



the  
*changing story*

— of —

**RETIREMENT**

Prepared for:



EFC WEALTH MANAGEMENT FIRM  
"Helping You Turn Your Dreams Into Reality"



# Table of Contents

History Has a Way of Repeating Itself	2
What's in a Name?	3
Where Are You Going, Where Have You Been?	4
The Story of American Taxes	4
The Greatest Generation	5
The Millennium Series	6
The Great Divide: Employer-Sponsored Retirement Plans	6
The Decline of Pensions	7
Through the Looking Glass: 401(k) Transparency	7
Great Expectations: Living Longer	8
Women and Longevity: A Widow for [More Than] One Year	8
Through the Ages	8
For Whom the Bell Tolls	8
Long-Term Care Planning: A Room of Her Own	10
Social Security Shortfall: Much Ado About Nothing?	10
Social Security by the Numbers	11
Oh, the Places You'll Go	12
The Importance of Being Earnest	12
Benefits of Working Longer	13
Waiting for Godot	14
Modern Family	15
On Golden Pond	15
Brave New World: The Future of Retirement Income	16
Something's Gotta Give	17
The Bucket List: Unique Retirement Stories	18
Planning Tips	20

## *History Has a Way of Repeating Itself*

If you look at stories throughout history, they often share the same themes, similar characters and frequently even the same outcomes.

For example, the star-crossed lovers of “Romeo and Juliet,” “West Side Story” and “The Great Gatsby” — tales of love, tragedy and sorrow. Perhaps these stories endure because of their great drama stemming from real-life situations. Stories of intense human emotion often seem to involve lessons we never learn — and therefore are destined to be experienced over and over again.

But what about the story of retirement? Is it so much different now than it was half a century ago? Will it be much different in another 50 years? Can we learn from the past — taking both the good and the bad — and prepare ourselves better for the future?

While themes tend to be repeated throughout history, each of us is living a separate, unique story. As such, we have the opportunity to write our own chapters on retirement. Things may have changed from the way they were for our parents and grandparents, but many of the economic and financial factors that influence our lives have followed the same path.

By the same token, for many people, retirement marks a tremendous change in their own lives, whether transforming from work to leisure or from work to another type of work — or from being a stay-home mom to a stay-home caregiver for an old soulmate.

Whatever your future, planning is the key. Understanding the factors involved in your decision-making process, working with financial professionals, communicating with family and being flexible both before and during retirement are all important components of planning for retirement income. They are the plot devices that help your retirement story have a happy ending.





### *What's in a name?*

Much like global conflicts and domestic economic policies, staples of the past have a way of coming back around again – like bell bottoms and baby names. According to Social Security records, Emma, Noah and Olivia were among the top baby names in 2018. Other traditional names in the top 10 included William, Oliver, Charlotte and Evelyn.<sup>1</sup>

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<sup>1</sup>Social Security Administration. “Top 10 Baby Names of 2018.” <https://www.ssa.gov/oact/babynames/>. Accessed May 15, 2019.

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## *Where Are You Going, Where Have You Been?*

In a July 2013 speech, Obama reiterated his sentiments about the middle class as the basis for success in previous generations:

“In the period after World War II, a growing middle class was the engine of our prosperity. Whether you owned a company, swept its floors or worked anywhere in between, this country offered you a basic bargain — a sense that your hard work would be rewarded with fair wages and benefits, the chance to buy a home, to save for retirement and, above all, to hand down a better life for your kids.”

It was during this speech that Obama unveiled his plan to make higher education more affordable. He proposed an incentivized university rating system that assesses each college’s ability to graduate students and help them get good-paying jobs.<sup>2</sup>

Similarly, President Franklin Delano Roosevelt passed the GI Bill back in 1944 in order to provide money for college tuition and living expenses for returning World War II veterans. In fact, Roosevelt ran against Herbert Hoover in 1932 on the heels of the Great Depression with much the same message as Obama, calling America’s middle class “the forgotten man at the bottom of the economic pyramid.” When he took office, Roosevelt also faced a banking crisis of epic proportions and an unemployment rate that spiked as high as 25%.<sup>3</sup>

As part of his solution, Roosevelt worked with legislators to insure private bank deposits, protect home mortgages, stabilize industrial and agricultural production, establish a construction program to fund public works projects and provide federal relief to millions of taxpayers. He also established the Social Security Board to secure the most basic means of retirement income for older Americans.

On the other side of the coin, the vast reduction in government spending after World War II contributed to a boom in the post-war economy. From its peak in 1944, the U.S. government cut spending by 75%, dropping from 44% of the nation’s gross national product (GNP) to 8.9% by the end of 1948.<sup>4</sup>

## *The Story of American Taxes*

As much as we complain about high tax rates in this country, we’re a far cry away from what our parents and grandparents paid in the middle of the 20th century. In the 1940s and 1950s, the top marginal tax rate was around 90%, while the top capital gains rate was 25% in the 1950s and 1960s; 35% in the 1970s.<sup>5</sup>

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<sup>2</sup> Obama White House Archives. July 24, 2013. “Remarks by the President on the Economy — Knox College, Galesburg, IL.” <https://obamawhitehouse.archives.gov/the-press-office/2013/07/24/remarks-president-economy-knox-college-galesburg-il>. Accessed Feb. 13, 2019.

