**14 Key Signs You Will Run Out of Money in Retirement**

***An accurate budget is the foundation for a happy retirement.***

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You don’t want to go broke in retirement. Despite all your preparation, however, you might discover that your retirement is going to cost more than you planned. First and foremost, you need to become aware of the reasons that the budget you have in mind could be smaller than it needs to be. If you’re worried about having enough

money, check out the signs that you might not be saving enough for retirement.

Are You Retirement Ready?

# You Don’t Have a Long-Term Care Plan

You could quickly run out of money in retirement if you need long-term care but didn’t have a plan to pay for it. More than half of adults turning 65 today will need

long-term care and about 1 in 7 will need care for more than five years, according to the Department of Health and Human Services.

If you receive care in an assisted living facility or nursing home, you’ll have to shell out big bucks. The average annual cost of care in an assisted living facility was

$48,612 in 2019, according to the Genworth Cost of Care Survey. The annual cost of a private room in a nursing home is over $102,000.

“Even the wealthiest people are at risk if they have a lot of long-term care expenses,” said Dave Littell, professor emeritus of taxation at The American College.

# You Underestimated Your Life Expectancy

Your retirement could easily be more expensive than you thought if you live a lot longer than you expected you would. About 1 in 4 65-year-olds today will live to age 90, according to the Social Security Administration.

If you saved enough to cover expenses for 20 years in retirement but end up living for 30 years in retirement, you’ll have to find a way to stretch your savings for another 10 years.

# What To Do

You can use several strategies to be financially prepared for long-term care, Littell said. Options include getting a long-term-care insurance policy or hybrid life insurance policy that will pay out if you have a long-term-care event. Another option is a longevity annuity, Littell said.

This is an insurance product that requires a lump-sum investment and will provide a steady stream of retirement income. But, you have to wait several years or until a certain age to start receiving your payout. As a result, “you can’t time it exactly with a long-term care need,” Littell said. Ideally, you should meet with a financial planner who specializes in long-term care planning to help you devise a strategy, he said.

# What To Do

Littell recommended using the life expectancy calculator at Livingto100.com to get an estimate of how long you will live based on your health and family history. To reduce the risk of outliving your savings, you shouldn’t rely on just one source of income in retirement.

You should also have a portfolio of diversified investments in a retirement account from which you can withdraw money over time. Additionally, you should take a

balanced approach by having a source of lifetime income such as an annuity if you won’t have a pension, Littell recommended. Limit withdrawals to about 4% annually to ensure your nest egg lasts long enough.

# You Didn’t Plan for High Healthcare Costs

You know you’ll need to pay for healthcare in retirement. But you might not realize how high that expense will be.

“When I tell clients in their 40s that basic healthcare costs in retirement are currently more than $250,000, they about fall out of their chair,” said Brandon Hayes, a certified financial planner with oXYGen Financial in Atlanta. In fact, retirees can expect to spend even more than that. Fidelity Investments estimates that a 65-year-old couple retiring in 2019 would need $285,000 to cover medical expenses in retirement.

# What To Do

When calculating how much you need to save for retirement, be sure to figure in healthcare costs, which could be drastically higher than what you’re paying now. “Also, don’t overlook small items like prescription co-pays for those who have diabetes and other health issues that require years of medication, which certainly won’t end in retirement,” Hayes said.

When you’re in retirement, compare Medicare options to make sure you get the right plan for your needs. It can be worth spending more on the premium for a comprehensive Medicare Advantage plan or supplemental Medicare plans to get better coverage and reduce out-of-pocket costs, Littell said.

# You Didn’t Take Inflation Into Consideration

When you’re working, you might not feel the impact of inflation if your wages are rising along with prices. So, you might not factor inflation into your retirement savings calculations.

“On average in the USA, we see that the prices of goods and services rise by 3% per year,” said Michael Hardy, a certified financial planner and vice president at Mollot & Hardy in Amherst, New York. “This means that over a 20-year time period, your

$100,000 of retirement savings will likely be worth in terms of buying power 60% less.”

# What To Do

If you didn’t factor inflation into your retirement calculations, you might have to save more than previously projected, Hardy said. “I find that most people fail to account for this change and it ends up costing them dearly years later.”

