

Will you retire with enough to complete your bucket list?

Fred Dunbar
CLU®, ChFC®, RFC®, AIF®

We bring quality services to the shore, providing a "common sense" approach to pursuing our clients' financial goals for thirty years.



Financial Planning* Asset Management* Investment Planning* Retirement Planning



1-800-647-0762

239 Baltimore Pike Glen Mills, PA • 6606 Central Ave. N. Sea Isle City, NJ
fdunbar@commoncentsplanning.com • www.commoncentsplanning.com

*Securities offered through Commonwealth Financial Network, Member FINRA/SIPC. *Advisory services offered through Planning Directions Inc., a Registered Investment Adviser, are separate and unrelated to Commonwealth.*

RETIREMENT: PROCEED WITH CAUTION

By Fred Dunbar

Retirement. What is it? Merriam-Webster defines it as the withdrawal from one's position or occupation, or from active working life. Maybe you equate retirement more to "The Lazy Song" by Bruno Mars: "Today I don't feel like doing anything, I just wanna lay in my bed." Perhaps you have already started working on your "bucket list," as popularized by the 2007 movie starring Jack Nicholson and Morgan Freeman.

What does retirement mean to you? When you close your eyes, what do you see? From the start of your career until now, you might have romanticized the thought of it. Now that retirement might be approaching, you have to zero in on what you want and, more important, what you expect in retirement.

When we talk with our clients about retirement, many say they will pursue one of their many hobbies. What if you don't have hobbies? Others say they will travel. Some will start volunteering, while others might pursue a new career involving something they always dreamed of doing. Some might even think about going back to school. Areas around colleges and universities are becoming more popular with retirees since it brings culture to them while allowing them to monitor a class of two. When you think about it, retirement is a super-long vacation. After the first several weeks, some will become bored. If you haven't given any thoughts about what you will do once you stop working, then perhaps you're not ready to retire.

Many people think about themselves based on what they've done throughout their careers. This has given them a sense of worth as well as their identity for the past several decades. When you retire, you are also giving up the structure that work brought to your life, which might be disconcerting on many levels. Without something to do every day, you might be scrambling to fill an emotional need. It is not about retiring from what you did – it is important to retire to something you want to do.

Many see retirement as an exciting, new beginning with endless possibilities. Some see retirement as the final stage of life. Others can't bear the thought of not receiving a regular paycheck, even if they are financially set. It is difficult for them to imagine they are now living on a fixed income. For these individuals, it's not so much about receiving a regular paycheck; it is the mental aspect that they are no longer accumulating wealth. We structure the majority of our clients to receive income twice per month, similar to when they were working full time.

Most people look at retirement financially: whether they can afford to retire. Let's look at the mental aspect of retirement. If you are married or have a partner, is he or she ready for you to retire? Does he or she share your ideas of what to do with your newfound free time in retirement? Many couples find the first few years of retirement to be stressful. Each of them had a routine that worked well for both of them. Now, what used to be "me" time is "us" time. All of the free time in retirement and what you will do should certainly be a topic of discussion with your spouse or partner before you retire.

Joe, my first boss out of college, was a great manager with the ability to analyze how to make a business operate efficiently. This man was a voracious coffee drinker, so much so that his staff gave him an oversized mug that said the "BOSS" on it. What worked at the office did not work at home. The

problem was that when he retired, he carried over his management style to his home. Over the first couple of weeks of retirement, he analyzed how Betty, his wife of 40 years, did everything from food shopping to the laundry. It's different telling employees to change their work habits versus telling your spouse how to become more efficient. You can imagine how that went over. By the end of the third week, Betty had enough. She came down to kitchen for breakfast and saw Joe sitting at the table with his oversized "BOSS" mug. Betty walked over to the kitchen table, took the mug and proceeded to the sink, where she dumped out the coffee. She walked over to the trash can and threw away the coffee mug. She turned to her husband and said, "Joseph, for the past 40 years while you went to work every day, I have been running our home without any problem." Betty then said, "Joseph, go out and get a job." Financially, this couple had more than enough money to live. It wasn't the financial end of retirement that they struggled with; it was the emotional time together.

When it comes to retirement, timing is everything. The age at which you stop working will have an enormous impact on your overall retirement income situation. You want to make sure you analyze this decision from every angle. You might find that the retiring is the culmination of many smaller decisions.

Retirement might depend on what you did for a living. If you did physical labor, you might not be able to wait for what many consider the normal retirement age (65). Perhaps longevity in your family is an issue, where family members die early. Those with longevity issues might want to retire early to enjoy life. We have a client, John, who retired at 55. He had enough money to live out his life since nobody in his family ever lived past 63. Actually, most people in his town didn't live long lives. My initial advice was to move. John did retire and enjoyed music and cooking, both passions during his retirement. Lo and behold, John went back to work and is now 74.

Keep in mind that longevity has increased at a steady pace over the years, and with medical advances this trend is expected to continue. It might not be unreasonable to expect to live for 30 years or more in retirement. Retiring early is wonderful if you're emotionally and financially ready. Remember to consider the impact of an early retirement and what it does to your finances. Retiring early means you're given up what might be your prime income-earning years, which generally help solidify your retirement savings.

Things to consider when retiring

- * Inflation will eat away at the purchasing power of each dollar that you have saved.
- * Taking Social Security early might initially feel rewarding. According to the Social Security Administration Annual Statistical Supplement 2014, approximately 73 percent of Americans take Social Security early. The payments might be as much as 25 to 30 percent less than if they had waited until their full retirement age of 66 or 67, depending on what year they were born.
- * If you're covered by an employer pension, make sure it won't be affected negatively by retiring early. Generally, the last couple of years of your working life have the greatest impact on your pension income.

* If you are under 59½ and plan on using your 401(k) or IRA savings, you might have to pay a 10 percent early-distribution penalty.

* You are not eligible for Medicare until turning 65. If you don't receive retiree health benefits, your initial retirement income needs will increase by the cost of your health care.

There are many moving parts to consider when you think about retirement. Remember, retirement is not a sprint, it is a marathon. There is no better place to contemplate retirement than on the beach. So grab your favorite beverage and chair and head down to the beach to think about and discuss retirement with your better half.

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. "This material is intended for informational/educational purposes only and should not be construed as investment advice, a solicitation, or a recommendation to buy or sell any security or investment product. Please contact your financial professional for more information specific to your situation."