Closing the Gap

ADDRESSING RETIREMENT SHORTFALLS

RAYMOND JAMES®

Most people approach retirement in one of three ways.

There are those who have looked forward to retirement for years, systematically contributed to their IRAs or 401(k)s, consistently saved, prudently invested and even implemented strategies to counter the impact of rising inflation.

Then there are those who didn't plan quite so carefully, but felt confident that they could rely on the equity in their homes, their Social Security benefits, their retirement accounts and their savings to carry them through.

Many Americans fall into yet a third category: those who didn't give their retirements much thought at all – figuring they'd deal with the issues when they got there.

Regardless of the description that best suits you, take the time to delve deeper into your current retirement plans. Understanding your finances is the first step toward conquering whatever challenges you may face.

Reassess Your Finances and Your Goals

Turbulence in the housing and financial markets, combined with the prospect of rising inflation and longer lifespans, means you must be confident that you can finance your normal living expenses for years to come, as well as handle any health-related issues that may arise.

Given all of those factors, you may determine that your long-anticipated vacation home or trip is temporarily out of reach. However, your core requirements for a secure retirement remain. If after reviewing your needs and goals, as well as your portfolio performance, you and your financial advisor conclude that you have a shortfall and can't afford the goals you previously planned for, you face some decisions.

It may help to realize that you are not alone. Many Americans in their 50s and 60s are delaying – or significantly revising – their retirement plans. In fact, only 13% of workers are "very confident" that they will have the money they need to retire, according to a 2009 study by the Employee Benefit Research Institute.

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If you're not certain that your retirement assets are enough to finance the years ahead of you, you are not alone.

Of workers concerned about their abilities to finance their retirements:

- 81% have reduced their expenses,
- 43% are changing how they invest their money,
- 38% are working more hours or holding a second job, and
- 25% are saving more money.

Source: Employee Benefit Research Institute's 2009 Retirement Confidence Survey

Take a Second Look

Begin by redefining your core objectives. Determine what is essential to you, and what is not, and consider whether there are simple lifestyle changes you can make today that will make your retirement years easier.

If you're still working, start looking for ways to reduce your current spending and save more. Whether the changes are as major as postponing the purchase of a second home or as minor as cutting back on entertainment expenses, redeploy the savings to maximize contributions to your retirement accounts or other investment assets.

You may also want to take another look at spending that perhaps you hadn't previously considered discretionary – such as helping to fund a grandchild's education or donating regularly to a favorite charity. Only when you're once again confident that your portfolio is robust enough to provide a secure retirement should you consider resuming such expenditures. You owe it to yourself to safeguard your own future.

As the money you're saving adds up, work with your financial advisor to ensure that it's allocated effectively. You should be confident that your investments are properly allocated – for instance, that the balance between growth- and income-oriented assets is appropriate and that income will be available to you when you need to access it.

If you find a gap still exists between the amount you need to live and the income your portfolio can consistently generate, you may decide to continue working or return to work, perhaps in a different occupation or on a part-time basis.

> A recent AARP study found that many individuals aged 50 and above obtain a great deal of satisfaction by continuing to work – not to mention additional income.
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> These individuals often take pay cuts and may not receive pension and healthcare benefits, the study found. But, many of the workers surveyed over a 14-year period that began in 1992 said they dealt with less stress and enjoyed the flexible work schedules their new jobs offered.
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> In fact, 91% of those surveyed said they enjoyed their work, a significant increase from the 79% who said they liked their old jobs.

Managing Your Social Security Benefits

If you delay your retirement, you also may be able to postpone accessing your Social Security benefits – benefits that represent about 40% of the average retiree's income in the United States. The longer you wait to take advantage of your Social Security, the higher your payments will be.

The government gives you several options with regard to Social Security. More than two-thirds of eligible Americans choose to take their benefits early – after they reach 62 but before they reach full retirement age. However, if you are still working, and do not need the income, you may instead:

- Wait until you reach your full retirement age before tapping into Social Security or
- Defer Social Security benefits for as long as you want … until you reach age 70, when you must begin taking them.

If you take Social Security between age 62 and your full retirement age, you'll be paid over a longer period, but you'll receive less per payment. Should you defer receiving Social Security, your payments will increase by 6% to 8% for every year that you do not take benefits and reach their maximum when you turn 70.

Taking Action

There are steps you can take to rebuild your assets and strategies you can use to help secure your retirement.

Asserting control over your financial future requires a rational, objective mindset and the recognition that you will likely need to take some proactive steps. Your financial advisor can help explain your options and guide you along the way.

Note: This information is not a complete summary or statement of all available data necessary for making an investment decision. Investing involves risk and investors may incur a profit or a loss. You should discuss any tax matters with the appropriate professional.