## In This Issue...




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# The Bulldog Bulletin

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## Retirement Pitfalls for Baby Boomers

Since the first baby boomer retiree started collecting Social Security payments in 2007, millions more members of this influential generation have said goodbye to the workforce and hello to what they undoubtedly hope is a long and enjoyable retirement. Now, as many as 10,000 baby boomers are retiring every day, according to statistics from the Pew Research Center.

Unfortunately, not all of those eager retirees are totally prepared for their golden years. These unprepared boomers face some big retirement challenges. Fortunately, many of them are surmountable, provided you know what to watch out for. Here are five big retirement pitfalls baby boomers need to guard against.

### Retiring Too Soon

Boomers have seen a lot of changes in the retirement landscape over the course of their lives. Many plan to rely on a mix of pensions, personal savings, and Social Security to support themselves in retirement. Unfortunately, for some, that three-legged stool may be wobbly, failing to provide them with the income they need for decades to come.

A lot of boomers are aware of the gap between their retirement needs and what they have saved. In fact, Pew's study found that 60% plan to delay retirement because they can't afford to stop working. The remaining 40% may be in a better place financially than their peers. Or they may not have given retirement much thought yet. Not carefully projecting your retirement income can lead some people to retire too early, only to find out a few years later that their money doesn't go as far as they had hoped. Smart planning can help avoid this pitfall.

### Spending Too Much

After decades of working, many boomers are eager to spend their retirements indulging in the hobbies

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## Is Saving 10% Enough?

A common rule of thumb when planning for retirement is to save 10% of your gross income during your working years. Since this rule of thumb has been around for a long time, it's logical to question whether it's still an appropriate guideline. Several trends suggest that it is probably on the low side:

- **Fewer individuals are covered by defined-benefit plans.** The 10% guideline anticipated that a retiree would receive a defined-benefit pension as well as Social Security benefits. But a substantial portion of the work force is no longer covered by a defined-benefit pension.
- **The Social Security system will face increasing pressure in the future.** Due to the unprecedented number of baby boomers who will be retiring in the near future, there will be fewer workers to pay the benefits for each retiree.
- **Life expectancies are continuing to increase.** Average retirement ages have been decreasing while life expectancies have been increasing. Thus, the average retiree has fewer years to accumulate savings, but those savings must last for a longer time.
- **Plans for retirement have changed.** Another common retirement planning rule of thumb is that you will need 70% of preretirement income during

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# Retirement Pitfalls

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and adventures they've put off over the years. Given that today's older adults are healthier than ever before, it's not unusual to find retirees living very active — and very expensive — lifestyles. That's great in many ways, but boomers who want to get out and see the world run the risk of draining their bank accounts too soon. That doesn't mean you have to curtail your dreams, but it does mean you should plan for them. If an around-the-world cruise is on the agenda, make sure you've budgeted for it.

## Not Being Smart about Social Security

Sixty-five percent of Social Security recipients get at least half of their income from the program. Even those who are less dependent on Social Security checks still count on that money to get them through retirement. It is an especially valuable source of income since your Social Security payments are consistent and adjusted for inflation.

For those reasons, it's especially important to make smart decisions about when to take your benefits. If you start your claim early, you could lose out on thousands of dollars over your lifetime. Generally, it's better to delay benefits for as long as possible, though there may be times when an early claim makes sense. Given how complicated Social Security can be, it's often best to talk to an expert about how to get the most out of the program.

## Not Planning for Healthcare Costs

A 2014 *Financial Advisor* magazine survey found that 62% of baby boomers are terrified of healthcare costs in retirement, while 72% said it was their number-one retirement concern. They have good reason to be scared. One study found that healthcare costs will eat up 67% of older boomers' lifetime Social Security benefits. Younger boomers may end up spending 90% of their Social Security on health costs. While it can be hard to predict exactly how much you'll need to spend in this area, you can manage the costs by setting aside funds for healthcare (perhaps in a health savings account), purchasing long-term-care insurance, and taking steps to stay healthy.

## Not Emotionally Preparing for Retirement

One of the biggest retirement pitfalls for boomers has nothing to do with money. Rather, it has to do with planning for the emotional changes that come with retirement. Particularly if your life revolves around work, the transition to retirement years can be difficult. While thinking about whether you have enough money to retire is important, you should also think about how you plan to fill your days once you stop working. If you and your spouse are suddenly in the house all day together, that can also be an adjustment.

Before you hand in your notice, look into volunteer work, part-time jobs, and social activities that can fill your days. You may even consider a retirement dry run — taking a few weeks or months off from your job and living as if you were retired to see how you like it.