<sup>3</sup> Econreview.com. “U.S. Unemployment Rate Hits 25%.” <http://www.econreview.com/events/ur1932b.htm>. Accessed Feb. 13, 2019.

<sup>4</sup> David R. Henderson. Mercatus Center, George Washington University. Nov. 4, 2010. “The U.S. Postwar Miracle.” <http://mercatus.org/publication/us-postwar-miracle>. Accessed Feb. 13, 2019.

<sup>5</sup> Congressional Research Service. Dec. 12, 2012. “Taxes and the Economy: An Economic Analysis of the Top Tax Rates Since 1945.” <https://fas.org/sgp/crs/misc/R42729.pdf>. Accessed Feb. 13, 2019.

## The Greatest Generation

Seniors born between 1901 and 1945 are often referred to as “the greatest generation,” a phrase made famous by journalist Tom Brokaw in his book by the same name.<sup>6</sup> Despite having experienced World War II either in childhood or adulthood, this generation benefited from a profitable period afterward. The hardships of the post-war and Depression era were followed by greater affluence and greater opportunities thanks to many of the administrative policies enacted while Roosevelt was in office. Even so, it was likely that the war itself re-energized the job market with defense positions and revived manufacturing, putting cash in Americans’ pockets and food on their dining room tables.

When our soldiers returned home from war, they quietly set about rebuilding their lives, contributing to the economy and creating the largest baby boom in history. As private enterprise grew organically, many companies offered pensions for years of loyalty. With a pension and Social Security awaiting them, many Americans felt secure enough to reinvest their earnings in the country’s thriving corporations, further fueling growth and the nation’s economic power and influence worldwide. Economically, interest rates held strong, inflation stayed in check and personal savings thrived.

In short, government policies and programs worked in concert with the principles of free enterprise to jumpstart both personal finances and the national economy, paving the way for prosperity over a short period of time.



*The Millennial Advantage*

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<sup>6</sup>Tom Brokaw. “The Greatest Generation.” Random House, 2001.



Often referred to as “the lost decade,”<sup>7</sup> the 2000 millennium started amid fears of a “Y2K” technological meltdown and was followed by the Sept. 11, 2001, terrorist attacks. The decade literally started with an explosion that was heard around the world.

On the first day the New York Stock Exchange opened following 9/11, the market suffered its biggest one-day trading loss in history with a 7.1% decline. By the end of the first week, the Dow Jones Industrial Average had dropped by more than 14% and the Standard and Poor’s Index had lost 11.6%. Overall, an estimated \$1.4 trillion in value was lost in those five trading days after the Twin Towers fell.<sup>8</sup>

After a stellar recovery by the stock market two years after the Sept. 11 benchmark, it took another hit during the 18-month decline now known as the “Great Recession.” Since 2001, the United States has experienced two recessions, unemployment in the double digits and some of the greatest losses of homes and home equity on record.<sup>9</sup>

Following the 2008-2009 recession, markets enjoyed nearly a decade of growth. While the markets experienced an increase in volatility in 2018, by the end of the year unemployment rates remained at near-record lows.<sup>10</sup>

## *The Great Divide: Employer-Sponsored Retirement Plans*

On balance, historians may look back at the 20th century and proclaim that the biggest factor in how well Americans prepared for retirement was the evolution from employer-sponsored pensions to defined contribution plans such as 401(k)s.

A 2018 survey by the Employee Benefit Research Institute observed that only 17% of pre-retirees with a retirement plan are very confident about their ability to live comfortably in retirement, while an additional 47% reported feeling somewhat confident regarding their financial future.<sup>11</sup>

Another interesting aspect of the study found that 37% of retirees discovered that their overall expenses were higher in retirement than expected. While 44% spent more on health care than anticipated,

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<sup>7</sup> Jordan Weissmann. The Atlantic. Sept. 17, 2013. “America’s Lost Decade Turns 12: Even the Rich Are Worse Off Than Before.” <http://www.theatlantic.com/business/archive/2013/09/americas-lost-decade-turns-12-even-the-rich-are-worse-off-than-before/279744/>. Accessed Feb. 13, 2019.

<sup>8</sup> Marc Davis. Investopedia. Sept. 11, 2017. “How September 11 Affected The U.S. Stock Market.” <http://www.investopedia.com/financial-edge/0911/how-september-11-affected-the-u.s.-stock-market.aspx>. Accessed Feb. 13, 2019.

<sup>9</sup> John Miley. Kiplinger. September 2011. “The U.S. Economy Since 9/11.” <http://www.kiplinger.com/slideshow/business/T019-S001-the-u-s-economy-since-9-11/index.html>. Accessed Feb. 13, 2019.

<sup>10</sup> Bureau of Labor Statistics. Jan. 9, 2019. “Official unemployment rate was 3.9 percent in December 2018; U-6 was 7.6 percent.” [https://www.bls.gov/opub/ted/2019/official-unemployment-rate-was-3-point-9-percent-in-december-2018-u-6-was-7-point-6-percent.htm?view\\_full](https://www.bls.gov/opub/ted/2019/official-unemployment-rate-was-3-point-9-percent-in-december-2018-u-6-was-7-point-6-percent.htm?view_full). Accessed April 19, 2019.

