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Retirement Blindspots

Some life & financial factors that can be overlooked.

Provided by Leslie Roberts

We all have a "blue sky" vision of the way retirement should be, yet it helps to plan for retirement with a little pragmatism. Fate may alter the course of our retirement in ways we do not currently anticipate. So, as we plan for the next act of life, we may want to think about (and plan for) some life and financial factors that are often overlooked.

We may retire earlier than we think we will. Some of us envision leaving the workforce at "full" retirement age (66 or 67), looking forward to "full" monthly Social Security benefits rather than slightly reduced monthly payments. Will that happen? It might not, according to data released this year by the respected Employee Benefit Research Institute.

In EBRI's most recent Retirement Confidence Survey, 26% of the respondents thought they would retire at age 65. Another 26% expected to retire at age 70 or later.[1]

These expectations may not correspond with reality. In surveying current retirees, EBRI found that only 8% had worked into their seventies. In fact, just 8% had retired at age 65. Sixty-nine percent of the respondents had left work before age 65, up from 65% in EBRI's 2015 survey.[1]

We may see retirement as an extension of the present rather than the future. This is only natural, as we live in the present – but the present will not go on forever. Things change, and the costs we have to shoulder five or ten years from now may be greater than the expenses we face at the start of retirement. As many of us will likely be retired for 20 or 30 years, it becomes essential to take a long-term view of the retirement experience – which is why retirees need to consider growth investing and long-term care coverage.

We may face an insurance coverage shortfall. Some of us rely on employer-sponsored health insurance. If we have to retire before age 65, how do we insure ourselves until we become eligible for Medicare? Will we be able to find coverage?

Beyond that basic question, we need to think about insurance from a couple of other angles. Will we need long-term care coverage? It seems to get more expensive each year, but as medicine and health care continue to advance and evolve, the possibility of a gradual rather than sudden death may increase. The wealthy may have the assets to contend with long-term care costs, but the middle class rarely does. In Genworth's 2016 Cost of Care Survey, the median annual cost for a semi-private room in a nursing home is $82,125. In California, it is $91,250; in Florida, $89,060.[2]

Additionally, few pre-retirees have disability insurance. Some employers do provide it, but many do not. A small percentage of us will become disabled in our fifties or sixties, or become ill to a point where we cannot work for an extended period of time. If we don't have disability insurance, how do we make ends meet? We may be tempted to draw down retirement savings.

Disability insurance and long-term care coverage may prove more essential to retirement planning than many of us realize.

Age may catch up to us sooner rather than later. Generationally speaking, are we healthier than our parents and grandparents were? Anecdotally, it would seem so: we see people running 10Ks in their eighties, climbing mountains in their seventies, and so forth. Then again, we have diabetes and obesity plaguing American health.

Will we be able to manage our finances at age eighty? At age ninety? How long will we remain able-bodied? Many of us will live long and healthy retirements, but this is not a given. That means we need to find people we can trust to manage our finances and help us in our daily lives if we become mentally or physically infirm. Our estate planning should not dismiss such concerns.

We may be alone sooner than we assume. Many couples retire with a reasonable assumption that they will be together for some time – but, inevitably, something will happen to leave one spouse alone. As anyone who has ever lived alone realizes, a single person does not simply live on 50% of the income of a couple. Keeping up a house – or even a condo – could be arduous for an eighty-year-old man or woman. Driving is a concern. All this means that we may need someone or some group of people to care for us when our spouse is gone. Is that kind of support currently available? Could it be available twenty years from now? If not, what will take its place?

These are some of the blindspots that can surprise us in retirement. They may quickly affect our money and our quality of life. If we age with an awareness of them and recognize them in our retirement and estate planning, then we may be more financially prepared when or if they emerge.

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Citations.

1 - ebri.org/pdf/surveys/rcs/2016/EBRI_IB_422.Mar16.RCS.pdf [3/16]
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