

COULD Assumptions HARM YOUR RETIREMENT PLAN?

Two Common
MISCONCEPTIONS
To Think About

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#1) ASSUMING RETIREMENT WILL LAST 10-15 YEARS

Historically, retirement has lasted about 10-15 years for most Americans. The key word here is “historically.” When Social Security was created in 1933, the average American could anticipate living to age 58 as a man or 62 as a woman. By 2014, reports indicated life expectancy for the average American had increased to 78.8.^{1,2} So assuming you’ll only need 10 or 15 years worth of retirement money could be a big mistake.

In 2014, the Centers for Disease Control and Prevention’s National Center for Health Statistics said that the average 65-year-old American male can expect to live to nearly 83. The average 65-year-old American female has an average life expectancy of 85.5.²

#2) ASSUMING TOO LITTLE RISK

Holding onto your retirement money is certainly important; so is your retirement income and quality of life. Over the last few decades, we have had moderate inflation (and sometimes worse, think 1980). What happens is that over time, even 3-4% inflation gradually saps your purchasing power. Your dollar buys less and less. If your income doesn’t keep up with inflation – essentially, you end up living on yesterday’s money.

As you retire, you may assume that an extremely conservative approach to investing is mandatory. But given how long we may live - and how long retirement may last - growth investing may be important.

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1 – www.ssa.gov/history/lifeexpect.html [1/28/14]

2 – www.usatoday.com/story/news/nation/2014/10/08/us-life-expectancy-hits-record-high/16874039/ [10/9/14]

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