



“The question isn’t what age I want to retire, the question is at what income?”

George Foreman
Champion Boxer and Entrepreneur

The Retirement Readiness Test – Would You Pass?

Earlier this year, the Employee Benefit Research Institute published its annual Retirement Confidence Survey which confirmed what all other similar surveys have concluded: 1) Americans are living longer; and 2) they don’t have anywhere near enough saved for retirement. The sad truth is that Americans do almost no thinking about **what kind of retirement they want**. They mistakenly assume that Social Security is a retirement program when in fact it is only a supplemental retirement program. The three pillars of an effective “retirement strategy” are: **Social Security, a company and/or government pension, and private savings/assets**.

■ **The Moment of Truth**

- Baby Boomers will be working longer – perhaps well into their 70s+
- Pensions are going away – IBM stopped providing pensions to new employees years ago
- Benefit reductions are on the rise – they are simply too expensive for companies to offer
- Private savings are dwindling – 57% of workers have less than \$25,000 in cash savings and investments (excluding home and pension benefits)
- Savings levels are down - Only 66% of households, down from 75%, are savings anything for retirement
- People are living longer – a retired male will live on average to 85, a female to 87

■ The Banta Retirement Readiness Test – Is Your Answer “Yes” to All Five?

1. Are you really going to spend less when you retire?

- **Fact:** Research shows that in the early years of retirement people are actually spending more even though their fixed costs are often lower.
- **Solution:** Treat your “free time” as an opportunity to invest in value-added activities maintaining the discipline of managing your expenses the same way you did when you were working full time.

2. Do you really need that much money in bonds when you retire?

- **Fact:** 60% in stocks and 40% in bonds as you approach retirement and then transition to an 80% allocation of bonds upon reaching retirement – this old allocation formula is no longer relevant or successful because of the current low interest rate environment.
- **Solution:** Recognize that the old formula was based on your parents who only lived ten years into their retirement. Ensuring that you **have exposure to growth** in your portfolio is essential towards outpacing inflation and income demand.

3. Are you being mindful of inflation?

- **Fact:** As noted above, you will live longer and you must hedge against inflation.
- **Solution:** Your portfolio should have assets that include growing income for the practical purpose of continuing to increase your purchasing power.

4. Are you underestimating healthcare costs?

- **Fact:** Medicare will not cover all of your healthcare costs. When you are older, you will need healthcare like you hadn’t before. Medicare payments will depend on the type of treatment you receive and it doesn’t cover dental, vision and hearing. Your healthcare costs could be as high as \$250,000 a couple in your retirement – not including skilled nursing.
- **Solution:** Understanding how the Medicare system works plus the various supplemental Medicare and private programs (Long Term Health Care LTC) are essential. Healthcare must be part of your overall retirement strategy.

5. Are you prepared psychologically for retirement?

- **Fact:** For many people, your work is your identity. When you stop working, your identity is challenged. This can be a strain on your marriage, your relationships and your own emotional being.
- **Solution:** Again, thinking long-term is important. Reassess your hobbies, the time you spend with your spouse, and your interests. Finding value-added activities whether working part-time, volunteering and of course staying fit are all part of your emotional well-being.

■ How to Pass the Retirement Test – The Banta Plan

At Banta Asset Management we remain deeply committed to helping you **finish strong** and the “test” above is meant to help you do exactly that – it’s that simple. Retirement is a very important phase of life and we believe

that it should be a celebration of your hard work. We encourage you to stay connected with us to ensure that your portfolio is aligned with your retirement goals. **Here are five things to consider:**

1. You must have a plan – “people don’t plan to fail, they just fail to plan”
2. You must create a budget – know your expenses now and in the future
3. You must have income when you retire – evaluate your income sources well into the future
4. You must manage debt – think of debt as money not saved
5. You must take care of yourself – your overall well-being comes first before anyone else’s

Everyone’s retirement goals, resources and strategies are unique. We look forward to helping **you** refine and strengthen **your plan** to finish strong.

With continued confidence,

Banta Asset Management