<sup>11</sup> Employee Benefit Research Institute. April 24, 2018. “2018 Retirement Confidence Survey.” Page 11. [https://www.ebri.org/docs/default-source/rcs/1\\_2018rcs\\_report\\_v5mgachecked.pdf?sfvrsn=e2e9302f\\_2](https://www.ebri.org/docs/default-source/rcs/1_2018rcs_report_v5mgachecked.pdf?sfvrsn=e2e9302f_2). Accessed Feb. 13, 2019.

19% said caring for others cost more. This could be a strain on current retirement income or, for pre-retirees, ongoing attempts to save for retirement.<sup>12</sup>

According to a 2018 study by the Insured Retirement Institute, a little more than half of baby boomers have money saved for retirement. Of those, 62% have saved \$100,000 or more. Unfortunately, 69% of boomers cite Social Security as a major source of retirement income, up 10% from just five years ago.<sup>13</sup> This is just another clue pointing to the strain that may be placed on the U.S. Social Security system when this massive population is fully retired. These indicators signal that many Americans will likely count on government benefits as a primary source of their retirement income in the future.

## The Decline of Pensions

It isn't necessarily problematic that fewer workers are being offered company pensions; however, it is troubling that some company pensions already promised to retirees are seriously underfunded. About 20% of the population relies on traditional pension plans as a significant source of income in retirement.<sup>14</sup>

An option that's being adopted by some private corporations is to offer retirees a lump-sum pension buyout. The pensioner gets one large sum in lieu of lifelong income payments while the company avoids the liability associated with its retirees' life expectancy. While a buyout may give you greater

### PLANNING QUESTION:

HAVE YOU BEEN OFFERED A PENSION BUYOUT?  
HAVE YOU CONSIDERED YOUR OPTIONS?  
HAVE YOU CONSIDERED WHAT YOUR INCOME  
NEEDS MAY BE IN THE FUTURE?

control to allocate the assets as you wish, in today's lower interest rate environment it may be difficult to replicate a pension's income stream with conservative financial vehicles.

## Through the Looking Glass: 401(k) Transparency

It's important to pay close attention to the fees associated with 401(k) plans; they can take a big bite out of performance returns. Let's look at a hypothetical situation where there is a 401(k) balance of \$25,000 with a 7% average annual return. If fees total 1.5%, your balance would be worth \$163,000 after 35 years. However, if your fees were 1% less for a total of 0.5%, your investment would be worth

*Any transaction that involves a recommendation to liquidate funds held in a securities product, including those within an IRA, 401(k) or other retirement plan for the purchase of an annuity, can be conducted only by individuals currently affiliated with a properly registered broker-dealer or Registered Investment Adviser. If your financial professional does not hold the appropriate registration, please consult with your own broker-dealer representative or Registered Investment Adviser for guidance on your securities holdings.*

<sup>12</sup> Ibid. Page 18.

<sup>13</sup> Insured Retirement Institute. April 2018. "Boomer Expectations for Retirement 2018." [https://www.myirionline.org/docs/default-source/research/iri\\_babyboomers\\_whitepaper\\_2018\\_final.pdf?sfvrsn+2](https://www.myirionline.org/docs/default-source/research/iri_babyboomers_whitepaper_2018_final.pdf?sfvrsn+2). Accessed March 1, 2019.

<sup>14</sup> Tom Curry. NBC News. Aug. 27, 2018. "How safe is your pension?" <http://www.nbcnews.com/id/3073374/t/how-safe-your-pension/#.XLnwN-hKiM8>. Accessed April 19, 2019.

\$227,000 in the same timeframe — an increase of 28%.<sup>15</sup> In July 2012, the U.S. Department of Labor required 401(k) plan providers to clearly disclose how much they charge to manage retirement assets for plan participants. In the long run, the requirement for full disclosure of fees should beef up a more competitive market among 401(k) plan providers. Employers are likely to start shopping around for lower fee options, which should put downward pressure on fees charged throughout the industry.

## Great Expectations: Living Longer

One of the definite changes to the retirement story over the past 50 years is the fear of not having enough retirement income to last a longer lifetime. Men who turned age 65 in 2019 have an average life expectancy of 84, while women who turned age 65 that same year enjoy a life expectancy of 86.5.<sup>16</sup>

## Women and Longevity: A Widow for [More Than] One Year

Women face unique challenges in planning for retirement. Since women live longer lives, they need income for more years. Women also tend to earn less during their working years than their male counterparts. Although the pay differential has narrowed over the past 30 years, in 2017 men earned an annual average salary of \$52,146 while women earned \$41,977.<sup>17</sup>

In addition to more women becoming financial providers for their families, they are also primarily the ones responsible for the

caregiving of generations both young and old. This may have a cost impact that further exacerbates their ability to adequately plan for retirement income, as wages and accumulated Social Security benefits and employer-sponsored retirement plan assets can be reduced due to time spent away from work to care for loved ones.

Furthermore, women tend to face the higher living costs associated with living alone once they enter retirement. In a 2016 report from the U.S. Department of Health and Human Services, fewer than half of women over 65 lived with a partner, while only about one-third of women over the age of 75 lived with a spouse.<sup>18</sup>

## Through the Ages

SENIORS 65+ AS A PERCENTAGE OF THE TOTAL POPULATION<sup>19</sup>

1950	8.1 percent
1980	11.3 percent
2000	12.4 percent
2050 (projected)	20.2 percent (1 in every 5 people)

## For Whom the Bell Tolls

While many may be willing to undertake the emotional costs of caring for an aging loved one, fewer are prepared financially. Research shows that family caregivers spend an average of \$7,000 per year on such out-of-pocket caregiving costs as rent/mortgage payments, home modifications, medical expenses, personal care items, paid help, adult day services and more.<sup>20</sup> Because caregiving can often be a full-time job, 48% of

<sup>15</sup> U.S. Department of Labor. August 2013. "A Look at 401(k) Plan Fees." <https://www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/publications/a-look-at-401k-plan-fees.pdf>. Accessed March 1, 2019.

