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RETIREMENT MYTHS


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With retirement just around the corner for so many baby boomers, we are in need of timely information to make informed decisions. If you were born between 1946 and 1964, then you are officially part of the baby boomer generation. As we all know, time passes quickly and it should come as no real surprise that American baby boomers are currently retiring at a rate of about 10,000 per day. Retirement studies reveal that many boomers are not particularly prepared for their golden years with a median retirement savings of about $120,000. Using a 4.5% withdrawal rate and averaging an 8% return - in a thirty year time frame, this would only provide an additional $5,400 (plus inflationary increases) per year to whatever Social Security is received. Boomers need some help!! I recently came across an internet article on MSN Money that discussed ten retirement myths. I summarized them, added some of my own thoughts and would like to share the information with you:

Myth No. 1: I won't need as much money when I retire
The first question that we need to ask ourselves is what type of retirement lifestyle do we have planned? Most people typically spend more money on vacations and weekends than they do during a workweek. So now we have seven vacation days per week times 52 weeks instead of a two day weekend and four weeks of vacation per year. Have you been creating a "bucket" list for when you retire? Travel, golf etc. can be expensive. A well-known rule of thumb says that you need 70-80 percent of preretirement income to maintain your standard of living. For the lifestyle you choose, that may not be enough money. So, once again, you must think and plan your retirement and then have the funds necessary to support it.

Myth No. 2: Moving to a retiree-friendly state will save me money
Not necessarily**.** States like Texas and Florida do have a zero state income tax but they also have high property and sales taxes. Also, if you move to another state to save on taxes, family and friends may now be several states away so travel costs may go up substantially.

Myth No 3: My tax bill will be lower in retirement
It depends upon how much you will be withdrawing from your retirement accounts. Will you really reduce your retirement spending to 70-80 percent of your pre-retirement income? There will likely be fewer tax deductions with the mortgage paid off and unless you have a Roth IRA - other retirement accounts such as 401Ks, 403Bs and Traditional IRAs are taxable when funds are withdrawn. Also, we currently have among the lowest income tax rates in our history but that is not guaranteed for the future.

Myth No 4: Medicare will be enough to pay for my health care expenses
According to AARP, you can still expect to spend more than $3,000 per year for premiums and deductibles with Medicare coverage. Medicare does not cover all medical expenses so a Medicare supplement policy, at additional cost, will be needed to cover those expenses not covered under the Government Medicare program. Fidelity estimates that a couple who retired in 2013 will need an additional $240,000 for health related costs that crop up along the way.

Myth No 5: Pay off debt and my kid's college tuition before saving for retirement
Your kids will have a lifetime to work and pay off their educational loans. If you run out of money in retirement, will your kids be willing and financially able to take care of you? Paying off all debt before retirement usually does not allow enough time afterwards to create a solid retirement savings plan.

Myth No 6: I should hold mostly bonds by the time I retire
The oft quoted calculation that the percentage of bonds in your portfolio should equal your age may not hold true in the future due to today's low interest rates. Accepting more volatility by adding stocks to your portfolio may be unsettling but a higher percentage of bonds in your portfolio will likely cause you to run out of money sooner according to the research that has been done.

Myth No 7: I'll only have to worry about supporting myself in retirement
A Merrill Lynch/Age Wave report found that six in ten Americans past the age of 50 provide some type of financial support to family members. Retirement does not mean that you stop being a parent. Also, it would not be unusual to help support an aging parent. Boomers are truly the sandwich generation.

Myth No 8: Having a 401K is enough
Holding all investments in a 401K may increase risk by limiting investment and tax choices. Diversify into a Roth IRA, Traditional IRA, real estate, annuities, a brokerage account etc.

Myth No 9: I can always keep working if I come up short on savings
What happens if you are unable to work in retirement due to health problems? Our economy seems to be having great difficulty finding jobs for those who really want one now. Will that change in the future?

Myth No 10: I'll never be able to save enough
A thousand mile journey begins with the first step. Try to start a retirement savings plan early in life and if you are well along into your journey, try to save as much as you can. Every little bit will help.

