

Should Retirement Really Be In Your Future?

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Retirement is an integral part of the American Dream. People believe that they have the “right” to spend their last years in a deck chair on a cruise ship, or at least in a rocking chair on the front porch.

But many Americans are finding this part of the American Dream is not all it is cracked up to be. To begin with, they’re worried that they won’t be able to afford retirement. Pensions are shrinking (or disappearing altogether), Social Security looks iffy, and the cost of living keeps going up – especially property taxes! Many retirees just paid more for their last car than they did for the first house!

Second, many people who already have retired are finding they actually miss work. Playing golf or puttering in the garden can get boring when you do it all day, every day.

Third, retirees are finding that the lack of mental and physical stimulation can be harmful to their health. Some retirement experts are beginning to raise their voices, exclaiming that maybe we should rethink retirement. They point out that our concept of retirement is a relatively new phenomenon. At the turn of the century, most people worked until they died (partly because death often came at an early age). Pension plans did not take serious root until after World War II. The first Social Security check wasn’t issued until 1940. And the system was financially sound because life expectancy at the time was only age 67. Thus, people would get a Social Security check for only a few years, and that would be it.

Now, if you live to age 65, you have a 50/50 chance of living until you’re 85. And living well into your 90s is no longer uncommon. None of this is to say that you should give up the idea of ever taking it easy in your old age. If retirement life suits you, and you can afford it – go for it! But your working life need not come to a complete stop at age 65. Legally, you cannot be denied employment until age 71 because of age. 65 year olds should also continue investing for retirement as long as they (are still earning) have incoming earnings. For one thing, ill health may force you to retire at some point (Long Term Care coverage, or protecting your assets from Medicaid, should definitely be part of your planning). Second, a pool of retirement money will give you more options about what kind of work you choose and whether you have to work full time or part time.

What we should really be focusing on is not “retirement,” but “financial independence.” Financial independence means you have sufficient passive income from various sources so you do not have to trade hours for dollars. In other words, you don’t have to go to work in order to have money coming in every month. Regardless of your age, you should be thinking along the lines of creating passive, residual income. Investments can create this kind of income. So can Social Security and pensions. But also, certain types of home-based businesses or rental real estate can help create a continuing flow of dollars. Keep your antenna up for opportunities

and check them out thoroughly.

Much of life's fulfillment comes not in "playing," but in helping others. Many people have a desire to get more involved in church or charitable activities, but cannot do so because they have to work. By concentrating on becoming financially independent, you could have enough income (without having to "raise support") to enable you to get involved in these pursuits. Having enough money, therefore, becomes the means to an end, not an end in itself.

To rethink your retirement future, consider these points:

Reasons to keep working – Yes, you may need to keep working because you do not yet have enough saved to provide the retirement income you would like to have. Or, you may want to continue working because you find purpose and meaning in work – it keeps you young and healthy, you enjoy being with people and feeling like a part of society, you have much yet to contribute, or you have career/business dreams to fulfill.

Career choices – Not retiring doesn't mean that you have to keep lugging away in your current job. Think of it as an opportunity with many options: change jobs, change careers, go back to school to learn a new career, volunteer your time, or start your own business.

Work options – You don't have to work full time. You can work part time, job share, work flexible schedules, telecommute from home, or work short-term temporary assignments. If you are collecting Social Security, however, be aware of the reduction of benefits you may get hit with, depending on your age. In addition, you may get hit with taxes on your Social Security benefits if your total income exceeds certain levels.

Retirement myths – Rethinking retirement means shattering myths about working when you're older. Myths about older workers suggest they are less reliable and employers won't hire them. That is all bogus! Many older workers are able to work for less compensation than a 40 year-old because a 65 year-old has other sources of income. In fact, because of the Social Security limitations, many senior citizens refuse to accept more than \$11,640 a year (in 2004).

Whatever you choose to do as you get older, talk with your Certified Financial Planner™ professional. He or she can help you save the money necessary to become financially independent, and thus have more options. Your CFP™ may also be able to provide you with non-financial ideas to make your later years a rich, rewarding time of your life.

Cal Brown is Vice-President of The Monitor Group, Inc., a fee-only financial planning firm located in the Tyson's Corner area of McLean, Virginia. As a nationally recognized wealth management firm, The Monitor Group provides investment and financial planning services to more than 190 high net worth client families in Northern Virginia, Maryland, Washington, DC and across the country.