<sup>16</sup> Social Security Administration. "Life Expectancy." <https://www.ssa.gov/planners/lifeexpectancy.html>. Accessed May 15, 2019.

<sup>17</sup> Gretchen Frazee. PBS.org. Sept. 12, 2018. "3 charts that explain the rise in U.S. household income." <https://www.pbs.org/newshour/economy/making-sense/3-charts-that-explain-the-rise-in-u-s-household-income>. Accessed April 19, 2019.

<sup>18</sup> Starre Vartan. MNN.com. Sept. 24, 2018. "Women are aging alone more than ever (and figuring out how to make it work)." <https://www.mnn.com/health/fitness-well-being/blogs/women-aging-alone-more-than-ever-and-figuring-how-make-it-work>. Accessed April 19, 2019.

<sup>19</sup> Statista. "Share of old age population (65 years and older) in the total U.S. population from 1950 to 2050." <https://www.statista.com/statistics/457822/share-of-old-age-population-in-the-total-us-population/>. Accessed March 1, 2019.

<sup>20</sup> Michelle Singletary. The Washington Post. Nov. 29, 2018. "The high price of being an unpaid caregiver." [https://www.washingtonpost.com/business/2018/11/29/high-price-being-an-unpaid-caregiver/?utm\\_term=.b219d3e8c684](https://www.washingtonpost.com/business/2018/11/29/high-price-being-an-unpaid-caregiver/?utm_term=.b219d3e8c684). Access March 1, 2019.



caregivers surveyed said they had lost income, while 52% of those who left the workforce entirely said they did so because their jobs didn't provide flexibility to work and provide care.<sup>21</sup>

## **PLANNING QUESTION:**

**MOST AMERICANS WILL NEED SOME TYPE OF LONG-TERM CARE. WILL YOU BE ABLE TO AFFORD IT?**

### *Long-Term Care Planning: A Room of Her Own*

For many Americans, running out of money in retirement ranks as a major concern. For example, the 2018 Franklin Templeton Retirement Income Strategies and Expectations (RISE) survey found that pre-retirees were most worried about running out of money, followed closely by health issues.<sup>22</sup>

Another financial concern is being able to afford long-term care in old age. A recent UBS study found that the majority of respondents reported that they want to age at home and not be a burden to their children. The reality is that about 52% of Americans who turned age 65 in 2018 will use some type of long-term care before they pass away.<sup>23</sup>

The issue of longevity and resources for long-term care is likely more of a concern for women. Women have a 58% probability

of using a nursing home in their lifetime, compared to just 47% for men.<sup>24</sup> What's more, nearly 70% of men over the age of 65 were married compared to just 46% of women in the same age group.<sup>25</sup>

### *Social Security Shortfall: Much Ado About Nothing?*

Presently, Social Security Trust Fund reserves are projected to be exhausted by 2034. At that point, payroll taxes and other income will flow into the fund but will be sufficient to pay only about 79% of program costs.<sup>26</sup>

For 61% of elderly beneficiaries, Social Security provides the majority of their cash income. Among seniors age 65 and over, 20% live in households that depend on it for 90% or more of their income. In 2017, Social Security income kept more than 15 million older Americans age 65 and older out of poverty.<sup>27</sup>

#### **AS A GROUP, WOMEN RELY HEAVILY ON SOCIAL SECURITY BENEFITS:<sup>28</sup>**

**54%**

OF SOCIAL SECURITY BENEFICIARIES  
AGED 62 AND OLDER ARE WOMEN

**96%**

OF SOCIAL SECURITY SURVIVOR  
BENEFICIARIES ARE WOMEN

<sup>21</sup> National Partnership for Women & Families. November 2018. "The Female Face of Family Caregiving." <http://www.nationalpartnership.org/our-work/resources/workplace/female-face-family-caregiving.pdf>. Accessed March 1, 2019.

<sup>22</sup> Franklin Templeton. "Retirement Income Strategies and Expectations (RISE) Survey." <https://www.franklintempleton.com/investor/products/investment-goals/retirement/research/>. Accessed April 19, 2019.

<sup>23</sup> Christine Benz. Morningstar. Aug. 20, 2018. "75 Must-Know Statistics About Long-Term Care: 2018 Edition." <https://www.morningstar.com/articles/879494/75-mustknow-statistics-about-longterm-care-2018-ed.html>. Accessed March 1, 2019.

<sup>24</sup> Ibid.

<sup>25</sup> Administration on Aging. April 2018. "2017 Profile of Older Americans." <https://acl.gov/sites/default/files/Aging%20and%20Disability%20in%20America/2017OlderAmericansProfile.pdf>. Accessed March 1, 2019.

<sup>26</sup> Social Security Administration. September 2018. "Fast Facts & Figures About Social Security, 2018." [https://www.ssa.gov/policy/docs/chartbooks/fast\\_facts/2018/fast\\_facts18.pdf](https://www.ssa.gov/policy/docs/chartbooks/fast_facts/2018/fast_facts18.pdf). Accessed March 5, 2019.

