

TIPS FROM YOUR FINANCIAL COACH

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The Biggest Financial Pressures Facing Retirees (and How to Plan for Them)

Retirement is a time for pursuing your passions, reaping the fruits of your life's work and making the most out of your newfound leisure and freedom. But there are many financial challenges and pressures that need to be faced before making big retirement dreams become a reality.

1. There Are Fewer Retirement Benefits Than Ever Before

Retirement benefits looked different in decades past than they do today. Before the 1980s, employers helped fund their employees' retirements through pension plans. Today, few companies outside of the public sector offer pensions, and most that do are closing their plans to new employees. Some have even seen their promised pensions reduced or frozen. Retirement benefits are not what they used to be, but there are actions you can take to get the most out of your existing benefits and create new options.

Maximize Your Social Security Benefit

For Social Security, having a strategy is essential for maximizing the benefit. Some ways to get the best benefit include:

- Taking inventory of your health history, expected longevity, and lifestyle
- Selecting the optimal retirement age for your unique situation
- Accounting for other income streams and savings (such as pensions, a 401(k), an IRA, a bank account balance, an investment account, etc.)
- Understanding the tax implications of your other income streams (and how to reduce taxes where you can)



Keep an Eye on Your Pension

If you were promised a pension, congratulations! But some people may experience a freeze, where employers will no longer provide pension credit for future years of work. If this is your situation, talk to your company's human resources department to help calculate what your new payments will look like. Ask if they offer anything to help compensate for the money you were not putting away for retirement (for example, a buyout option).

2. Health Care Costs Are Rising

Most people have a greater need for health care as they age—and it can get expensive quickly. In fact, it is one of the largest and most costly expenses you will need to consider during retirement. As baby boomers age the number of Americans over 65 will grow dramatically. This will spur a rise in demand and drive up the cost of healthcare. The Centers for Medicare and Medicaid Services projects that health care costs will rise to an average of 5.4 percent every year until 2028.¹

In addition, people who reach age 65 are likely to live longer than ever before — in fact, about six years longer than their grandparents on average — prolonging the time that they require medical care.² Health care needs arise whether we like it or not, but you can prepare yourself.



Open an HSA Account

If you are on a high deductible health insurance plan, consider opening a Health Savings Account (HSA). HSAs offer unrivaled tax efficiencies. They allow you to contribute pre-tax dollars that can be used towards current or future medical expenses. The money in the account carries over every year—even after you retire. After a certain threshold, the pre-tax dollars in the account can be invested in securities, and essentially serve as another IRA.

Look into Tax Deductions

You may be able to deduct unreimbursed medical expenses on your tax return. This strategy usually works best for people who require a lot of expensive health care services and medications.

3. You May Need to Financially Support Others

Many people do not just need to support themselves during retirement, but others, too. Whether you are financially assisting an adult child, aging parents who are no longer self-sufficient, a family member in need, or a combination of these, caring for those that rely on you can impact your retirement. Have conversations with your loved ones now—even if it is uncomfortable. Gathering documentation and developing a plan while your loved ones are still healthy will better prepare you to care for them later.

With the Right Plan, You Can Be Confident in Your Retirement

At first glance, these pressures on your retirement may seem overwhelming, but no obstacle is insurmountable—especially if you have the right team on your side. With a comprehensive financial plan, you can enter this exciting phase of life armed with the resources and information you need to thrive.

Please reach out to a member of your Tri-Star team if you have any questions about your retirement plan or you would like help solidifying your financial future.

1. "National Health Expenditure Fact Sheet." Centers for Medicare and Medicaid Services, 2020. December 16. <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NHE-Fact-Sheet>.

2. Zuo, Wenyun, Sha Jiang, Zhen Guo, Marcus W. Feldman, and Shripad Tuljapurkar. "Advancing Front of Old-Age Human Survival." PNAS 115 (44), 2018. doi: <https://doi.org/10.1073/pnas.1812337115>.

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