

## Retirement Planning

For much of the 20th century, retirement in America was traditionally defined in terms of its relationship to participation in the active workforce. An individual would work full time until a certain age and then leave employment to spend a few years quietly rocking on the front porch. Retirement planning, as such, typically focused on saving enough to guarantee minimal survival for a relatively brief period of time.

More recently, however, many individuals are beginning to recognize that for a number of reasons, this traditional view of retirement is no longer accurate. Some individuals, for example, are voluntarily choosing to retire early, in their 40s or 50s. Others, because they enjoy working or because of the lack of having a plan, just remain employed well past the traditional retirement age of 65. Many retirees do more than just rock on the front porch. Retirement is often defined by activities such as travel, returning to school, volunteer work, or the pursuit of favorite hobbies or sports.

This changed face of retirement, however, with all of its possibilities, does not happen automatically. Many of the issues associated with retirement, such as ill health, and the need to provide income, still exists. With proper planning, however, these needs can be met.

The single most important factor in this changed retirement picture is the fact that we now live much longer than before. According to the National Center for Health Statistics in a January 2012 report, children born in 1900 had an average life expectancy of 47.3 years. However, the life span of children born in 2010 had increased to 78.7 years. Planning for a much longer lifespan involves addressing problems not faced by earlier generations. Some of the key issues include:

Providing a steady income to pay for retirement. Longer life spans raise the issue of the impact of inflation on fixed dollar payments, as well as the possibility of outliving accumulated personal savings. Social Security retirement benefits and income from employer sponsored retirement plans typically provide only a portion of the total income required. If income is insufficient, a retiree may be forced to either continue working or face a reduced standard of living.

The health benefits provided through the federal government's Medicare program are generally considered to be only a foundation. Also, a supplemental Medigap policy is needed, as in a long-term care policy, to provide needed benefits not available through Medicare. Health care planning should also consider a health care proxy, allowing someone else to make medical decisions when an individual is temporarily incapacitated, as well as a living will that expresses an individual's wishes when no hope of recovery is possible.

Retirement planning inevitably must consider what happens to an individual's assets after retirement is over. Estate planning should ensure not only that assets are transferred to individuals or organizations chosen by the owner, but also that the transfer is done with the least amount of tax.

Housing concerns involve not only the size and type of home but also its location. Such factors as climate, proximity to close family members, and medical care are often important. Completely paying off a home can reduce monthly income needs.

A different lifestyle may make it difficult for some individuals who are accustomed to a busy work schedule and find it difficult to enjoy the freedom offered by retirement. Proper planning may make this transition easier.