

BE REALISTIC ABOUT RETIREMENT

Increased longevity, difficult economic conditions, unexpected health problems and poor investment planning are some of the main reasons why people are forced to live compromised lives in retirement. Take action now to ensure that you are not one of the unhappy statistics.

BEST LAID PLANS

When I speak to people who are in their late 20's or early 30's about their planned retirement age, they usually tell me that 55 is their target. People in their late 40's usually tell me that they will keep working as long as they possibly can. Why is there such a difference in their responses?

I believe it comes down to bad planning. Very few people actually start saving in their 20's, most of them live on debt and spend their money without regard to the future. Retirement is more of a concept than a reality and so they delay their saving decisions. This behaviour seems to continue until people reach their 40's by which time they have accumulated a mountain of debt. I think this is when reality bites - they have missed their golden opportunity to achieve financial freedom at an early age.

People who are in financial trouble in their 50's typically hope to work part-time for 5 or 10 years after retirement age. While this is a good plan, the reality is often very different. Only 25% of employees actually manage to find reliable part-time (or consulting) work after they reach retirement age. This is frightening if you consider that more than 75% of people who are in their 50's are planning to work after retirement. Difficult economic conditions, poor health and a lack of the necessary skills are the main contributors to low post-retirement employment. If you are hoping to work during your 'retirement', ensure that you have adaptable skills that are in demand and try to arrange the job opportunity before you officially retire.

LONGEVITY IS A MIXED BLESSING

Improved longevity means that we are able to work later in life but we are also more likely to live to our 90's when we will not be able to work anymore but we will need money for medical expenses. Modern science can keep us alive for longer but it is very expensive when your life depends on doctors and medicine. So, the extra money that you earned from working longer might be consumed more rapidly than planned because you lived longer with higher medical bills.

People who have sufficient funds at retirement can live wonderful lives into their dotage. The steps to achieving a comfortable retirement are relatively simple. Adopt a simpler (less expensive) standard of living as early as possible so that you can save more. A lower cost of living also means that you will need less capital at retirement. Be disciplined with your debt. No one *needs* to buy new cars and go on expensive overseas trips when you have debt. Try to save at least 15% of all your earnings every month of every year. Use most of your bonuses to settle debt or to add to your savings. When you get a raise, save half of your increased income so that you do not get used to a higher standard of living.

Above all else, develop a simple, clear set of goals for your money and ensure that you work towards those goals every day. That is the only sure way to achieve a comfortable retirement.