

Debunking the Top 5 Retire-Myths

Your ideas on what your life will be like in retirement, how you'll pay for it, when it will come and how much you'll spend once you do stop working may be all wrong.

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After 35 or 40 years of paychecks, you might be counting the days before you can leave your job for good. However, your idea of what lies ahead in retirement years may be far different from reality. You need to be prepared for the fact that life as a retiree may not follow the script you wrote in your head. Here are five myths about retirement that catch many retirees by surprise:

Retire-Myth No. 1 - *Every day is a free day.* Waking when you like, drinking coffee in the sunroom and puttering around the house to your heart's content may be your retirement dreams, but the truth is that those visions are not what the retirement lifestyle usually turns out to be. Daily calendars quickly fill up with hobbies, family events, volunteering and travel. Today's retirees also face the issue of longevity. They may experience as much time in retirement as they spent in their career, and a long-term life of leisure doesn't fulfill everyone. As a result, a third phase of life — balancing recreation, giving back to the community and work — is becoming the norm.

Retire-Myth No. 2 - *Retiring will be a breeze.* Some people find the prospect of leaving the workforce scary and disorienting. Retirement is a transition that is a complex and emotional experience for most, with complete shifts in not just your daily routines, but your identity as well. The titles and workplace roles that identify you as a productive person are gone, and self-esteem requires adjustment. Having a plan for how you will spend your time is one way to minimize the stress of settling into a new schedule. If you don't plan for it, gliding through a happy retirement is not very likely.

Retire-Myth No. 3 - *I will retire at the magical age of 65.* This artificial benchmark was more accurate when traditional pensions and Social Security were paying full benefits at 65 and lifespans were much shorter. According to the 2015 Retirement Confidence Survey from the Employee Benefit Research Institute, retirement happens earlier than expected for half of retirees. Sixty percent of those leave due to health issues, and others leave because they were let go due to downsizing or had to quit to care for a family member. The earlier you begin planning your retirement, the more prepared you will be should life throw you a curve ball and your retirement dream date change.

Retire-Myth No. 4 - *Pensions and Social Security will fund my retirement.* Today, 401(k)s, not pensions, are the norm. The big difference is where the burden of funding and investment risk lies. 401(k)s are largely funded by the employee and, unlike a pension, there is no guaranteed monthly income at retirement. Social Security benefits were designed to be a supplement to retirement plans and individual investments, not the primary resource.

Retire-Myth No. 5 - *I will spend less when I retire.* A common adage is that you will only need 70% to 80% of your pre-retirement income during retirement. The truth is that estimating the percentage needed is complex and unique to each individual. Interestingly, according to the Employee Benefit Research Institute, 52% of retirees surveyed spent 95% or more of their pre-retirement income during retirement. *The question becomes, will your nest egg support you through 25 or more years in retirement?*