

Don't Be a Repeat Retiree

by Robert J. Reby

Do you know a repeat retiree? This is someone who decides to retire after years of hard work, only to find himself or herself missing the action and back at it a few months later. Then, in a few years, they retire again. Unfortunately, not all repeat retirees are so by choice. There are many who return to work because they have to — they've discovered too late that their nest eggs aren't enough.

If you're looking forward to retiring and want to do it only once, or if you're retired and want to stay that way, here are a few tips that can help.

- **Carefully assess your needs and goals, and periodically reassess them.**

One of the first tasks a financial advisor undertakes with new clients is creating detailed lists of their expenses and goals. To an advisor, detailing clients' objectives is critical, because they are indicators of future expenses.

If you haven't created such a list, do so. Underestimating retirement expenses — whether they be for everyday living or for travel and other retirement plans — is a mistake many people make, and one reason why they return to work.

Then, continue to assess and monitor your costs and goals even through retirement. Note any discrepancies between your anticipated and actual expenses and lifestyle, and address them. The sooner you tackle such differences, the better chance you have of retiring once.

- **Examine and evaluate your retirement income.**

Many people take great pains to estimate their retirement expenses only to miscalculate their retirement income. Retirement income can come from many sources — pensions, investments, Social Security, and so on. So, again, your best bet is to make a list.

Make sure you know the particulars about each income source, including: age specifications; the conditions under which the income would be discontinued; the amount you'll receive; how it is taxed; and so on. You can make begin making withdrawals from most IRAs, for example, at age 59½ or any time thereafter. For Social Security, however, you must decide whether to receive it beginning at age 62 or 65.

One mistake couples make is to assume they will have their combined retirement incomes to live on. Unfortunately, if one spouse dies, the other may no longer receive income from a spouse's pension, or it may be reduced. Yet, the surviving spouse will still have many of the same expenses. A house and a car cost as much for one as for two. So, determine if each of you can live on your own retirement benefits.

Another common mistake is to overestimate investment income. Many investors anticipate unrealistic yields, and they forget to factor in fees, taxes, inflation, and the ups and downs of the market. As a result, the total return on their investments is far less than they expect and they have less retirement income.

When you're ready to tap into your retirement funds, consider the tax implications of withdrawals from each income source. Many investors automatically use their IRAs when they retire. Tapping other investments or Social Security, however, can result in a lower tax bill.

- **Put your money to work, so you don't have to.**

Investing is critical to retiring once. First, it is the only way you can hope to keep up with inflation and maintain your purchasing power. If inflation is 5 percent per year and you put your money in a savings account earning 2 percent, you will lose 3 percent of your purchasing power every year. Over 20 years — which could be the length of your retirement alone — that adds up. Invest your money wisely and you're likely to stay ahead of inflation.

Second, investing is the best way to build and maintain your assets. For many people, living off the interest that their assets generate is the best retirement strategy. Invest for the long term and your holdings will increase in value. This, combined with the effects of compound interest, lets you accumulate assets in your pre-retirement years, and maintain them to generate income after you retire.

- **Diversify. Diversify. Diversify.**

If you're hesitant to invest after recent stock market tumbles, remember that the time to buy is when prices are low. Remember, too, that the investors who have suffered the most have been those who did not diversify their assets and had too much of their portfolio in one company or one industry sector.

Those who have spread their investments among industries, among small, medium, and large companies, and among domestic, international and global investments, are weathering the storm. They, too, have losses, but because they're diversified, their losses are offset by gains in other areas.

For more information on your retirement and retiring once, check out *Retire without Worry*.