<sup>27</sup> Center on Budget and Policy Priorities. Aug. 14, 2018. "Policy Basics: Top Ten Facts About Social Security." <https://www.cbpp.org/research/social-security/policy-basics-top-ten-facts-about-social-security>. Accessed March 5, 2019.

<sup>28</sup> Ibid.



**PLANNING QUESTION:**

DO YOU HAVE A PLAN FOR WHEN YOU (AND YOUR SPOUSE) WILL BEGIN DRAWING SOCIAL SECURITY BENEFITS?

Another consideration: If low-income workers are no longer able to meet the physically demanding requirements of their jobs, they may begin their Social Security benefits earlier than full retirement age. By doing so, they will permanently reduce the Social Security benefits they would be eligible for if they could continue working. In these scenarios, the taxpayers who need the entitlement benefits the most could be receiving reduced benefits.

Talk to your financial professional and your tax advisor about how Social Security benefits can fit into a complete retirement income strategy. Financial professionals are able to provide you with information but not guidance or advice related to Social Security benefits. Our firm is not affiliated with the U.S. government or any governmental agency.

- **WHY SIMPLY RAISING**
- **THE RETIREMENT AGE MAY NOT WORK**
- Because people are living longer and working longer, raising the retirement age for drawing Social Security benefits may seem like a no-brainer, but in reality, it may not be a good solution.
- That's because work for some people isn't quite the same as it is for others.
- For example, a fireman is not quite as effective at age 65 as he was at 25.

<sup>29</sup> Social Security Administration. June 2018. "Fact Sheet: Social Security." <https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf>. Accessed March 5, 2019.

## Oh, the Places You'll Go

We like to think the past represents a simpler time, but when you consider wars, inflation, unemployment, taxes and other atrocities that our predecessors endured, it was never really simple.

One factor that could make retirement income planning more complicated today is simply that most people can expect to live longer in retirement than their parents and grandparents. It stands to reason that the combination of more knowledge about the impact of nutrition, smoking and sun exposure, along with medical advances and the general increase in our life spans, may have a greater impact on our financial lives than any single economic event.

### **PLANNING QUESTION:**

**HOW DO YOU CREATE A STRATEGY FOR THE FUTURE? WHAT ARE YOUR INCOME SOURCES? WHAT DO YOUR SOCIAL SECURITY BENEFIT OPTIONS LOOK LIKE? WILL YOU NEED TO SUPPLEMENT YOUR INCOME?**

## The Importance of Being Earnest

If you're married, be aware that retirement income planning is generally most successful when both spouses participate. It's common for married couples to have very different ideas about what they would like retirement to be like — and the cost of providing those different lifestyles may vary significantly. Two key ingredients for couples planning for retirement income are:

1. Communicating with each other
2. Being flexible

Consider these potential conflicts:

### What Retirement Dreams May Come

SPOUSE #1 envisions retirement as:	SPOUSE #2 envisions retirement as:
Continued working; starting a new career	Traveling together as a couple
Endless days playing golf alone or with a friend	Getting together with other couples
Starting every day quietly reading the local newspaper	Visiting or having grandchildren visit
Never working another day	Having someone around to help with household chores
Reorganizing the house and the household processes	Enjoying a lifetime of successful organizing

Because retirees tend to be healthier these days and living longer lives, the trend is for people to work longer than the traditional career.<sup>30</sup> In fact, one reason more Americans are working longer is because they like what they're doing — they want to maintain the intellectual stimulation and social connections that work gives them. This is particularly true among people with the highest incomes and the most education.<sup>31</sup>

<sup>30</sup> Erika McEntarfer. United States Census Bureau. April 24, 2018. "Older People Working Longer, Earning More." <https://www.census.gov/library/stories/2018/04/aging-workforce.html>. Accessed March 5, 2019.

<sup>31</sup> Ibid.

## Benefits of Working Longer

Many Americans are working well into their 60s and 70s for a variety of reasons.<sup>32</sup>

- Social Connections
- Fulfillment
- Passion About Work
- Mental Challenge
- Financial Benefits



If you enjoy your job, perhaps you should consider continuing to work — for reasons other than financial. If the thought of continuing in your current job or career path is unbearable, look at it another way. The possibility of a 20-year retirement may provide you with plenty of time to go back to school and get another degree, embark on a new career path and/or get your own business off the ground.

For these reasons, it's important for spouses to have frank discussions about who should retire and when and what each wants in a retirement lifestyle. Retirement income planning is difficult enough, but it may be a more challenging task that will take time, savings and compromise to meet both spouses' needs if they do not share the same retirement dreams.

Start those discussions early, work with a financial professional to help you develop a strategy about what to expect in terms of expenses, and prepare to be flexible both before and during retirement.

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<sup>32</sup> Rodney Brooks. U.S. News & World Report. Aug. 3, 2018. "Never Retire: Why People Are Still Working in Their 70s and 80s." <https://money.usnews.com/money/retirement/baby-boomers/articles/2018-08-03/never-retire-why-people-are-still-working-in-their-70s-and-80s>. Accessed March 5, 2019.

