

A Different World

When I was growing up in the 50's and 60's it was not uncommon for someone to work for 40+ years for "the company" and then retire. Yes, this is the proverbial gold watch before sailing off into the sunset with Social Security, a comfortable pension and lifetime health benefits. Maybe life expectancy was not as long as it is today, but there was a general sense of retirement security. During my now 61 years of life, this ole world has changed a bit.

Fewer Guarantees

The picture for people of retirement age today is very different. Most people change employers several times during their working career. Fewer and fewer companies have traditional pension plans. Those that do, the low number of years most people have at the company means their "vested" pension amount is relatively low. Medical benefits for most companies do not extend into retirement. Oh, and I can't recall anyone receiving a gold watch.

You Save

The message became pretty clear 3 or 4 decades ago. Companies will offer you the chance to save from your own paycheck for retirement. Many companies will match your contribution and Congress will offer different tax savings to help and encourage you to make the most of this. You might not receive a pension, but you can save so that you will have enough in retirement.

Interesting Interest Rates

When I started in the industry in 1983 many investments offered over 10% interest. The thing is that interest rates change over time. I was working in banking in Chicago in the early 1990s. A lady who had retired in the mid-80s came in to renew her IRA deposit. Her IRA had been earning 10%. It was due to mature and the renewal rate was going to be around 4%. When faced with the prospect of a 60% reduction in her IRA income she exclaimed, "How can the bank do this to me?!" The pain in her voice remains in my memory to this day.

It Ain't What it Used To Be

Years later the prospects are even worse. In a "1% World" the savers are now at a disadvantage. Either they learn to live on lower income or they reach for other investments that pay more interest and naturally have higher risk than deposits at the bank. It is a very difficult choice to either live on less or to take on more risk in the "Golden Years". Going back to work is not

always attractive and gone are the years where more could have been saved.

Answers??

At different places in life the answers are some combination of save more, save longer, take investment risk wisely, plan to work longer and find ways to make every dollar you spend count. The answers are simple and very hard at the same time. Still, my sense is that we will have to do this for ourselves. Overburdened government is one of the contributors to economic weakness here and around the world, which has actually caused negative interest rates in certain countries. Neither are we likely to get help from the government in the form of additions to Social Security.

Bottom Line

It is a great joy to see people enjoy freedom in their retirement years. As a financial planner, it is the most important goal for most of my clients. Please accept my apology for the somber tone of this issue, I wish I had rosier thoughts to convey. Still, it is important to plan with existing realities fully considered. My own retirement has been delayed until age 70 based entirely on all five of the answers listed in the previous paragraph. If you are curious, let me know and I'll share with you just how dramatically that changed the retirement income projections for my household.

Your Feedback

I would love feedback on this newsletter. Future issues may include a host of good ideas, insights, specific steps to take financially, life insights and of course "Wit and Wisdom". Most importantly, I'd like it to be of value to you and to encourage an exchange of great ideas and insights. Please send your feedback to:

Colin S. Mackenzie, CFP®
Cetera Advisor Networks LLC, Member FINRA/SIPC
301 E. Colorado Blvd, #400
Pasadena, CA 91101
mackenziec@ceteranetworks.com
www.cmackenzie123.com
(626) 795-8896