, previous regular living expenses, such as rent, utilities and food, may consume all available dollars, leaving nothing for luxuries such as taking a trip and other leisure activities.
- **Social Security.** People who are depending heavily on Social Security benefits for retirement income and financial security are sure to face frustration. Social Security was founded exclusively to provide a safety net that would assure workers of the minimum amount needed to continue living. It was never projected to secure a financially comfortable retirement. In fact, the higher an individual's pay, the less he or she will receive *in proportion* from Social Security retirement benefits. In addition, the imminent financial strain for the retiring baby boomers calls into question Social Security's ability to carry out even its basic promises, leading to a growing number of revamped proposals that are certain to place even greater decision-making responsibilities on individuals.
- **Inflation.** Inflation is a very real crisis. With a retirement of 20 years or more, even a moderate rate of inflation will have a significant impact on the value of retirement income. Rising prices mean that retirees living on a fixed income will have to struggle to replace their decreased purchasing power due to inflation.

So with all the gloom and doom just presented, what can you do to assure a comfortable retirement? Try some of these suggestions:

- Contribute more to retirement plan at work
- Set up a budget
- Have a planned savings goal in your budget

Don't get distressed. Unless retirement is right around the corner, you should have time to save enough to make a real difference during your retirement years. You might want to

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consider working beyond full-retirement age, assuming that you are in good health. This can make a tremendous difference in what your Social Security check amount will be, as well as give you more time to pay into your employer-sponsored retirement plan.

Remember that IRAs and Roth IRAs are also good investments for retirement.

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