# THE TIME OF THEIR LIVES<sup>33</sup>

RETIREES REPORTED THAT THEY'RE SPENDING TIME ON A VARIETY OF ACTIVITIES, INCLUDING:

**61%**  
TIME WITH FAMILY  
AND FRIENDS

**44%**  
PURSUING HOBBIES

**39%**  
TRAVELING

**21%**  
VOLUNTEER WORK

**7%**  
PAID WORK

Derived from Fidelity Investments in collaboration with the Stanford Center on Longevity and Greenwald & Associates, "The Real Reasons People Retire;" 2015; [www.fidelity.com](http://www.fidelity.com).

## **PLANNING QUESTION:**

HAVE YOU ASKED YOUR SPOUSE WHAT HE OR SHE WOULD LIKE LIFE TO BE LIKE WHEN ONE OR BOTH OF YOU RETIRE?

## **WAITING FOR GODOT**

According to a study by the Transamerica Center for Retirement Studies, 56% of those surveyed retired sooner than they had originally planned.<sup>34</sup> They cited employment-related issues, health reasons or family obligations as some of the factors contributing to their change in plans. Will you be able to retire on the timeframe you choose? Do you have a contingency plan if you don't?

<sup>33</sup> Transamerica Center for Retirement Studies. December 2018. "A Precarious Existence: How Today's Retirees Are Financially Faring in Retirement." Page 10. [https://www.transamericacenter.org/docs/default-source/retirees-survey/tcrs2018\\_sr\\_retirees\\_survey\\_financially\\_faring.pdf](https://www.transamericacenter.org/docs/default-source/retirees-survey/tcrs2018_sr_retirees_survey_financially_faring.pdf). Accessed April 19, 2019.

<sup>34</sup> Ibid. Page 15.

## Modern Family

Today's story of retirement might resemble an episode of "Downton Abbey," in which an extended family of married children and their children all live in the same home. In 2018, it was reported that 64 million Americans live in multigenerational households — more than ever before.<sup>35</sup>

In 2017, nearly 79 million adults reported living in a shared household, with one "extra adult" residing in the home. Nearly 47% of those extra adults were grown children living in their parents' home.<sup>36</sup>

## On Golden Pond

Parents aren't just providing shelter for grown children — they're also helping out financially. In 2018, parents reported providing \$500 billion a year in support to grown children.<sup>37</sup> They're also helping out other extended family: On average, people reported giving or loaning \$6,500 to adult children, siblings, parents or grandchildren each year.<sup>38</sup>



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<sup>35</sup> D'Vera Cohn and Jeffrey S. Passel. Pew Research Center. April 5, 2018. "A record 64 million Americans live in multigenerational households." <https://www.pewresearch.org/fact-tank/2018/04/05/a-record-64-million-americans-live-in-multigenerational-households/>. Accessed March 5, 2019.

<sup>36</sup> Richard Fry. Pew Research Center. Jan. 31, 2018. "More adults now share their living space, driven in part by parents living with their adult children." <http://www.pewresearch.org/fact-tank/2018/01/31/more-adults-now-share-their-living-space-driven-in-part-by-parents-living-with-their-adult-children/>. Accessed March 5, 2019.

<sup>37</sup> Richard Eisenberg. Forbes. Oct. 2, 2018. "Parents' Support to Adult Kids: A Stunning \$500 Billion a Year." <https://www.forbes.com/sites/nextavenue/2018/10/02/parents-support-to-adult-kids-a-stunning-500-billion-a-year/#37972c435c87>. Accessed March 5, 2019.

<sup>38</sup> Age Wave/Merrill Lynch. 2017. "Finances in Retirement: New Challenges, New Solutions." <https://www.ml.com/articles/age-wave-survey.html>. Accessed March 5, 2019.

# BRAVE NEW WORLD

*the future of retirement income*

Historically, we've always referred to the traditional sources of retirement income as a three-legged stool, composed of:

**GOVERNMENT  
ENTITLEMENT  
PROGRAMS**

(SOCIAL SECURITY AND MEDICARE)

