

February 4<sup>th</sup>, 2019

After this year's Super Bowl, Tom Brady was asked if he is thinking about retirement. His answer was that he is definitely not planning to retire, though his answer to a follow-up question did not make it clear as to what his plans are or what he is thinking about retirement. While Tom is an unusual case in the world of retirement planning, he is right in there with many of us in not knowing when he plans to put his feet up or what he will do when he does. Our best hope is that his feet will not be up soon.

It is no surprise to most people that retirement isn't what it used to be. The notion that we retire to sit on a rocking chair on the porch is long gone, and many of the aspects of retirement in our parent's and grandparent's generation are also gone. People are living much longer in retirement, and there is a 50% chance that one member of a married couple will live to the age of 92. Contrast that with the life expectancy of the average American in 1935 at the onset of Social Security – only 65 years.

What many of us do in our careers has also changed. The notion that our bodies are worn out by physical labor has been replaced with an image of healthy retirees who mostly worked in offices where lifting a coffee cup might be the only physical activity. We are also a better educated bunch, with nearly 25% of Americans graduating from college (as of the 2000 census). In 1940, it was about 4%.

Given that we are healthier and expected to live longer, one might ask the question – are we working longer? In 1997, 52 percent of men claiming Social Security benefits were 62 years old and thus claiming at the earliest age possible. As of 2017, that figure dropped to 38 percent, and the evidence indicates that the delay is due to people continuing to work as opposed to simply delaying their benefits.

Preparing for retirement is a task that many, especially baby boomers have found challenging. A large percentage (about 80%) of baby boomers have less than \$100,000 saved towards retirement, and only 25% of boomers think they have enough money to retire. People using a financial advisor tend to be more concerned and interested in having a successful retirement plan, and save accordingly. Of baby boomers working with an advisor, 80% have at least \$100,000 in the bank for retirement. My own observations suggest that those working with an advisor are much more ready to retire on their terms.

It is worth noting that recent surveys suggest that 29% of baby boomers plan to work past the age of 70. While the survey doesn't discuss why these boomers plan to work longer, the rest of the statistics tell the story. With such a large percentage of boomers not being prepared for retirement, perhaps the 29% planning to work past 70 are the ones who have figured it out – that they aren't financially ready to retire. It is clear that there is a gap between expectations and retirement readiness, and the younger generations seem to have noticed and are doing more saving. The Millennial Generation (ages 18-36) are reported to have the highest savings rates among all working generations.

The act of retiring is not a one day affair anymore, where we wake up the morning after our retirement party with no work to go to. We can see now how many people choose to retire as a transition over perhaps several years. One option is to elect to reduce your workload from a full 5 day week to a partial

week, so that you can continue your career while taking more time for the personal activities we might do more of in retirement.

A new job, perhaps with less stress and hours is another avenue many are choosing. The *AARP Bulletin* for January / February 2019 featured 5 semi-retired individuals who work remotely at jobs they got through online job sites. Some of these workers look like they are enjoying themselves. One worker is pictured in a lounge chair next to her pool, while another is in a recliner with his 2 golden retrievers nearby. A number of sites (listed at the end of this piece) have popped up to help workers in transition find at-home gigs.

Ah – to be a baby boomer! We (I'm one, of course) have lived through a tumultuous era in our society. It is not just that we have experienced the Vietnam War, seen the rise of the women's movement and civil rights law – we have seen a shift in how the rules of living in our society have changed. Our parents tended to work for one employer for their entire working career and perhaps received a pension in addition to Social Security, and also saved for themselves. Incentives such as IRAs and 401(k)s simply did not exist for them.

These incentives came into being over time as we boomers entered the work force in the 1970's, and many of our generation did not catch on to the need to take action for ourselves. Often pensions that were promised in our early days were frozen, limiting the eventual support this paternal system gave. Most workers weren't even offered pensions at all. It took time before 401(k) plans became commonplace among employers, and even now only 66% of employers offer such plans. The baby boom generation has switched jobs much more often, which reduces the benefits of pensions and makes it harder to consistently save in a 401(k) plan.

Proposals are being floated to help Americans improve their retirement savings. In the *Wall Street Journal*, columnist Jason Zweig reports on a number of ideas designed to make it easier to save. One concept is to create fully portable retirement plans administered by independent organizations. Currently, workers with a 401(k) account often leave their money in an existing plan when they change jobs, and can lose track of their savings.

Another idea is to improve the incentives to use an annuity in retirement by making the first \$1,000 withdrawn each month tax-free for those who choose an annuity. Annuity strategies designed to begin providing income once you reach age 85 are also on the table. Interestingly, one of the experts making these proposals is Ted Benna, who is considered to be the father of the 401(k) plan.

Despite all of this, Social Security will be the principal source of retirement income for a large swath of the baby boomer generation, even as the system was not designed for that purpose and has been revised to the point where its long-term solvency is in question. Even as I am concerned for our nation's retirees, as an advisor to a very nice group of people I am thankful that most are prepared for retirement and Social Security is just one part of their plan. Those who are already retired are enjoying themselves in retirement. When on the phone with a retired client, I usually ask how the weather is, and more often than not it is lovely and warm in Florida!

Thomas E. Dexter, CFP®

Remote Job Websites (from the AARP Bulletin Jan/Feb 2019)

<https://www.flexjobs.com/>

<https://ratracerebellion.com/>

<https://remote.com/>

<https://www.retiredbrains.com/index.html>

<https://www.skipthedrive.com/>

<https://www.virtualvocations.com/>

<https://wahve.com/>

<https://weworkremotely.com/>

<https://www.workingnomads.co/jobs>

#### References

[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)

[https://crr.bc.edu/wp-content/uploads/2017/12/IB\\_18-1.pdf](https://crr.bc.edu/wp-content/uploads/2017/12/IB_18-1.pdf)

[https://www.census.gov/population/www/cen2000/censusatlas/pdf/10\\_Education.pdf](https://www.census.gov/population/www/cen2000/censusatlas/pdf/10_Education.pdf)

<https://www.bloomberg.com/opinion/articles/2018-10-02/americans-are-retiring-later-to-boost-social-security-benefits>

<https://www.bankrate.com/banking/savings/financial-security-0817/>

[https://www.wsj.com/articles/forget-the-401-k-lets-invent-a-new-retirement-plan-11549854600?mod=hp\\_listb\\_pos1](https://www.wsj.com/articles/forget-the-401-k-lets-invent-a-new-retirement-plan-11549854600?mod=hp_listb_pos1)

“Nice Work If You Can Get It – And You *Can* Get it”, *AARP Bulletin*, January/February 2019, pages 22-24