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Retirement myths

Many factors play into what we need for the golden years

BY KAREN L. MILLER
READING EAGLE

RETIREMENT is shrouded in mystery for so many people.

"How much will I need to save?"

"When can I retire?"

"Will Social Security be enough or will it be there at all?"

Add to those questions are myths we commonly hold about retirement, such as:

"I'll just live on Social Security."

"We'll have enough."

"I'll just stay at my job and keep working. I'll never retire."

But local financial experts who work with prospective retirees every day say they see a lot of myths that get in the way of people getting to their goal in their golden years.

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Here's what they have to say:	MYTH	TRUTH
 **Michael P. Butterworth** M.P. Butterworth & Associates, Kenhorst	"Social Security will not be around when I retire. The government will provide for my care if I get sick and I can give my assets away to my children."	"People will continue to retire — either by choice, health reasons or company downsizing. The ones that save, invest wisely and plan for a rainy day will prosper."
 **Virgil A. Kahl** Spring Ridge Financial Group, Spring Township	"I think the biggest myth is that you will only need 70 percent to 80 percent of your income in retirement."	"Conservatively speaking, your cost of living in retirement will double within 20 years or less. Therefore, those depending on Social Security and pensions alone, will need a sizeable nest egg to help supplement their income. A retiree has little control over many things in retirement: rising health care costs, increased income and real estate taxes, utilties and food."
 **Jay R. Kemmerer Sr.** Berkshire Advisors, Wyomissing	"A 65-year-old retiree needs 65 percent of assets in bonds."	"The 'Own Your Age' (65 percent in bonds at 65) in bonds strategy may not be the most suitable allocation model currently due to the low interest rates and high bond prices. As interest rates rise, bond values decrease. A broader mix of blue chip dividend paying equities may help replace some of the income needed from bonds in a low interest rate environment. Rebalancing one's portfolio during retirement remains critical if you want to outpace inflation."
 **William A. Morgan** Herbein Wealth Management, Spring Township	"If I run out of money in retirement, the government will pay for my nursing home costs."	"It may now but will it be able to continue in the future?"
	"My spouse will be fine with the life insurance provided by my employer if I die before retirement age."	"Most people are sadly underinsured and would leave their spouse in terrible financial condition if they died prematurely."
	"I'll spend what I want to spend in the early years of retirement when I can enjoy it. I'll worry about running out of money if that ever happens. I'll probably die young anyway."	"This is not a very good plan if you do live a long life, which is certainly more commonplace today."
 **James L. Adams** Adams & Associates, Blandon	"When illness strikes, let's just change the ownership on our assets and sign everything over to the kids so the nursing home doesn't take all your money."	"Life can change in a heartbeat. Government programs are stretched to breaking. There will come a time when we will need help from someone else to get to the store, get dressed, maybe even sign our name. A solid retirement plan includes a plan for paying for long-term health care."
 **J. William Bargfrede** Fleetwood Bank	"A myth that I often hear is that folks will be able to make do with what they have at retirement. Yet we see people working later and later in life today. The savings plans and investments in place now may not be adequate to support the lifestyle many are accustomed to."	"The fact is many things have changed over the course of our careers such as changes in traditional pension plans and retiree health care benefits, etc. I believe one needs to be more prudent and better prepared with a plan for the future and retirement."

Savings ratio

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Focusing on amassing a huge, specific amount of savings by the time you retire can be daunting and perhaps unrealistic.

Some retirement experts recommend targeting reachable milestones along the way as incentives to save more.

A formula developed by financial adviser Charles Farrell focuses on building a nest egg that's 12 times your pre-retirement income. Combined with Social Security, that amount should generate roughly 80 percent of your annual salary before retirement.

Here are guidelines for Farrell's capital-to-income ratio, detailing how much savings you should have as you move toward retirement:

Ages	Times your income
25	0.1
30	0.6
35	1.4
40	2.4
45	3.7
50	5.2
55	7.1
60	9.4
65	12