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Some thoughts on realistic retirement planning

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The discussion over the deficit and the future obligations of the Social Security system has put the national spotlight on retirement. There are many basic problems with the way average Americans think about retirement.

Is it realistic anymore to think that a couple can retire at 65 with the expectation that they will have *sufficient personal investments and* Social Security to be able to enjoy their pre-retirement standard of living? When Social Security was passed in the 1930s, life expectancy was close to 66 years. Today, the surviving spouse of a 65-year-old couple is expected to be living 25 years from now.

What happens if medical science extends life even further? With this possibility, most people under age 60 should consider extending their expected retirement age well past 65. It is difficult to accumulate sufficient investment assets during a working career to adequately fund a 30-year-plus period of retirement.

Retirement can be a great time of life, but it takes some careful planning. Some things that could help make your retirement more satisfying:

• Prior to retiring, save no less than 10 percent of your income per year, and if you started saving late, play catch-up by maximizing the many tax sheltering retirement options available.

• Put yourself in an environment that permits you to work as long as *you are able and where you can* enjoy what you are doing. Train yourself in advance to seek the type of full/part-time work you might desire.

• If your health and genes are good, hold off taking Social Security for as long as possible. If you live past 80 years of age, waiting may pay off. Each year that you postpone taking your benefit up until you reach age 70, can mean an extra 6.5 percent per year in your monthly check.

• Have a good idea of what you currently spend and be realistic of what you need to spend to enjoy your retirement. Adjust your expectations to the ability of your assets to support your lifestyle. Have a good handle on the sources of income that you will need to reach your retirement goals.

• Understand your investments and your own investment risk tolerance. Have a realistic understanding of the performance they can deliver. Be sure the expected performance permits you to realistically meet your income needs.

• Take care in choosing the *people that will help you with your* investments. Make sure you know them well enough to be comfortable that they are seeking your best interests. Make sure they understand you, your goals and your risk tolerance.

Always ask for references and check them. Understand how they are paid and how their own interests may affect the way they invest your money. Regularly compare your results to index performance.

• Don't be afraid to ask tough questions. After all, it's your money. ■

Tom Carroll is the president of The Alpine Financial Group, a fee-only financial planning organization. The firm sells no commission products and is compensated only by direct payment from its clients.

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