In addition to saving more to prepare for inflation, consider delaying Social Security benefits. You can maximize your Social Security benefit by waiting to claim it until age 70. Not only will your monthly check be bigger, but the Social Security Administration’s cost-of-living adjustment — which helps benefits keep up with inflation — will be applied to that bigger payout. “Now a greater proportion of your income will be inflation-adjusted,” Littell said.

# You Didn’t Factor In Big-Ticket Items

One of the things you need to do before you retire is to create a post-retirement budget to estimate your expenses and how much income you’ll need to cover them. However, you might end up spending more than expected in retirement if you don’t factor in

big-ticket items into your budget along with regular expenses, Littell recommended.

# What To Do

It’s easy to overlook expenses such as a new car or home repairs when creating a retirement budget. That’s a mistake. “When you’re building your retirement budget, make sure you pay attention to those things as well,” Littell said.

Make a list of big-ticket items you’ll likely need to pay for in retirement and an estimate of how much they’ll cost, then build an emergency fund in a savings account that’s big enough to cover those expenses.

# You Changed Your Spending Habits

Your retirement budget projections might also be off if your spending habits change. “You might be a penny pincher now, but when you retire, that could all change,” said Neal Frankle, a certified financial planner and founder of the financial blog Wealth Pilgrim.

For example, many retirees end up spending more money in retirement to keep themselves entertained. “Shopping and eating out become their way to remain social,” Frankle said.

# What To Do

Look for free and low-cost ways to stay active and connected with others in retirement. “This is one great reason to join book clubs and volunteer in the community,” Frankle said. “They cost you nothing yet provide great interaction.”

There are plenty of other free ways to stay busy after retirement. You can take walks or hike, research your family’s history or take advantage of free community events.

# You Loaned Money to Your Kids

You could end up spending a lot more in retirement than expected if you lend money to your children. “I know that it’s very difficult to say no to our kids,” Frankle said. “But if you are going to help them out, you have to do so judiciously.”

If you’re not careful, you could run out of money. “I have a number of clients who were forced back to work because they didn’t put a limit on the support they provided to their kids,” Frankle said.

# What To Do

Having a solid financial plan will help you understand the risks of raiding your retirement savings to help your kids. “Your retirement security depends on the balance you create between your retirement income, assets and spending,” Frankle said. “If you spend down your assets by making loans to the kids, you might not have sufficient assets to create the income you need to stay retired.”

You’ll realize this if you have a plan, he said. Without one, you’ll have trouble establishing boundaries when it comes to your kids’ requests for money.

# You Spoiled Your Grandkids

It’s easy to fall into the trap of overspending on grandchildren. “Who doesn’t want to spoil the heck out of their grandchildren, especially when you don’t have to change the diapers?” Hayes said.

Grandchildren can bring so much joy, but they also can threaten your nest egg if you travel frequently to see them, take them and their parents on vacation, pay for their college tuition or move to be closer to them, Hayes said.

# What To Do

Have a plan for what you’re willing to pay for before any grandchildren are born. “This protects everyone from the ‘cute’ factor of seeing that baby’s smile for the first time and then sacrificing your own financial freedom in retirement,” Hayes said.

Also, make sure your children know what expenses you’re willing — or not willing

— to cover. This is especially important when it comes to education costs. “Make this clear to your children so they can focus on their own financial plan and know what to expect in the future,” Hayes said.

# You Didn’t Take Taxes Into Consideration

You might not realize how big of a bite taxes will take out of your retirement income. For example, you’ll have to pay income taxes on withdrawals from a 401(k) or IRA. So if you need $50,000 a year to cover expenses, you’ll have to withdraw even more to cover the tax bill. If you don’t take taxes into consideration, you could go through your savings quicker than you expected.

# What To Do

A 401(k) is a tax-deferred account because contributions are made from your paycheck before taxes. The money grows tax-free, but you have to pay taxes on withdrawals at your regular income-tax rate. A Roth IRA is a tax-free account because you can withdraw money tax-free in retirement.

