



Commencement:

The Over 55 Graduation Exercises

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The over 55 graduation exercises



Teresa Bear

Q – I’m retiring soon – Yey! How do I replace my paycheck?

A - Commencement. As I write this article on Memorial Day weekend, I am pensive. Three days ago, I watched my one and only son walk across a stage to accept his high school diploma. No doubt many of my readers have done the same and experienced some of the same emotions that I did – pride at the man that he has become – mixed with anxiety for the path that lies ahead and sadness that this person who has been a huge part of my life will soon be leaving me behind to find his own way, start his own career and someday – maybe – his own family.

Commencement – according to the dictionary has meaning beyond receiving a diploma.

com•mence•ment (kə'mens mənt) an act of commencing; beginningⁱ

As I think about this weekend’s activities, it seems as if retirement is a bit like graduation.

First of all, it is an end - and a beginning. It’s a little frightening because there are seemingly endless choices. A new high school graduate may look for a job or pursue an education – and there are hundreds of college majors that weren’t even around when we were graduating from high school. A retiree also has choices to make. “What will I do with that 40+ hours a week that used to be devoted to work?” “Where will I live?” “Will I travel?” “Will I now be able to spend time with my grandchildren?”

Of course, financing is also a challenge. In the past, Certified Financial Planners™ have often used a three legged stool for an analogy for the three sources of retirement income – pensions, Social Security and personal savings. I was contemplating how college funding is remarkably similar.

Some retirees are lucky enough to have pensions to reward them for past hard work. Students are likewise rewarded with scholarships for hard work. My son worked hard to earn two scholarships to help pay for college next year.

For students, the second leg of their funding is from the government. Those grants and loans will help contribute to his education – and some day turn him in to an upright tax paying citizen of the US. Similarly, retirees are receiving the Social Security benefits that they have worked a lifetime to earn.

The final leg of financing both retirement and college is that wildcard – personal savings. After performing an analysis, the student aide office came up with a number entitled “expected family contribution” – which means the money that we need to fund James’ tuition out of our pockets. Similarly, retirees have that same issue – funding retirement income from their savings and investments.



*James Bear graduated on May 24, 2013
From the New School for Arts and
Academics In Tempe, Arizona*

The good news about college is that (hopefully) we only need to fund James' education for 4 years (right now having only one child seems to have been a good decision). However, according to statistics, for a 65 year old married couple, one spouse will be living 27 years in retirementⁱⁱ! Assuming your annual income needs in retirement are the same as that "expected family contribution", that would be equivalent to putting 7 children through college!

Regrettably, one of those funding options for retirement – pensions - is not available for many retirees. In 1985, 89 Fortune 100 companies had pension plans – now only 11 of them doⁱⁱⁱ. Social Security payments have not increased to offset that loss, so more and more retirees will have an increased burden of funding their own retirement.

The lesson here is that we may be on our own going forward. Within a couple of decades, the majority of our retirement income may result from our own planning, saving, investing and purchasing insurance policies to protect our income in retirement. Many retirees use annuities to fill that gap. To find out more, either send me an email or visit <http://www.jcgrasonmesa.com/retirement-planning/income-maximization> to download our FREE booklet entitled "Annuity Owner's Manual - The Proper Use of an Annuity in a Retirement Income Portfolio".

Commencement. When our retirement commences, we enter a new phase in life. My wish is for all of my readers to enjoy their graduation from work.



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ⁱ Random House Kernerman Webster's College Dictionary, © 2010 K Dictionaries Ltd. Copyright 2005, 1997, 1991 by Random House, Inc.

ⁱⁱ "Male/Female Joint Life Expectancies Based on Annuity 2000 Mortality Table" PG Calc, 2005 www.pgcalc.com/pdf/twolife.pdf

ⁱⁱⁱ "Are Pensions Dead?" at The Motley Fool, March 30, 2013