

# Retirement Readiness Report

Helping older employees get ready to retire successfully

A free report for employers, unions, and pension funds, produced by RetirementWORKS®, Inc.

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Welcome to the thirty-sixth issue of the *Retirement Readiness Report*, offered as a free resource, to help you think about how your organization supports the transition into retirement.

We encourage you to contact us at any time if you have ideas, criticisms, or other comments about this publication, or wish to update your email address (or be added to or removed from the list).

*If you missed issues #1 thru #36:*

They're available at:

<http://www.retirementworks2.com/support.asp?id=newsletter>

*Next month:*

The biggest taboo: Death

## Retiring broke

The majority of people still working today will retire without a traditional (defined benefit) pension plan. Some of them will have substantial balances in 401(k), 403(b), or other pension plans, or in person savings, but most of them will not. Most people will have the promise of Social Security as their #1 asset, home equity as their #2 asset (which may well recover a lot of its value over the rest of this decade), and fairly modest retirement savings as their #3 asset.

And a lot of them will be, effectively, broke. Their personal assets are not going to last the 25 years or more that most of them will live beyond their retirement date. So they either use those assets as a fairly meager supplement to Social Security, or in traditional Baby Boomer fashion, they continue to spend until they truly are broke, and then they have to live off Social Security by itself.

Even if the employees you serve are entitled to pension benefits that are better than average, that solves the problem only for those who have been eligible for these plans for a long stretch of their careers. Employees who retire with modest years of service in their current jobs may still leave with little to take with them.

Fortunately, virtually everyone who has been employed is entitled to Social Security . or if not, they are covered by some other plan (only those who have spent most of their lives unemployed or being paid under the table+have nothing at all in retirement). So few people are literally, totally, broke in retirement.

Still, living on Social Security alone, or Social Security plus only a small supplement from savings, is a big step down from the middle class or upper middle class lives that most employed people currently enjoy. Social Security was always intended to provide a safety net, not a comfortable lifestyle. So, for practical purposes, many people who retire are going to *feel* broke, and for practical purposes, will be.

How do you help people in this situation?

If anything, they are more in need of support than those who are well off. They may need less *advice*, because they have fewer financial options, and therefore fewer decisions to make. But they need education and handholding, so that they can make appropriate choices, and so that they can navigate the emotional stresses that the necessary lifestyle changes are likely to create.

There are three areas where such retiring employees in this group can benefit from help:

- Understanding what their financial situation actually is.
- Understanding what lifestyle choices will help them get by financially, while preserving as much of their old life as possible.
- Learning about techniques and resources to help them stretch their money as far as they can.

Understanding their financial situation means more than a balance sheet of their assets and

debts, and a budget showing their expected retirement income and expenses. It also means a realistic projection of their finances through the whole length of their retirement . and not just a %best case scenario,+but also their possible exposure to financial and health risks, not to mention the possibility of living long lives that make it even harder to stretch their resources for the duration.

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***“If you can hold people’s hands through the transition, or at least prepare them for it, you may very well help them find the rainbow on the other side of that chimerical pot of gold.”***

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Although our company offers an analytical tool of this kind, not everyone needs it. People living beyond their means often don’t need very deep analysis to see that they are soon going to be in real trouble.

Understanding lifestyle choices that might help them out the mess is partly a matter of simply knowing what the options are, and partly a matter of working

through the financial and the personal implications of making such choices. Again, software can help with the financial aspects, but the effects on self and family are highly personal. This is where handholding on your end can be of lasting benefit.

The options retiring employees with inadequate financial resources need to consider are:

- Working longer . either not retiring, or %retiring+from their current job and finding a new one. Or if they are married, perhaps it’s the spouse that is better suited to postponing retirement or going back to work. Unfortunately, it isn’t always easy to find a job (especially right now), and if the retiring employee or the spouse has health issues, continued work might not even be possible.
- Reducing expenses . this might just mean cutting the %fat+out of the budget, but it might mean a lot more than that. Since housing is most people’s largest expense, finding a cheaper place to live (smaller, less fancy, and/or in

a less costly neighborhood) is often the first place to start.

- Finding shared living arrangements . we expect it to become quite commonplace for retired Baby Boomers to share housing and living expenses, which not only can save money for everyone involved, but can also provide companionship and, if needed, some measure of caregiving.

