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Retirement: Today, Tomorrow and the Next Day

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RETIREMENT *noun*. 1. The act of having concluded one's working or professional career with the knowledge that the **best years are yet to come**. 2. A time to have fun.

The question comes up often: How big of a nest egg do I need to retire? Unfortunately, there is no simple answer because it depends upon what type of retirement lifestyle that you have planned. And that can differ greatly for each individual or couple asking the question. It is probably easier to look at your nest egg "number" and come up with an amount that can be safely withdrawn if you want your savings to last for a thirty year retirement period. This withdrawal rate discussion will take place in a future newsletter but there are many other elements that go into a successful retirement plan besides nest egg amount and rates of return. This month's topic will focus on one of them: spending and savings patterns in the various phases of retirement.

What do I mean by the various phases of retirement? If you reflect on your own life, it is not likely that you think and spend (or will think and spend) at age 60 the same way you did at age 20. Spending patterns change over time as we age and are likely to continue to change as we venture on this journey called retirement. Most retirements will experience three stages if we are fortunate to have some longevity in our lives. There will be an early, middle and late phase with distinctive characteristics and spending patterns.

Early retirement will likely create the most excitement for us. After a long working career of 7 a.m. meetings, late nights and weekend work, life is now a series of new adventures at our own pace. This is also, more than likely, to be the most expensive phase of our retirement. In this phase you must be careful not to overspend your nest egg since there are still two phases to go: middle and late retirement.

In early retirement, increased spending may take place in the following areas:

- Individually paying for health insurance since fewer companies offer this as a retirement benefit
- Fulfilling the travel dreams on your "bucket list"
- Starting those hobbies and activities you have always dreamed about
- Perhaps financially helping children or grandchildren

There may be some offset of expenses in areas such as:

- The professional wardrobe can be replaced with more casual wear
- Not as many miles driven compared to driving to work everyday
- Contributions to IRAs and 401Ks will no longer be there

Middle Retirement is the time when we likely will become less adventurous and more likely to spend increased time at home. Aches, pains and general health problems become management issues with increased visits to the doctor's office. Travel and some hobbies may wind down to some degree because of physical limitations. Increased time at home becomes more desirable. Despite more frequent doctor visits, this may be the least expensive phase of your retirement.

In middle retirement, increased spending may take place in these areas:

- Medical expenses
- Retro-fitting your home, environment and auto to accommodate physical limitations
- Increasingly hiring outside help for painting, lawn mowing and other maintenance items

Some of the following expenses may be less:

- Travel may diminish
- Expensive hobbies may be less

Later retirement is likely to see increased time at home. Declining health may necessitate a nursing home or possibly an assisted living facility. Health care aides and outside handymen/women to perform routine tasks and maintenance will increase. Expenses will probably exceed those costs of middle retirement.

In later retirement, budgeting for increased expenses will be in these areas:

- Medical expenses
- Outside assistance for custodial care and routine maintenance
- Assisted living or nursing home facilities

Lower expenses may occur as a result of:

- Travel may further diminish or stop
- Expensive hobbies may be less.

The spending/savings categories listed here may not be exclusive and the three phases of retirement may not apply to everyone; however, the research literature shows that these are typical patterns experienced by many retirees.

There are many elements that comprise retirement. Investing is a big part of the retirement picture but so is understanding what you will encounter as you journey through the various phases of retirement. Distribution strategies, beneficiary designations, Social Security choices, tax planning and estate planning are part of the equation as well. It is my goal to help you in all of these areas as I manage your retirement accounts for risk. As I write this newsletter, the stock market is showing some seasonal weakness but still no significant correction – yet. Take good care!!!

What's going on with my grocery bill ?

By: Patricia A. Thompson

Recently at our weekly trip to the grocery store, I picked up a bag of Lays Potato Chips and gasped! Not from the fat content and potential cholesterol damage, but the price! \$4.29. Like most of us, I generally just fill my basket with wants and needs, get to the register and play a little game with my husband called "guess the total". This total is usually more than either of us guess. Since this has been going on for as long as I remember, the reality of actual prices somehow eluded my attention. But \$4.29 for one 13.10 oz. bag of chips!!! Not that I am ready to consider giving up this guilty pleasure. Thus began my research on historical food prices and why as I pointed out to my husband - eating out sometimes is more economical, which incidentally he is still not convinced.