**PERSONAL  
ASSETS**

**EMPLOYER  
PENSIONS**

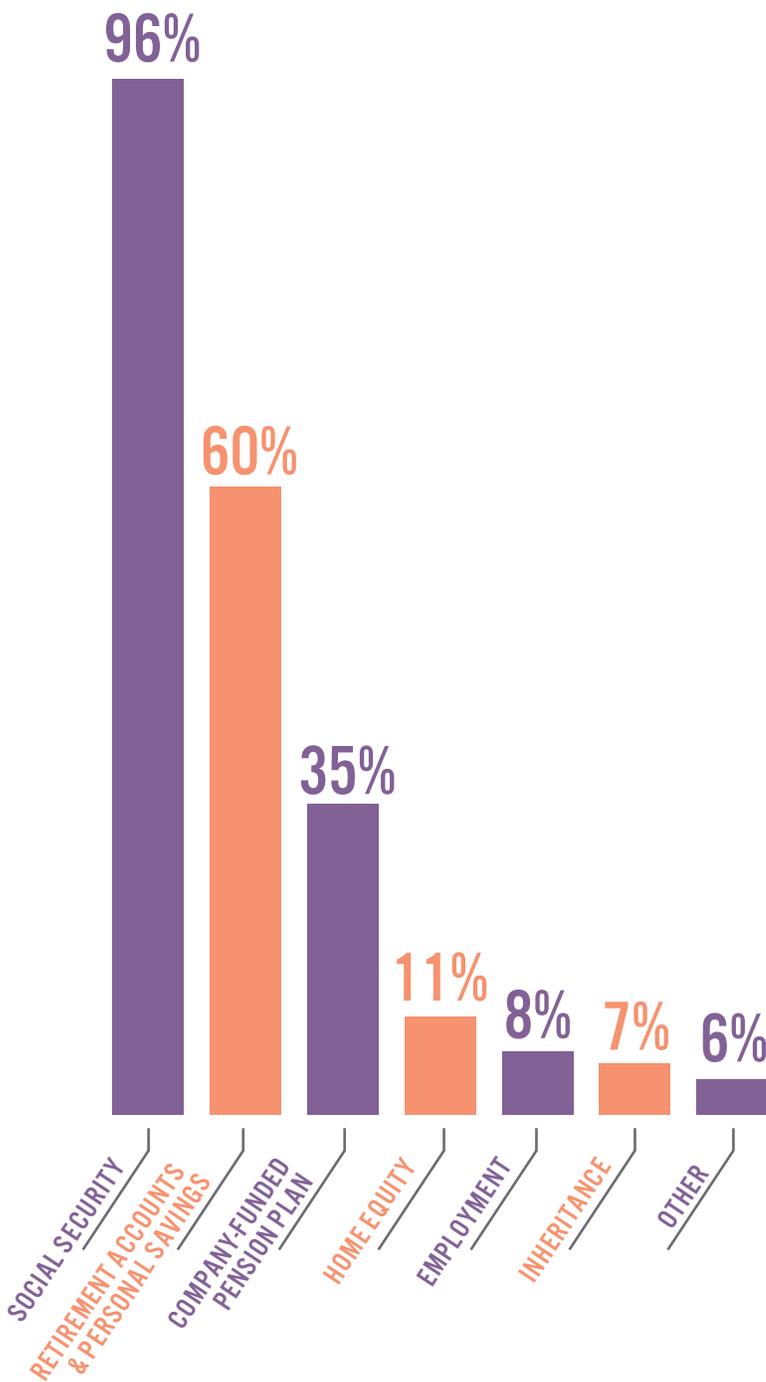
These days, the general perception is that pensions are few and far between — and some of those that exist may be in danger of not being able to pay out benefits, given recent years of low interest rates and longer life spans. While Social Security is able to pay benefits to today's retirees, it is widely acknowledged that changes must be implemented to sustain the program in the future.

Then there are our own personal assets, which include personally directed employer plans such as the 401(k) and 403(b). This is the leg of the stool over which we have the most control — and that may constitute a larger portion of our retirement income in the future.

## Something's Gotta Give

Expected retirement income sources<sup>38</sup>

### RETIREES' SOURCES OF INCOME<sup>40</sup>



At this point, it may be smart to think of your personal assets as your primary source of retirement income and Social Security benefits as supplementary. That's the way the system was designed to work back in 1935 when President Roosevelt signed it into law. But somewhere along the way, we forgot that these benefits were just supposed to be the minimum — to keep people out of poverty. Social Security was never meant to compose the majority of our retirement income, but more than half of retirees may soon depend on it as their main financial resource.<sup>39</sup>

One reason retirement income planning can be so difficult is because we can't accurately predict how long we are going to live. You could live significantly longer than you might imagine — as evidenced by comedian George Burns, who smoked cigars for more than 70 years and still lived to age 100. A perennial question is how much income to draw from your retirement assets as a new retiree so as not to risk running out later. There are many different withdrawal strategies designed to address this exact issue. The key is to work with an experienced financial professional who understands the issues associated with planning for retirement income and is familiar with the different insurance products and investment vehicles that may be available as part of a strategy to help you develop a plan that's appropriate for your goals and financial situation.

*Investing involves risk, including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values. Any references to protection benefits or lifetime income generally refer to fixed insurance products, never securities or investment products. Insurance and annuity product guarantees are backed by the financial strength and claims-paying ability of the issuing insurance company.*

<sup>39</sup> Nationwide Retirement Institute. April 26, 2018. "Over Half of Future Retirees Will Rely on Social Security as Their Main Source of Retirement Income." <https://www.nationwide.com/personal/about-us/newsroom/press-release?title=042618-social-security-survey>. Accessed March 5, 2019.

<sup>40</sup> Transamerica Center for Retirement Studies. December 2018. "A Precarious Existence: How Today's Retirees Are Financially Faring in Retirement." Page 58. [https://www.transamericacenter.org/docs/default-source/retirees-survey/tcrs2018\\_sr\\_retirees\\_survey\\_financially\\_faring.pdf](https://www.transamericacenter.org/docs/default-source/retirees-survey/tcrs2018_sr_retirees_survey_financially_faring.pdf). Accessed April 19, 2019.

# The Bucket List

## *unique retirement stories*

There are quite a few famous people who accomplished significant feats during retirement. For example, Michelangelo painted the Sistine Chapel ceiling at 71, and George Burns earned his only Academy Award at age 80. Astronaut John Glenn became the oldest person to travel in space at age 77, and former President George H.W. Bush made parachutes jump on his 80th, 85th and 90th birthdays.

Consider the long-standing and recently resurged career of Betty White, best known in the past as the devious Sue Ann Nivens on “The Mary Tyler Moore Show” and as ditzy Rose Nylund on “The Golden Girls.” She is also the oldest person ever to host “Saturday Night Live.” Having been inducted into the Television Hall of Fame, Betty is also known for her tireless efforts on behalf of animals.

