

## Is Retirement an Option? Will It be for You?

by Bill Humphrey

According to an expert on aging, longevity is likely to cause financial difficulties for retiring baby boomers. Speaking at a recent conference, Joseph Coughlin of the Massachusetts Institute of Technology's AgeLab, said that the next generation of retirees will live longer and healthier lives, but, because pensions have a less guaranteed payout than in the past, they had better obtain a new sophistication in financial planning. Many retirement investors are taking advantage of self-directed plans as a dynamic element in such preparation.

With baby boomers imagining a longer and more active retirement than that of their parents, questions are coming up more often: "What is it going to cost? Perhaps more than we can afford? And when will it start? How long will it last?" An individual projecting a retirement of twenty years rather than fifteen, assuming a five percent retirement fund growth rate, would have almost twenty percent less in monthly retirement checks!

Another concern for future retirees is that the past thirty years have seen a steady conversion of employer plans with fixed payments, in favor of plans such as the 401(k) plan, which provides fixed contributions. For the most part, few plan participants can expect guaranteed retirement payment amounts. Instead the participant is provided with a specific amount to invest and control for their individual retirement.

The changes to the retirement scene have been so dramatic that many future retirees find themselves mystified. A recent survey by the Employee Benefit Research Institute (EBRI) suggests that fewer than one in two Americans have attempted to calculate their financial needs for retirement.

Planning for your retirement and investing your retirement funds is completely up to you. The 2004 EBRI survey also found that "43 percent of people who tried to plan for their financial futures ended up modifying their current retirement savings plans."

Sophisticated independent investors are taking their new responsibility seriously. Many have opened new self-directed plans to help them accumulate assets for their retirement. Taking advantage of a self-directed plan to hold your retirement assets is the only way to obtain true investment diversity and control. It allows you to invest in what you know and understand. Standard plans limit your investment options to a list of investments "pre-screened" apart from your choice.

Retirement can be an option! But it all begins and ends with you. Your financial plans should anticipate, and be ready to pay for, years of healthy, active living, travel, adventuring, and enjoyment of your well-earned retirement.

Here are a few online resources to help you determine how much you will need in retirement and also give you some ways to calculate how to afford it.

### **Taking the Mystery Out of Retirement Planning:**

The US Department of Labor has developed an excellent resource booklet: Taking the Mystery Out of Retirement Planning. The booklet is designed to help you get familiar with retirement issues and also includes many worksheets to help figure the dollar amounts of what you have, how much it will grow in ten years, and how much you may need to support you for a thirty-year period.

### **Choose to Save®:**

Created by the Employee Benefit Research Institute (EBRI) and its American Savings Education Council (ASEC) program Choose to Save®, has developed user-friendly, multimedia materials to help individuals plan and save for their financial future. All materials are free and available to the public. Items include the web site [www.ChoosetoSave.org](http://www.ChoosetoSave.org), completely devoted to financial education. It includes savings tools such as the Ballpark Estimate® retirement planning worksheet, over one hundred online calculators, brochures, savings tips, links to related resources, and other tools to help individuals and their families manage their finances.

### **360 Degrees of Financial Literacy**

360 Degrees of Financial Literacy is a national volunteer effort of the nation's Certified Public Accountants to help Americans understand their personal finances and develop money management skills. It focuses on financial education as a lifelong endeavor—from children learning about the value of money to adults reaching a secure retirement.