Make sure you avoid any potential retirement pitfalls by calling to discuss your plan. ❍❍❍

# Developing Financial Goals

Properly designed, your financial goals should provide motivation to help you control spending. Often, individuals develop vague goals such as paying for a child's college education, getting out of debt, or retiring comfortably. Since these goals aren't specific, they don't provide help in deciding how to accomplish them or in determining whether you are making sufficient progress toward reaching them. Keep these tips in mind for your goals:

- ❍ **Set exciting goals.** Your goals should keep you motivated to reduce spending and save for the future. For instance, instead of "saving for retirement," a specific goal would be "retiring at age 60 with $1,000,000 in investments so I can travel and golf." Whenever you're tempted to abandon that goal, visualize what you're saving for.
- ❍ **Make your goals meaningful to you.** Everyone knows they should be saving for retirement, but if you think you're too young to think about it, set another goal that is relevant to you now. When you are getting started, setting goals you're motivated to achieve will help you realize the importance of the goal-setting process.
- ❍ **State your goals in measurable terms.** Quantify your ultimate goals as well as interim goals so you can track your progress. If you need $500,000 in 20 years, how much should you have accumulated after one year, five years, or 10 years?
- ❍ **Prioritize your goals.** If you have more than one goal, you may not have the resources to pursue all of them. Prioritize them so you can work toward those most important to you.
- ❍ **Don't be afraid to set ambitious goals.** Just because a goal is difficult to achieve doesn't mean you should not strive to attain it. It does mean you'll need to develop appropriate strategies and stay disciplined.
- ❍ **Reward yourself when you make progress toward your goals.** To maintain your commitment to goals that can take years to achieve, reward yourself when you reach interim goals. ❍❍❍

## Is Saving?

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retirement. However, that guideline assumed a relatively inactive retirement lifestyle. Increasingly, retirees view retirement as a time to travel extensively or engage in expensive, new hobbies. Thus, more and more retirees are finding little change in their income needs after retirement.

All these trends point to the fact that future retirees will be responsible for providing more of their income for a longer period of time. Thus, you should consider higher, not lower, savings rates. While 10% of income may sound like a lot of money, consider how many years you expect to work compared to how many years will be spent in retirement. Assume you start working at age 22, work until age 62, and then die at age 82. Thus, you work 40 years and are retired for 20 years — for every two years you work, you need to support yourself for one year in retirement. If your retirement expenses don't go down and you don't have a defined-benefit pension, you'll need to save significant sums to support yourself for that length of time.

These stark realities don't mean that you can't retire, just that you need to plan carefully. Thus, you should start saving as much as possible as soon as possible. Waiting even a few years to start saving can substantially increase the annual amount you need to save.

Trying to gauge whether your retirement savings are on track? While there's nothing like going through a thorough analysis, you can take a quick look by adding up all your retirement assets and multiplying that balance by 3% or 4%. This withdrawal percentage should ensure that your retirement assets last for several decades.

If you'd like to discuss your retirement plans and how much you should be saving for retirement, please call. ❍❍❍

# Big Life Changes?

Does your financial plan fit with your current life? If it's more than a few years old, there's a good chance it doesn't. As your income changes and goals and circumstances shift, you need to update your plan accordingly. Here are five times in your life when you may need to make changes to your plan.

**When You Get Married** — Getting married is often the first major life event that leads people to think about updating their financial plan — or getting a financial plan in the first place. Once you get married, you also need to marry your finances. The process should ideally start before you get married as you review your debts and income and talk about your goals as a couple. Together, you should make sure you're on the same page and working together to get to where you want to be.

**When You Have Children** — Having a baby means big changes to your life, including your finances. If one parent will be staying home with the little one, you may need to make adjustments to your budget to account for the reduced income. If you'll be relying on daycare, that's another big expense you'll need to add to your budget.

Other issues to consider include updating your insurance to include new dependents, setting up a college savings account, and making sure you have adequate life insurance.

Finally, if you don't already have one, it's absolutely crucial that you have a will and other estate planning documents so that your loved ones, including your children, are protected.

**When You Change Jobs** — The days of working for one employer over the course of your career are long gone. Chances are you are going to change jobs at least once, if not numerous times, before you retire. To ensure that your career shifts result in steps up on the financial ladder, you'll want to review your financial plan. Making decisions about your retirement savings is paramount (such as whether you'll roll your money over to a new employer's plan or an IRA), but you'll also probably want to think about issues like insurance, other benefits, and taxes.

**When You Get Divorced** — It may not be a happy change, but divorce is a reality for many people. If your marriage ends, a financial checkup is a must. Your income will probably be changing, which may necessitate changes in your budget. You'll also need to think about changing the beneficiaries on your retirement and insurance plans, developing a new savings strategy, and more.

**When You Retire** — When you stop working, that doesn't mean your financial plan is off the hook. As you prepare for this major life change, you'll need to make sure you are prepared financially for life after full-time work.

This includes creating a retirement budget that fits your lifestyle and a plan for drawing down your savings in a responsible way. You'll also want to think about issues such as where you will live, end-of-life care, and estate planning.