While not every accomplished retiree is as well-known as these examples, just about any retiree can rewrite the retirement chapter of his or her own life to make for some pretty compelling reading. Consider the following interesting characters.



### **MAE LABORDE**

Mae Laborde acted on TV and film until she died at the age of 102, but she didn't even start her acting career until age 93. In recent years, she appeared in the films "Pineapple Express" and "The Heartbreak Kid," as well as three episodes of the television show, "It's Always Sunny in Philadelphia."

### **PIERRE JEAN "BUSTER" MARTIN**

Up until his death in 2011, Buster Martin worked for a well-known plumbing company in London as a van cleaner. Born in 1906, he claimed to have never taken a day off work until his 100th birthday. Buster was also reputedly the record holder for the world's oldest 5K, 10K and half marathon runner, which he finished in just over five hours — including a stop for a beer and a cigarette.

### **LUCILLE BORGEN**

On her 91st birthday, Lucille Borgen won two events at the 62nd Annual Water Ski National Championships. She didn't take up skiing until she was 40 and was self-taught. She once commented, "I would fall 100 times trying to learn a trick — and once I made it, I couldn't remember what I did." Borgen, who died in 2012 at age 98, was also a cancer and polio survivor.

### **BILL ANDERSON**

Bill Anderson, a former paratrooper in World War II, completed a coast-to-coast bicycle trek at age 78. He reported that his training regimen included a diet composed mainly of fruits and vegetables, lifting weights and bicycling 100 miles every day.

### **NOLA OCHS**

Nola Ochs became the world's oldest college graduate in 2007 at age 98. She earned a general studies degree with an emphasis in history at Fort Hays State University in Kansas, living her last year in a dorm for nontraditional students. She graduated alongside her 21-year-old granddaughter.

### **GEORGE BRUNSTAD**

George Brunstad was one of the oldest people to swim the English Channel, which he completed just a few days after turning 70. He completed the 21-mile trek in just under 16 hours. In 2010, at age 76, he competed in the U.S. Master Swimming 6K National Championships, finishing in 2:29:23.7. His nephew is film actor Matt Damon.

### **MIKE MELVILLE**

At age 63, Mike Melville became the first private pilot to earn astronaut wings, flying the first privately funded human spaceflight aircraft, SpaceShipOne, to reach space at a record altitude of 62 miles.

### **JEANNE-LOUISE CALMENT**

Jeanne-Louise Calment holds the record as the oldest fully authenticated age that any human has lived: 122 years, 164 days. She didn't exactly sit back and rock away all those years in retirement. At age 85, she took up fencing, and she was still riding a bicycle at 100.

## **PLANNING TIPS: Considerations for retirement income.**

- **WORK WITH QUALIFIED PROFESSIONALS FOR INVESTING, INSURANCE, TAX AND ESTATE PLANNING. THIS MAY INCLUDE FINANCIAL ADVISORS, INSURANCE AGENTS, CPAS AND QUALIFIED ATTORNEYS.**
- **PAY OFF ANY CREDIT CARDS AND/OR A HOME EQUITY LOAN WHILE IN YOUR HIGH-EARNING YEARS**
- **PAY OFF YOUR MORTGAGE**
- **REVIEW YOUR 401(K) STATEMENT TO SEE HOW MUCH YOU PAY IN FEES**
- **CONSIDER CONSOLIDATING RETIREMENT FUNDS FROM ANY PREVIOUS EMPLOYERS**
- **IF POSSIBLE, MAX OUT ANNUAL CONTRIBUTIONS TO YOUR EMPLOYER PLAN AND IRA**
- **ESTIMATE HOW MUCH INCOME YOU (AND YOUR SPOUSE) WILL NEED WHEN YOU RETIRE**
- **TALK TO YOUR SPOUSE ABOUT WHEN ONE OR BOTH OF YOU SHOULD RETIRE AND BEGIN DRAWING SOCIAL SECURITY**
- **TALK TO YOUR SPOUSE ABOUT BOTH SPECIFIC RETIREMENT GOALS AND WHAT DAY-TO-DAY LIFE WOULD BE LIKE**
- **HAVE A PLAN THAT ADDRESSES POTENTIAL LONG-TERM CARE NEEDS IN PLACE BY THE TIME YOU'RE IN YOUR MID-50S**
- **IF YOU'VE BEEN OFFERED A PENSION BUYOUT, DETERMINE IF YOU WOULD BE BETTER OFF MANAGING THOSE ASSETS YOURSELF**
- **WRITE AND/OR UPDATE YOUR WILL AND LIVING WILL**
- **MAINTAIN A PRINTED RECORD OF USERNAMES AND ASSOCIATED PASSWORDS FOR ONLINE ACCOUNTS; UPDATE IT REGULARLY AND MAKE SURE LOVED ONES KNOW WHERE IT'S KEPT**

Despite the realities of planning for retirement income today, each person's situation is unique with his or her own story to tell. That story shouldn't become more challenging due to external circumstances — or simply through the absence of planning. Yours should be a story in which — to the best of your ability — you write the ending the way you want it to be.

For many enterprising retirees, some of the most exciting chapters lay ahead. Be sure to discuss your goals with your financial professional, who will be able to provide you with information on how insurance and investment products may be useful in outlining your retirement story.





Prepared for



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