Defining your future
Addressing retirement shortfalls
When it comes to retirement, most people fit into one of three types: planners, gamblers or procrastinators.

First there are the planners, who have visualized and looked forward to retirement for years, systematically contributed to their IRAs or 401(k)s, consistently saved, prudently invested, and even implemented strategies to counter the impact of inflation.

Next we have the gamblers — they've thought a little about retirement, but plan to rely on the equity in their homes, their Social Security benefits, their retirement accounts, and their savings to carry them through.

Finally, we come to the procrastinators. These are the folks who didn't give retirement much thought at all — figuring they'd deal with the issues when they got there. According to studies, about a third of Americans fall into this category.

Whether you're a planner, gambler, or procrastinator, take the time to delve deeper into your current retirement plans. You might come away with a better understanding of your finances, which is the first step toward conquering whatever challenges you may face.

Review your finances and your goals

Turbulence in the housing and financial markets, combined with the prospect of rising inflation and longer lifespans, means you must be confident that you can finance your normal living expenses for years to come, as well as handle any health-related issues that may arise.

Given these factors, you may determine that your long-anticipated vacation home or travel plans are temporarily out of reach. However, your core requirements for a secure retirement remain. If, after reviewing your needs, goals, and your portfolio performance, you and your financial advisor conclude that you have a shortfall and can't afford the goals you previously planned for, you face some difficult decisions.

It may help to realize that you are not alone. Many Americans in their 50s and 60s are delaying — or significantly revising — their retirement plans. In fact, only 36% of non-retired adults think their retirement saving is on track, and even of those age 60 and older, 13 percent have no retirement savings, according to a 2019 U.S. Federal Reserve report.

Only 42% of workers have actually calculated how much money they'll need in retirement.

— Employee Benefit Research Institute (2019)

Expenses to consider

If you haven't calculated retirement expenses, you're not alone. According to a 2019 report from the Employee Benefit Research Institute, of workers planning for retirement:

- 37% calculated how much they need to save
- 31% planned for an emergency expense in retirement
- 29% calculated likely health expenses

Reassess spending and saving

Begin by redefining your core objectives. Determine what is essential to you, and what is not, and consider whether there are lifestyle changes you can make today that will make your retirement years easier.

If you're still working, start looking for ways to reduce your current spending and save more. Whether the changes are as major as postponing the purchase of a second home or as minor as cutting back on entertainment expenses, redeploy the savings to maximize contributions to your retirement accounts or other investment assets.

You may also want to take another look at spending that perhaps you hadn't previously considered discretionary — such as helping to fund a grandchild’s education or donating regularly to a favorite...
charity. Only when you’re once again confident that your portfolio is robust enough to provide a secure retirement should you consider resuming such expenditures. You owe it to yourself to safeguard your own future.

As the money you’re saving adds up, work with your financial advisor to ensure that it’s allocated effectively. You should be confident that your investments are properly allocated. For instance, the balance between growth- and income-oriented assets should be appropriate and income should be available to you when you need to access it.

If you find a gap still exists between the amount you need to live and the income your portfolio can consistently generate, you may decide to continue working or return to work, perhaps in a different occupation or on a part-time basis.

40% of workers have less than $25,000 in savings, not counting their home and any defined benefit.

— Employee Benefit Research Institute (2019)

Consider your Social Security benefits

If you delay your retirement, you may be able to postpone accessing your Social Security benefits, which represented a primary source of income for 62% of retirees in 2017, according to the Social Security Administration. The longer you wait to take advantage of your Social Security, the higher your payments will be.

The government gives you several options with regard to Social Security. More than two-thirds of eligible Americans choose to take their benefits early — after they reach 62 but before they reach full retirement age. However, if you are still working and do not need the income, you may instead:

• Wait until you reach your full retirement age before tapping into Social Security or
• Defer Social Security benefits for as long as you want until you reach age 70, when you must begin taking them.

If you take Social Security between age 62 and your full retirement age, you’ll be paid over a longer period, but you’ll receive less per payment. Should you defer receiving Social Security, your payments will increase by 6% to 8% for every year that you do not take benefits and reach their maximum when you turn 70.

Made a plan? Now take action

There are steps you can take to help secure your retirement. To review, consider these common steps:

• Consult your financial advisor and discuss your investment strategy.
• Cut back on your current expenses.
• Reconsider planned expenses in retirement, such as travel.
• Save more, even if it seems small now, and redeploy those savings into a retirement account.
• Work longer, even if it’s part time.

Studies show older workers are having a significant impact on the American labor force.

According to the Bureau of Labor Statistics, workers 65 to 74 and 75 and older are predicted to be the fastest growing segments through 2024. As of August 2019, nearly 40% of people 55 and older were working, along with nearly 20% of people 65 and older, the highest numbers since the 1960s.

Americans 55 and older also filled 49% of new jobs in 2018, the biggest share of any age group despite only representing about a quarter of the labor force, according to an analysis of BLS statistics by TLRanalytics.

Note: This information is not a complete summary or statement of all available data necessary for making an investment decision. Investing involves risk and investors may incur a profit or a loss. You should discuss any tax matters with the appropriate professional.
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