



Our Perspectives: Five Steps to Stop Stressing About Retirement Savings

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The news from the front lines of retirement is actually pretty good, according to a recent Wall Street Journal survey of retired readers. Many retirees report blossoming social lives and a high level of happiness from learning new skills and trailblazing into new activities.¹

But the thing retirees and near-retirees worry about the most: money. An AARP survey of baby boomers found that financial concerns plagued 49% of respondents.² Do you share that concern?

Here are a few actionable tips to help you check your retirement readiness — and hopefully, your stress levels.

1 Evaluate your nest egg.

First, create a tally of your savings. Add up all your financial accounts, including employer-sponsored savings plans, IRAs and regular savings and investment accounts. Then add up your other assets, including property and cars. Next, mark down all of your debts — credit cards, mortgage, car and home equity loans and anything else you owe.

Make note of two different numbers: your total net worth (all of your assets minus all of your debts), and your liquid net worth (your financial accounts minus all of your debts). These two numbers give a good sense of your current nest egg.

2 Map out future income sources, including social security and pensions.

Each year, you receive a report from the Social Security Administration with a projection of your monthly Social Security benefit. If you can't find your annual statement, try using www.ssa.gov, which has a calculator to estimate your benefits, or if you create an account, a tool that shows your actual projected benefits.

¹www.wsj.com/articles/the-biggest-surprises-in-retirement-1486955341

²www.aarp.org/content/dam/aarp/research/surveys_statistics/life-leisure/fantasies-fears-res-life.pdf, page 15

³www.medicare.gov/find-a-plan/staticpages/medigap-out-of-pocket-costs.aspx

If you're eligible for a pension, you'll get an annual statement from your employer showing your benefits. You may also have online access to this information.

3 Get a handle on expected health care costs.

Those over 65 are eligible for Medicare, but there are still costs associated with coverage. You'll pay a premium for your non-hospital insurance (known as Part B coverage), and maybe additional premiums if you sign up for prescription insurance (Part D), supplemental insurance, or the comprehensive Medicare Advantage option (Part C). You may also pay for co-pays, deductibles and prescription drugs.

According to Medicare estimates, the annual out-of-pocket cost is about \$8,000 for users in good health. However, retirees in poor health or those who previously suffered heart attacks are estimated to pay closer to \$12,000 per year.³

4 Play catch up.

If you're over 50 and haven't saved enough, you should take advantage of the catch-up limits for retirement accounts. Those over 50 can contribute an additional \$6,000 annually to employer-sponsored plans like 401(k)s, and an additional \$1,000 to IRAs (if your income is below the contribution limit). Visit www.irs.gov or talk to your tax professional about IRA income limits.

5 Start trimming expenses now.

Lowering your expenses not only frees up money to save, it also establishes lower ongoing expenses — which means your nest egg will actually last longer. If you're really behind on saving, consider tightening the belt significantly, even if only for a temporary period. When your nest egg is growing and your basic monthly costs are lower, your stress levels will fall too.

How Do You Feel About Money?

We all have different money stories, but we can share strategies for bringing them to light. For example, if you and a loved one always seem to be on different sides of a financial decision, consider that an opportunity to explore why. There may be important memories coloring those choices about whether to save or spend or to invest conservatively or aggressively.

Use these questions to start investigating how your memories and judgments about money fit into your own financial decisions.

➤ **My first memory of money is _____.**

Reflect on your earliest memories of money. Did you notice that your family had more or less than neighbors? Did you stockpile an allowance or work odd jobs to earn pocket money?

➤ **My parents thought that wealth was _____.**

Perhaps your parents had neutral and logical views about money, or perhaps they were burdened by emotions of their own. Did they push you to earn more? Did they speak with respect or disdain for those who were richer or poorer?

➤ **I spend more / less than my siblings / neighbors / immediate community.**

We can get swept into a “group think” process for spending. If no one in the neighborhood lends or borrows tools, perhaps you feel you have to shop every time you need a different tool. Maybe your children attend a school where teenagers all have their own cars, and that’s the norm. Consider the money values of your immediate community, and how you compare.

➤ **I made a recent impulse purchase because _____.**

One useful exercise to uncover reasons behind your choices is the process of asking “why?” several times. For example: *I grabbed a magazine at the checkout counter. Why? I needed some light reading. Why? It’s been a particularly stressful stretch at work.* Etc. As you run through this exercise, you may begin to see the patterns driving your purchases.

➤ **The biggest thing preventing me from saving more is _____.**

Perhaps you’re the penny pincher type, but most of us have to work hard to save. Consider the reasons you may not be saving enough today, and investigate the stories behind those reasons. You may also want to create a personal cash flow

statement. Listing your monthly income and line-item expenses can make it easier to see whether you need to trim spending to free money for investment.

➤ **How do you feel about your own earnings level and what are your thoughts about those who earn more or less than you?**

Money and status are deeply intertwined in our culture. What kind of stories do you have about the level of your own earnings, as well as about those who earn more or less than you?

➤ **My spouse / partner thinks that money is _____.**

Understanding your own money feelings is one thing. If you have a spouse or significant other, you’d also benefit from understanding their stories about money.

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