The below listed chart shows average price history on 10 basic items over past 14 years

	White Bread	1 lb Butter	1 doz Eggs	Per lb. USDA choice Steak	per lb Bananas	16 oz Potato Chips	1 lb Choc Chip Cookies	sliced Bacon	per lb Tomatoes	1/2 gal Ice Cream	Total
Sept. 2014 (Kroger)	2.29	4.79	2.19	6.29	0.55	5.76*	3.99	4.99	1.49	5.29*	37.63
*2011	1.41	3.69	1.73	4.46	0.62	4.84	3.22	4.54	2.09	4.92	31.52
*2010	1.37	3.13	1.66	4.28	0.58	4.64	3.25	4.11	1.69	4.47	29.18
*2006	1.08	2.92	1.31	4.00	0.50	3.47	2.88	3.44	1.73	3.75	25.08
*2001	1.00	3.30	0.93	3.50	0.51	3.43	2.44	3.26	1.32	3.70	23.39

**Prices adjusted to accommodate newer smaller packaging sizes . Potato Chips (4.29–13..75 oz) - Ice Cream (4.99 - 1.75 qt)*

Data courtesy of the U.S. Bureau of Labor Statistics. Historical prices were calculated by averaging the monthly price data for the years noted.)

So, just the above 10 items are up \$6.11 from three years ago. It's all thanks to Mother Nature, who has been doing a number on our food supply. Ongoing droughts have bumped up prices for produce and produced a trickle-down effect on meat, since feeding cattle has become costlier. At the same time, a virus has been plaguing pigs across the nation, spiking prices on pork.

Given that California is one of the largest agricultural regions in the world, the effects of any drought are huge. Never mind we don't know what changing weather patterns will bring for the future. About 80 percent of California's freshwater supply is used for agriculture. The cost of fruits and vegetables could soar. Hardest hit would be such annual row crops as tomatoes, broccoli, lettuce, cantaloupes, garlic, peppers and corn. Consumers can also expect higher prices and reduced selection at grocery stores, particularly for products such as almonds, raisins, walnuts and olives. Consider the following:

- 2013 was [the driest year on record](#) for the state of California, and 2014 has been exceptionally dry so far as well. According to [CNBC](#), it is being projected that California farmers are going to let **half a million acres of farmland sit idle** this year because of the crippling drought .
- The size of the U.S. cattle herd has been shrinking for seven years in a row, and it is now the smallest that it has been [since 1951](#). **But our population has more than doubled since then.**
- Extremely unusual weather patterns are playing havoc with crops all over the planet right now. [Peru, Venezuela, and Bolivia](#) have experienced rainfall heavy enough to flood fields and rot crops where they stand. Volcanic eruptions in [Ecuador](#) are also creating problems due to cattle ingesting ash with their feed leading to a slow and painful death. [Parts of Australia](#) have been in drought for years affecting cattle and agricultural production. [Rice production](#) in China has been affected by record low temperatures.
- As food prices rise, our incomes are staying about the same. The following is from a CBS News article entitled "[Food prices soar as incomes stand still](#)"...While the government says prices are up 6.4 percent since 2011, chicken is up 18.4 percent, ground beef is up 16.8 percent and bacon has skyrocketed up 22.8 percent, making it a holiday when it's on sale.

Bottom line for your grocery budget? The USDA expects your food costs minimally will go up 2.8% over last year. Ground beef was \$3.38 per lb. in October, now OMG \$4.99 per lb. Making **six** simple 1/3 lb burgers on the grill \$9.99, not including cheese, lettuce, tomato, buns etc. Current Kroger Folgers coffee (1lb. 13 oz) \$9.69– why? Droughts in Brazil reflected a 35% increase in coffee since November 2013. I guess we're all leaving Kroger with scowls on our faces.

I wish I could come up with a great solution short of "quit eating" as I tell my husband when he begins his weekly food cost laments. Alas I cannot. Check out the internet for great articles such as "Grocery Shopping on a Budget: 10 Ways to Keep Rising Food Costs in Check " posted May 16, 2014 by Christine Ryan Jvoti, among others that may be helpful.

(Source "15 Reason Why Your Food Prices Are About To Start Soaring" taken from internet article Submitted by [Tyler Durden](#) on 02/17/2014)