



## **It Takes More Than Willpower: Retirement Planning Myths And Realities**

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# **It Takes More Than Willpower: Retirement Planning Myths and Realities**

**By: Bill Black**

It takes more than willpower to successfully plan for retirement. You start by clearly identifying your goal, of course; then you need to accurately assess your financial situation and make realistic projections. That's where some common misunderstandings about retirement - and planning for it - may get in the way of reaching your retirement goals. Let's look at some of those myths.

## ***Myth: Social Security and a pension will be enough***

Social Security currently does not provide adequate income for most retirees, and future benefit reductions are possible. Fewer employers are providing a company pension. According to the 2000 U.S. Census Bureau statistics, only 50 percent of those employed by medium and large companies were included in defined benefit pension plans.\* If you think Social Security and a pension will be enough, you may be underestimating how much you should be saving.

## ***Myth: Plan for 10 to 15 years***

A survey taken in 2000 shows 33 percent of employees believe they will spend less than 20 years in retirement. The reality is that not only are Americans living longer, many are retiring earlier. Among today's retirees, 36 percent say they retired earlier than planned - often due to changes in employment or health.\*\* Willard Scott, weather reporter, NBC News' "Today," says centenarians are the fastest growing group today. You may need to boost your retirement savings if you have underestimated how many years to plan for.

## ***Myth: Fixed income investments are best***

Common wisdom says that five years before you retire you should move all your investments to secure, but low-yielding fixed income investments. The idea is to protect your nest egg from stock market declines.

The reality is that most people will not need all their money on the day they retire. With 25 or more years of retirement ahead, some believe you should continue to allocate part of your assets for the long term to equities and move what you may need sooner to more secure investment classes, such as cash equivalents and money market funds. Be sure to call to discuss your specific investments and investment goals.

***Myth: Your expenses will decrease after you retire***

Most people want to maintain their lifestyle in retirement - and retirees are not exempt from inflation. If you look forward to travel, pursuing hobbies or other recreation, or wish to help a child or grandchild with college expenses, you'll need to include that in your saving plan.

***Reality: A financial plan can make a difference***

Whatever you look forward to doing in retirement, we can help you with specific advice to develop a realistic plan for reaching your dream. Call Bill Black toll free at 888.412.4120.

**To receive periodic tax and economic updates please send your email address to [bill@pensionsite.org](mailto:bill@pensionsite.org) and request that your name be added to the list.**

\*Source: Statistical Abstract of the United States, 2000, U.S. Census Bureau.

\*\*Source: The 2000 Retirement Confidence Survey Summary of Findings, Employee Benefit Research Institute and the American Savings Education Council.