

# RETIREMENT CONCERNS THAT KEEP YOU UP AT NIGHT

Retirement may seem like a long way off, but there's no time like the present to ask yourself this two-fold question: "What do you want your retirement to look like, and what it will take to get you there?" Your answer could be the difference between living the future lifestyle you dream of or worrying at night about how to cope with financial challenges you didn't anticipate.

As you think about transitioning from the working phase of your life into your retirement years, it's important to identify the flow of money you'll need to support the lifestyle you've chosen. Likely your income will shift from a regular paycheck to other sources including investments, inheritances, savings, Social Security, and pensions.

Making informed choices and determining appropriate financial strategies are crucial for the retirement challenges that lie ahead. Here are some steps you can take now to help you plan for the transition to the retirement you envision.

## START WITH HONEST CONVERSATIONS

Having honest conversations with your spouse or partner about your respective retirement goals is a critical first step. Clearly understanding what retirement will look like for each of you individually is just as important as how you view the future as a couple.

Your ongoing discussions should cover topics including when and where to retire, the kind of lifestyle you want, how much annual income you'll need, your biggest worries, and whether your financial and legal affairs are in order. Giving the retirement portion of your life proper attention now can help you avoid misunderstandings, mistakes, and worries down the road.

## ESTIMATE THE LENGTH OF YOUR RETIREMENT

Many of us will live much longer than the "average" retiree, and most women live longer than men. About one out of every three 65-year-olds today will live until at least age 90—and one out of seven will live at least until age 95. Furthermore, married couples have at least a 50-50 chance that one spouse will live beyond age 90.<sup>2</sup>

Your retirement years may be longer than you think. In fact, as life spans increase, some individuals may spend more time in retirement than the years they spent working! It's understandable why many people are concerned about outliving their money.

**While many Americans are confident about their current financial health, they lack confidence in their retirement future. According to the 2019 Fidelity Investments® Retirement Mindset Study, 62% of respondents feel confident about their financial health. However, 75% of respondents range from feeling only somewhat confident to not confident at all about their retirement finances—and only 18% have a plan.<sup>1</sup>**

That's why you should periodically adjust your financial plan for the long term. Talk to your advisor and tax professional about strategies to help ensure your assets last to and through your retirement years. Keep in mind receiving lump-sum payouts from pension plans or inheritances can raise concerns about the best way to invest the payouts and what, if any, tax implications may accompany them.\*

### **CONSIDER RISING HEALTH CARE COSTS**

Concerns about being able to pay for adequate health care continue to be top-of-mind for Americans—it's a cost that can vary significantly by individual and is difficult to predict. According to Fidelity Investments® 2019 Retiree Health Care Cost Estimate, a 65-year-old couple who retired in 2019 can expect to spend \$285,000 in health care and medical expenses throughout retirement, up from \$280,000 in 2018. For single retirees, the health care cost estimate is \$150,000 for women and \$135,000 for men.<sup>3</sup>

Retirement income planning is one way to address potential health care costs. Your advisor can help you determine a strategy for your changing medical situation and financial needs, including contingency funding for unexpected expenses. Strategies to address concerns such as major health issues and long-term care may require leveraging different types of insurance or investing in low-risk, low-return investments.

### **KEEP A WATCHFUL EYE ON YOUR PORTFOLIO**

Likely the markets will fluctuate dramatically leading up to—and during—your retirement. Diversifying your portfolio—combining stocks with bonds, real estate, and a variety of other types of investments—can help you manage the level of risk. Also, you might consider ways to adjust your spending during times of economic turmoil and market volatility. This can help curb withdrawals from your assets until the market recovers.

Make it a priority to review your investments with your advisor on a regular basis. Adjust your assets accordingly to ensure they align with your retirement goals and tolerance for risk. It's also important to understand how your portfolio is going to generate income in retirement. Will you collect interest or dividends from your investments? How much are you going to have to sell each year to maintain your current standard of living? Will you want to set aside assets for charitable gifts and bequests?

Selling investments can have tax implications, and the proceeds could nudge you into a higher tax bracket. Of course, you'll want to minimize taxes when you're selling assets to generate retirement income—balance that concern with your portfolio's allocation strategy and long-term goals before making such a move.\*

### **CLEAN UP YOUR RETIREMENT ACCOUNTS**

If you're like most people, you've accumulated a number of retirement accounts over the years. These may include Traditional and Roth Individual Retirement Accounts (IRAs) or employer-sponsored plans such as SEP and SIMPLE IRAs, 401(k)s, 403(b)s, or governmental 457 plans.

Consolidating your financial assets with one provider can simplify your finances and give you a better view of your overall financial picture. You might also consider maximizing your contributions toward your retirement accounts to help boost your savings.

### **ACT NOW RATHER THAN LATER**

The excitement of retirement can be overshadowed by these and a number of other complex issues you will have to address at some point. Contact us today—we will listen to your concerns and offer tailored solutions to help turn your retirement dreams into reality.

\*Consult a tax advisor

<sup>1</sup>Source: 2019 Fidelity Investments<sup>®</sup> Retirement Mindset Study

<sup>2</sup>Social Security Administration, Publication No. 05-10147, “When to Start Receiving Retirement Benefits,” January 2020, ssa.gov.

<sup>3</sup>Source: 2019 Fidelity Investments<sup>®</sup> Health Care Cost Estimate, [https://www.fidelity.com/bin-public/060\\_www\\_fidelity\\_com/documents/press-release/healthcare-price-check-040219.pdf](https://www.fidelity.com/bin-public/060_www_fidelity_com/documents/press-release/healthcare-price-check-040219.pdf)

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