If you've experienced a big life change recently and need financial guidance, please call. ❍❍❍

## Financial Data

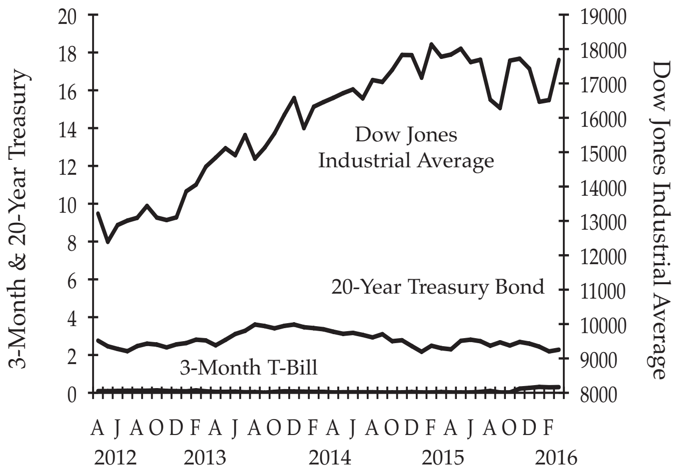
| Indicator | Month-end Jan-16 | Feb-16 | Mar-16 | Dec-15 | Mar-15 |
|---|---|---|---|---|---|
| Prime rate | 3.50 | 3.50 | 3.50 | 3.50 | 3.25 |
| Money market rate | 0.27 | 0.25 | 0.26 | 0.27 | 0.42 |
| 3-month T-bill yield | 0.31 | 0.29 | 0.30 | 0.26 | 0.04 |
| 20-year T-bond yield | 2.44 | 2.19 | 2.28 | 2.60 | 2.36 |
| Dow Jones Corp. | 3.40 | 3.25 | 3.04 | 3.43 | 2.83 |
| 30-year fixed mortgage | 3.25 | 3.11 | 3.24 | 3.58 | 3.34 |
| GDP (adj. annual rate)# | +3.90 | +2.00 | +1.40 | +1.40 | +2.20 |

| Indicator | Month-end Jan-16 | Feb-16 | Mar-16 | % Change YTD | 12 Mon. |
|---|---|---|---|---|---|
| Dow Jones Industrials | 16466.30 | 16516.50 | 17685.09 | 1.5% | -0.5% |
| Standard & Poor's 500 | 1940.24 | 1932.23 | 2059.74 | 0.8% | -0.4% |
| Nasdaq Composite | 4613.95 | 4557.95 | 4869.85 | -2.7% | -0.6% |
| Gold | 1111.80 | 1234.90 | 1237.00 | 16.5% | 4.2% |
| Consumer price index@ | 236.50 | 236.90 | 237.10 | -0.1% | 1.0% |
| Unemployment rate@ | 5.00 | 4.90 | 4.90 | -2.0% | -10.9% |
| Index of leading ind.@ | 123.40 | 123.10 | 123.20 | -1.1% | 1.7% |

# — 2nd, 3rd, 4th quarter @ — Dec, Jan, Feb Sources: *Barron's, Wall Street Journal*

### 4-Year Summary of Dow Jones Industrial Average, 3-Month T-Bill & 20-Year Treasury Bond Yield

April 2012 to March 2016




Past performance is not a guarantee of future results.

# News and Announcements

### Protect your Financial Security

One of your first financial goals should be to protect your family's financial security from major catastrophes. To do so, consider these four items:

❍ **A cash reserve for short-term emergencies, such as a temporary job loss, major home repair, or large medical bill.** A common rule of thumb states that your cash reserve should equal two to six months of living expenses. However, how much you'll need depends on your age, health, job outlook, and borrowing capacity. You may need a larger reserve if you expect to be laid off or lose your job, you are the sole wage earner in the family, or your income fluctuates.

❍ **Adequate insurance in all major areas.** Your insurance needs will change over the years, so you may find yourself with too much or too little coverage. Thus, periodically review your life, disability, medical, and homeowners insurance. Don't overlook disability income insurance, which can be very important if you can't work due to an illness or injury. Make sure your coverage replaces 60% to 80% of your income, cannot be canceled, and pays partial benefits when you can't return to work full-time.

❍ **Umbrella liability insurance to protect against major lawsuits.** Umbrella policies are purchased in $1 million increments and kick in once limits of your homeowners and automobile policies are exceeded. In addition to the items covered by those policies, an umbrella policy typically covers damages from use of nonowned property in your possession and from lawsuits for libel, slander, defamation of character, and invasion of privacy.

❍ **A power of attorney.** A power of attorney gives an individual you designate the power to act on your behalf when you are incapacitated, allowing him/her to take over your finances and make investment decisions. ❍❍❍ FR2015-1113-0007