I’ve commented quite a bit about the importance of having a retirement plan, and I still believe it’s imperative if you want to retire prepared. However, once a plan is drafted it’s not cast-in-stone. Regular reviews are needed as life never goes as planned, no matter how well we plan. Market conditions change, family needs changes, health issues arise, and the government can also create problems. Make sure to re-visit your plans and review the odds of success regularly, especially when significant change occurs.

----Chuck

**The Retirement We Imagine, the Retirement We Live**

*Examining the potential differences between assumption and reality.*

Provided by Charles D. Vercellone, ChFC

**Financially speaking, retirement might differ from your expectations.** Just as few weathercasters can accurately predict a month’s worth of temperatures and storms, few retirees find their financial futures playing out as precisely as they assumed. Because of this, some common financial assumptions (and anxieties) about retirement are worth examining.

**Few retirees actually “outlive” their money.** Generations ago, many older people did live in dire straits, sometimes “down to their last dime.” Social Security was created to help them. Today, Social Security is still around, and most retirees are smart about their savings and income: they avoid reckless spending, and if they need to live on less at a certain point, they do. Health crises can and do impoverish retirees and leave them dependent on Medicaid, but that tends to occur toward the very end of retirement rather than the start.

**The amount you withdraw annually from your retirement savings may vary. Anything from health care expenses to a dream vacation to a new entrepreneurial venture could affect it. So could the performance of the financial markets.**

**Retiring on 70-80% of your end salary may not be feasible.** Some articles state that new retirees should strive for that goal, but it can be tough to achieve.

In the initial phase of retirement, you will probably want to travel, explore new pursuits and hobbies, and get around to some things you have put on the back burner. So, in the first few years away from work, you could spend roughly as much as you did before you retired or potentially more.

JPMorgan Asset Management recently analyzed spending patterns of more than 5 million U.S. households, reviewing figures from the Bureau of Labor Statistics, the Employee Benefit Research Institute (EBRI), Chase, and other sources. It found that median household spending increases on the way to a retirement transition: it usually begins to rise 1-2 years before a retirement date, and it generally takes 1-2 years to return to the old pre-retirement levels. The same study noted that median annual household spending in retirement declines gradually after age 60 and begins to plateau when people reach their early eighties.1

Another interesting finding from the JPMorgan analysis: while 56% of households headed by people in their sixties saw a fluctuation in spending at retirement, 38% of those households saw spending decline, either in the short term or the long term.1

**In fact, once you are retired for a while, you may spend less than you anticipate. Analyzing** Bureau of Labor Statistics **data**, personal finance website SmartAsset says that on average, households headed by those older than 65 spend 25% less annually than younger households (a difference of more than $15,000). While health care spending increases in retirement, other household costs decline, particularly transportation and housing expenses.2

**You could retire before you think you will. Most people retire closer to age 60 than age 70: according to Gallup, the average retirement age in this country is 61.** You could find yourself claiming Social Security earlier than you planned, if only to avert drawing down your retirement savings too quickly.3

**You may be surprised at your quality of life. Colloquially speaking, American retirees seem to have it pretty good. ING, the global banking giant, surveyed retirees in 15 countries on both sides of the Atlantic and asked them if they agreed with the following statement: “In retirement, my income and financial position let me enjoy the same standard of living that I had when working.” Forty-seven percent of American retirees indicated that was true for them, compared to 14% in France and 26% in Germany.**4

**Your retirement may differ slightly or even greatly from the retirement you have imagined. Fortunately, it may be possible to adjust both your retirement plan and your retirement income strategy in response.**

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**Citations.**

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