

Retirement What might it be like?

Retirement means different things to different people. For some, it's the adventure of travel. For others, it's time spent with family. Still others see retirement as an opportunity to purchase a vacation home, to volunteer more actively and serve organizations they feel passionate about, or perhaps, to begin the second career of their dreams.

Regardless of how ideal retirement is viewed, common sense says that one must carefully consider the financial requirements needed to make dreams come true. Without knowing how much is needed and having a plan in place to accumulate those dollars, one may be deeply disappointed about the quality of retirement years.

So what is needed to accumulate to experience the ideal retirement? Frankly, the answer is as unique as the individual considering the question.

There are a few things to consider. First, people are living longer and retiring earlier. Today, a person reaching age 65 can expect to live another 18.7 years (*Centers for Disease Control and Prevention, National Center for Health Statistics, National Vital Statistics System; United States life tables, 2005*). In addition, the median age at which people expect to retire today is 62, and this expected age decreases the younger a person is.

Second, it is likely that people will need to increasingly rely on their personal savings in retirement in the future. The age at which a person is eligible to receive full Social Security benefits increases from age 65 for those born in 1937 to age 67 for those born in 1960 or later. For those with birthdates between 1937 and 1960, the full retirement age increases incrementally between age 65 and age 67. Those retiring and electing to receive social security before their full retirement age will receive less in social security benefits than they might have anticipated.

Based on recent trends, an employee is also likely to receive fewer retirement benefits from employer-sponsored plans. Unfortunately, for the 12 months ending Dec. 31, 2007, Americans' personal saving as a percentage of disposable personal income was a modest 0.4 percent (*U.S. Commerce Dept., Bureau of Economic Analysis. National Income and Product Accounts of the United States. Table 2.1 Personal Income*

and Its Dispositions). The result? There may be a significant gap between people's retirement dreams and their retirement realities.

Not to be overlooked, either – Does one wish to leave a legacy? After all, when gone not only will we be missed but our personal and financial contributions to organizations we support will also be missed. However, with proper planning, one's financial support to favorite organizations can continue.

Therefore, how can one assure that enough is being accumulated for a comfortable retirement and for fulfillment of other goals? The first step is to gain a solid understanding of one's current financial situation. The second is to determine where one wants to be. Answering the simple questions below can give a snapshot of where one is in achieving one's retirement dreams:

- Annual income needed in today's dollars?
- Years until desired retirement?
- Money already accumulated for retirement?
- Amount being saved each month toward retirement?
- Income expected to be generated from retirement assets?
- Amount of money to leave to family or a charity?
- Anticipated average return on retirement savings?

How a person accumulates his or her retirement dollars is also crucial because not all retirement vehicles are created equally. Some vehicles are both tax deductible and tax deferred. Some have one of these traits, while others have neither. Choosing the proper retirement products and strategies can literally make a difference of hundreds and thousands of dollars (and more) for an individual concerned fulfillment of retirement goals.

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