Guess who's coming for more than dinner?

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PREPARE FOR AN INDEPENDENT RETIREMENT

By Fred Dunbar

Which one of your children will you live with?

What a frightening thought, whether you are the parent or the child in this scenario.

If you're the child (Accumulator), maybe you're in your 30s or 40s, and you're still focused on raising your children with a distant eye on retirement. In addition to raising your children, maybe you're helping out with Mom and Dad already. You haven't done a financial plan, or you really haven't even thought about doing one. You feel like you're running 100 miles an hour and can't keep up. Before you know it, you will be in your 50s or 60s and wondering where the time went.

The classic Pink Floyd album "The Dark Side of the Moon" includes the track "Time," with lyrics that seem to fit this topic: "You are young and life is long and there is time to kill today. And then one day you find 10 years have got behind you. No one told you when to run, you missed the starting gun." Relax, there is still time to right your ship and develop a strategy to have a successful, worry-free retirement.

If you have been reading this column over the years, it might seem that I often preach that you have to complete a financial plan and, more important, put it in action. Don't worry about what you haven't done up to this point, but focus on where you're going. First and foremost, get into the habit of spending less than you earn. Next, start contributing to your retirement plan. Consider what dollar amount you need to save rather than a percentage of your income. If you're under age 50, you can contribute up to $18,500 per year into your 401(k) or 403(b) plan. If you are over age 50, you can contribute an additional $6,000 annually, which is called a "catch-up" provision.

One of the biggest problems many people have is saving. I often hear, "We can't seem to save any money." However, amazingly, everyone in their family has the newest, greatest electronics. Break it down into needs and wants. Take care of the basics (needs) first, then add in the nonessentials (wants) later. You certainly need shelter, food, clothing, health care, transportation, etc. (the basics). But maybe the 65-inch TV can wait, you can get another two years out of the car you're now driving, or maybe just eat out one night a week.

As an Accumulator, you want to live well, but the goal should really be to concentrate on accumulating wealth for the future, which will be here before you know it. If you haven't started planning, it's possible you will be saying, "Which one of my children will I be living with?"

If you are the parent (Distributor), you might be in your 60s or 70s. Maybe you are retired, and your retirement plan is not holding up. Perhaps you created your financial plan on a best-case scenario, which might not be working out for you right now. Looking back, did you use an accurate inflation rate? Did you use an enthusiastic investment rate of return? Maybe you are still the bank and safety net for when your kids need help. Be careful, since you are now living on a fixed income (Social Security, pension) and rely on taking distributions from your investments. I'd recommend that you sit down and rework it.

On the other hand, maybe your financial plan is spot-on, and things are going well. Your sacrifices in your earlier years are paying off – you saved, invested wisely, and accumulated wealth so that when you reached retirement you could enjoy it. We've all seen the commercials in which retirees look fantastic, fit, and seem to be playfully laughing in the prime of their lives. Is that your reality?

Retirement costs money. The Distributors (the parents) have been withdrawing money regularly from their investments but now realize that the greatest wealth is health. We all know people who did a great job planning their retirement, but unfortunately now they or their spouse have health issues. Most couples tell each other that regardless of what happens, they will care for one another. That has been and will always be their goal.

If one of you becomes ill, the reality is that it will cost more money, and a lot of it. Over the last 33 years of my practice, we have helped many clients find ways to pay for long-term care. This summer, it hit home. Our family (thankfully I have nine siblings) has been helping our dad, who now needs assistance. He has lived independently his entire life and moved into a wonderful retirement community in Delaware County that has all three levels of care: independent, personal, and skilled-nursing. A couple of months ago, Dad fell and was sent home from the hospital to the skilled-nursing facility in his community. From there, he moved to the personal-care (assisted living) section for a while. I'm happy to say that Dad is now happy to be home, living with help.

So, imagine if you're like my father, who was used to paying $2,600 per month to live independently, and now you get a bill for almost $15,000. Skilled-nursing home care costs roughly $430 per day, and assisted living about $260 per day. Dad's wish was to go home, but now he has personal care to the tune of $23 an hour, 10 hours a day, seven days a week. Thankfully, Dad had the foresight to buy long-term care insurance almost 20 years ago. His policy will pay up to a maximum of $239,000 over a three-year period. These bills are an attention-getter.

If this was you, how long will your retirement money last? This question might cause you to sit in your beach chair just a little longer thinking, “Which one of my kids will I live with?” Perish the thought.

Whether you’re in the accumulation phase or the distribution phase of life, slow down and take stock of where you are. No one really wants to burden their children, especially after being independent all his or her life. Work on your plan, and make sure you add in medical insurance and long-term care protection, on top of what you perceive your retirement expenses will be.

Remember, retirement should be an endless summer to enjoy. Plan well and live well. Now that your plan is complete, grab your book, chair and favorite beverage and head to the beach. Don’t forget the sunscreen.

Fred Dunbar, CLU, ChFC, RFC, AIF,® is President of Planning Directions, Inc., a registered investment adviser, and Common Cents Planning, Inc. He is also a registered representative of and offers securities through Commonwealth Financial Network, member FINRA/SIPC. Advisory services offered through Planning Directions, and fixed insurance products and services offered by Common Cents Planning, are separate and unrelated to Commonwealth. Fred may be contacted at 800-647-0762, by e-mail at fdunbar@commoncentsplanning.com or by mail at 239 Baltimore Pike, Glen Mills, PA, 19342. He’s always happy to meet with you ‘down the shore’ at 6606 Central Avenue N. Sea Isle City, NJ. 08243.