

You Have to Plan to Live Longer in Retirement

Every day we hear new stories about the financial crisis facing older Americans. More and more retirees find themselves pinched by lower interest rates, falling stock prices, market jitters, and corporate malfeasance. It seems like every time you think things can't get any worse, something else comes along to make the situation even more precarious. And while the current state of affairs is certainly cause for concern, today's retiree's also need to stay focused on the long term.

"One of the biggest mistakes people make," says financial educator, author and retirement planning expert Paul Grangaard, "is to plan for average life expectancies in retirement. People are living much longer today than in the past," he says, "and they have to plan that way too." Grangaard has been educating financial professionals for over ten years, and recently decided to take his message about managing money during retirement directly to consumers.

"Never before have so many people retired so early, lived so long, and been so completely on their own," notes Grangaard. "The aging of America and the accelerated growth in self-managed retirement accounts like 401(k) plans and rollover IRAs has set the stage for a national financial catastrophe," he says. In his books and presentations he guides older investors through the Twelve Principles of Twenty-First-Century Retirement Investing, and demonstrates how to protect yourself from the kinds of turmoil we see so frequently in the markets today, and from the real possibility of running out of money too soon.

Grangaard sites a U.S. Bureau of the Census study entitled "65+ in the United States" to support his belief that the growing population of older Americans needs to know how to make its money last a lot longer. According to the study, the "old-old," or those over the age of 85, are the fastest-growing segment of the population, and "recent improvements in the chances of survival at the end of the age spectrum have emerged as the most important factor in the growth of the oldest old."

The report goes on to say that "the average expectation of additional years of life at age 65 has increased by 46 percent between 1900 and 1991." In fact, it shows that the number of 65-year-olds in 1940 who lived to be at least 90 years old was only 7 percent. By 1960 it had doubled to 14 percent. It almost doubled again to 26 percent by 2000, and it is expected to increase to 42 percent by 2050.

"And yet, many retirees continue to plan as if they are only going to live to an average age of 85—which is clearly a dangerous strategy for many of them," says Grangaard. "We all have to plan to live longer than average—or about half of us will be planning to run out of money too soon—we just don't know which half."

Among the strategies he recommends are "Principle #1, Expect to Outlive the Averages," which delves into this whole issue in much more depth, and "Principle #2, Adjust for Changing Income Needs," which discusses, among other things, the importance of

protecting yourself against inflation during all these years of retirement. “In fact,” says Grangaard, “inflation, even at the modest rates we’ve seen in the past few years, is one of the biggest challenges facing retirement investors—because even at today’s lower rates, over 25- or 30-year retirement periods, inflation can be absolutely devastating.” He goes on to say that a typical retiree will have to double or triple their income over a normal 30-year retirement period, just to maintain a similar lifestyle. And, if they use a slightly more conservative inflation rate, they will probably have to do even better than that.

“The bottom-line for today’s retirees,” says Grangaard, “is that they have to plan to live longer while protecting themselves against inflation the whole time.”

The good news is that despite what’s been happening recently, it’s never too late to start improving your financial situation. “You can take control of your future and start recovering today,” says Grangaard, “while also keeping a watchful eye on the future.”

You can learn more about The Grangaard Strategy® approach to retirement planning, and educational events being offered in your area, at www.TheGrangaardStrategy.com. Paul Grangaard can be reached at paul@pagrangaard.com or by telephone at 651-917-0139.

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