“You can reduce the tax bite on your retirement income by saving in a combination of taxable, tax-deferred and tax-free accounts,” said Mark Wilson, president of MILE Wealth Management in Irvine, California. For example, a taxable account would be an account with a brokerage company where you invest in stocks, bonds or mutual funds.

Contribute after-tax dollars to this sort of account. But, when you cash out your investments, you’ll pay the capital gains tax rate, which is typically lower than the regular income tax rate. If you have a traditional IRA, consider converting it to Roth IRA in early retirement for a source of tax-free income, Wilson said.

# You Didn’t Consider Fees

Retirement can cost more than expected because of the high fees people are paying on investments and retirement accounts. Somebody with $100,000 in a retirement account and terms of 2.5% over 30 years would be paying about $40,000 more in fees over that time than if the fees on their account had been just 1.5%.

“This could ultimately take a huge chunk out of your retirement savings over a long period of time,” Hardy said.

# What To Do

Check your retirement account statements to see what fees are being charged. If the investments you have chosen have high fees, it might be time to switch. “We advocate for the average investor to have a passive, low-cost retirement portfolio to protect from the loss of value over time from fees,” Hardy said.

If your retirement account offers low-cost index or target-date funds, consider those. An index fund is a mutual fund that tracks the performance of a major index, such as the S&P 500. A target-date fund reduces the risk in your portfolio by shifting from stocks to bonds as you near retirement.

# You Got Divorced

Many people aren’t prepared for this scenario. “One sure way for retirement to cost a whole lot more than you’d planned on is to lose half of your retirement savings in a divorce,” said Timothy R. Sobolewski, a certified financial planner with the Financial Planning Center in Amherst, New York.

“Frequently, a marriage fails as people near retirement age, making the problem even worse,” Sobolewski said. “Armed with no skills that might have sustained a healthy marriage and no planning for the often unforeseen divorce, their hoped-for retirement will suffer greatly.”

# What To Do

One way to avoid some of the financial fallout from a divorce in retirement is to have a prenuptial agreement. However, that might not be an option if you’re already married, Sobolewski said. In that case, consider spending some money now on counseling to avoid the bigger cost of divorce down the road.

# You Took On New Debt

Ideally, you’ll have paid off all debts — including your mortgage — before you retire. But taking on new debt in retirement by living beyond your means is a recipe for disaster.

“You can’t run away from debt in retirement,” Greg DuPont, a financial planner in Columbus, Ohio, told Business Insider.

# What To Do

If you take on new debt in retirement, be sure you are taking proactive steps to pay it down as soon as possible. One option is to refinance if lower interest rates are available. Another option is debt consolidation, which can be useful if you have multiple high-interest-rate debts. You should also try cutting down on spending to have more money to dedicate to paying down debt and should consider taking on a side hustle to bring in income in retirement that can be used specifically for paying off your debts.

# You Withdraw Too Much Money Each Year

Conventional wisdom dictates that you should plan to withdraw 4% from your nest egg each year, but this might actually be too much. A Morningstar study found that with a 4% withdrawal rate, there was only a 50% chance that funds would last for a 30-year period in retirement. The amount you should withdraw will depend on the size of your nest egg and economic circumstances, so don’t just follow a blanket rule and assume your withdrawal amounts will work out.

# What To Do

The Morningstar study found that the ideal withdrawal rate is closer to 2.8%, but again, this will vary based on your individual circumstances. It’s best to meet with a financial professional to come up with a withdrawal strategy that will allow you to live comfortably without having to worry about running out of money in retirement.

# You're Not Taking Market Fluctuations Into Account

Even if you take the time to come up with a withdrawal strategy that works for your specific financial situation, keep in mind that this might have to change based on the market.

“If people are not adjusting when we have the inevitable downs in the market, that’s one of the things to look for,” DuPont told Business Insider. “Because that has an acceleration effect if they have money in the market and they’re still pulling out the same way they were before. It just needs to be part of a monitored plan.”

# What To Do

Due to the inevitable volatility of the market throughout your retirement, Forbes recommends assessing your withdrawal and return rates each year to determine if your withdrawal rate needs to be raised or lowered. An annual check-in with a financial advisor can help ensure your retirement strategy stays on the right track.

**For information on Long-Term Care Planning, contact:**

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