Retirement is a journey that we all hope to make someday. It can be a scary thought knowing that you must live off Social Security and your savings for the rest of your life. My goal is to make the journey a little smoother through timely information and a Money Management Program that emphasizes risk management. As I write this article, the DOW and NASDAQ are both negative year to date and the S&P500 is up slightly but seems to be losing momentum. The first quarter 2013 review will be in the April newsletter. This month's guest article on our "cold winter" will be from my wonderful assistant, Patricia Thompson. Take good care!!!

WOW! 2013 - 2014 What a winter!

By: Patricia A. Thompson

No surprise to anyone who lives in Michigan, it has been an extremely nasty winter. When we say we can't remember a worse winter, we're right! The all time snowiest winter in the Detroit Metro area was 1880-1881, 133 years ago. As of March 13, 2014 at 90.7 inches we were 3" away from that record, and we're not finished with winter yet! The average temperatures in Metro Detroit for December, January and February - the meteorological winter - were all well below normal. (*According to records kept by the NWS—National Weather Service*.) The average temperature for those three months (2013-2014) was 20.9 degrees, making it the coldest winter since 1977-78 and securing it the No. 8 spot for all-time cold winters.

Snowiest seasons in metro Detroit	Coldest winters in metro Detroit
1. 93.6 inches, 1880-81	1. 18.8 degrees, 1903-04
2. 90.7 inches, so far this season	2. 19.3 degrees, 1874-75
3. 78.9 inches, 1925-26	3. 19.7 degrees, 1976-77
4. 74.0 inches, 1981-82	4. 19.7 degrees, 1917-18
5. 71.7 inches, 2007-08	5. 20.4 degrees, 1962-63

**Source: NWS records*

And we were not alone, weather records were broken throughout the country. Some recent statistics give us insight to some of the overall effects of this brutal winter.

- The impact of winter '13-14 has been about $15 billion so far. That is $15 billion in lost sales, crop damage, productivity, etc.
- At least 100 million people have been impacted by lost work, school, or business. That business is lost forever and will have a negative impact on the overall economy.
- The airlines have lost about $2.5 billion in cancelled flights
- Hotels have lost $500 million in cancelled rooms
- Insurance claims from damage are estimated to be between $1 billion to $3 billion
- Car sales are down in January by about 3%
- Areas not used to bad weather – like the South – are now weeks behind in making and shipping products
- Retail sales overall are down 3%-5%
- Government closures and shut-downs will cost $500 Million of "lost" time

The economic optimists say that all of the news isn't bad, and that there is always a silver lining. *For example, sales of rock salt and shovels are way up!* It is also safe to assume that most of the money paid out in insurance claims will go directly back into the economy in the form of repairs, new parts, labor, etc.

Economists also will point to the "pent-up-demand" phenomenon that comes after bad weather or a rough winter. For example, after each of the past few severe winters when car sales were significantly lower, car sales jumped significantly as soon as the weather broke and people got back out to buying again.

Weather affects every aspect of our lives. It impacts our pocketbooks, our menus, our schedules and even our health. We are aware of how cold weather drives up the price of natural gas and propane (just look at your heating bills from this year!) and how our insurance costs are adjusted for the amount of storm damage we sustain. Also note the horror of pot holes wrecking our roads and vehicles. Droughts, flooding, and freezing weather all have a dynamic result on crops and materials. Changes in the weather, either real or predicted, will affect the price of everything we buy, from peas to plywood. Sometimes the effect will be in our favor, sometimes it won't.

Finally, many people get cranky when its too hot, or too humid, but perhaps even more people's depression is affected by the weather condition often called "SAD" or "Seasonal Affective Disorder", also known as "Winter Depression or "Winter Blues". If you suffer from SAD, (lack of sunlight during the day, or the change in the amount of sunlight during the winter months) it can affect your mood and cause you to feel depressed. Yup, that happens to me, especially this winter. I have found that a two week vacation somewhere warm and sunny in February lessens the pain! The best news is winter is almost over and, officially anyway, March 20th, was the first day of Spring! YEAH!

(Sources: Internet)