Learning the techniques of frugal living is also important. Most of us waste a great deal of our income: on things we don't need, on things that are better than we need, and/or on things we could have gotten much less expensively or even for free. There is a whole subculture of bargain shopping, swapping, barter, and freebies that most of us don't bother with, but that could save us a bundle. And there are senior discounts on everything from movie tickets to real estate taxes . if you ask for them.

Of course, it's hard to step down from a more affluent to a less affluent lifestyle. The transition can be painful. But once you do it,

and you accustom yourself to the new reality, you can live just as fulfilling a life. It will be fulfilling in different ways, but it is actually true that best things in life are free, and that it's our own attitudes and our relationships with others that mainly determine our happiness in life. Study after study shows that apart from the very poor and the very wealthy (both of which groups are less happy than average), our happiness does not correlate with our finances. And once we have taken that step back, and are finally living within our means, our stress levels fall, and we might even be more content than we were before.

So if you can hold people's hands through the transition, or at least prepare them for it, you may very well help them find the rainbow on the other side of that chimerical pot of gold.

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## Featured Website #1

***What If You Run Out of Money?***  
***(from RetirementWORKS, Inc.)***

[http://www.retirementworks2.com/pdfs/If\\_You\\_Run\\_Out\\_of\\_Money-ALL.pdf](http://www.retirementworks2.com/pdfs/If_You_Run_Out_of_Money-ALL.pdf)

This paper is one of about 20 that appears on the RetirementWorks website, and it is the one that most pertains to this month's topic.

In a reasonably compact space, it covers several key topics:

- Are you really out of money? Many of us have assets that are not in the form of ready cash, but that can be turned to financial account
- Are you entitled to something you don't have? Some of us have assets or the right to receive benefits we are not aware of or have forgotten about. Items to think about and places to look are listed.
- Who can help you? Relatives and friends, government agencies, and churches and other charitable organizations are often nearby and ready to help.
- How can you minimize expenses? Some basic tips, and links to other, more detailed sources, are provided.
- Is your biggest obstacle *you*? Pride or embarrassment may

keep us from asking for help when we need it, and while admittedly not everyone wants to help us when we need it, some people do. But they can, if we don't give them the opportunity.

This paper, and its companions, are not meant to hand your employees all the answers. What they do is to provide an overview of a situation, focusing on how people can think it through, and what they can do about it. Information is also given on where individuals can go for specialized or more detailed help.

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## Featured Website #2

### *Senior Discounts*

<http://www.seniordiscounts.com/>

The motto of this website is "Find the Gold in the Golden Years," along with the tagline "It's what you deserve." A good start!

This site actually has a variety of information to help people in the second half of life manage their finances. But their specialty is discounts on goods and services that people need. What's unique

about them is their database of roughly 150,000 discounts that their members have access to.

There are discounts on everything, and many of them are unique to SeniorDiscounts members. Some apply to people anywhere in the country, others are local. But as a general rule, if you are looking to buy something, or looking for some kind of service, you probably can get a discount on it via this website.

The basic membership is free.

This does not get you access to the database, but you can cruise their News & Articles web pages, and you get a weekly newsletter by email.

Gold+membership, which does give access to the discount database, costs only \$7.95 per year.

This membership also allows you to read other people's comments about businesses and discounts, and to post your own comments, if you want to.

Premium+membership, at \$12.95 a year, gives you all that, plus a membership card that provides access to special discounts (you also get a free copy of their

*SeniorDiscounts Guide Book*).

Anyone 50 years of age or older can sign up.

Their webpage does not say how long they have been in business, but we've known about them for several years, and have even arranged to have one of our software products discounted through them. They appear to be completely on the up-and-up, and your employees should know about them.

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### About RetirementWORKS®, Inc.

We are the consumer subsidiary of Still River Retirement Planning Software, Inc., of Harvard, Mass., which has specialized in retirement plans and retirement planning since 1994.

Our philosophy is that retirement needs to be viewed from the retiree's point of view, in all of its complexity. So we offer the most powerful and useful financial software available anywhere for retirees and near-retirees, and advice concerning non-financial aspects of retirement. But we do not sell any financial products or services other than software, and have no financial stake in any advice that is offered.

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