COLUMBIA THREADNEEDLE INVESTMENTS

6 ways to prepare for a long retirement

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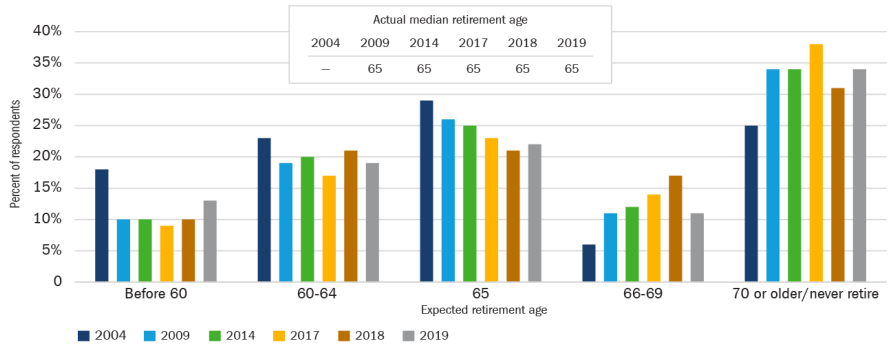
You may spend 30 years or more in retirement. Here's how to get ready.

Thanks to advances in healthcare and the increasing trend of living a healthier lifestyle, many of us are living longer lives. According to the Society of Actuaries, a 65-year-old American male of average health has a 55% probability of living to age 85. A 65-year-old woman has a 65% likelihood of reaching age 85.

Living longer is good news. But for many of us, it means our retirement savings may need to last for 20 or 30 years — or more. Some people may be planning to work into their 70s to make ends meet. Some may never retire. But more than 40% of retirees had to leave the working world sooner than they had planned, according to the Employee Benefit Research Institute's (EBRI) 29th Annual Retirement Confidence Survey. Reasons included corporate downsizing, health problems or disabilities, or having to care for a spouse or other family member.

Many Americans plan to retire early or late, but the actual median retirement age remains steady at 65 years old.

The age workers expect to retire vs. the actual median age of retirement



Source: 2019 EBRI/Greenwald Retirement Confidence Survey.

"Planning to simply work forever isn't a retirement strategy. Workers need to have a financial plan in place that can take care of them for many years, perhaps more years than they expect."

Ted Truscott, CEO Columbia Threadneedle

Columbia Threadneedle Investment Team

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No one wants to run out of money as they get older. But there are steps you can take today to plan for a longer retirement:

1. Don't try to go it alone. A financial advisor has experience and expertise that most Americans simply don't have. They can help you develop an individualized savings plan to fund a long retirement and provide options to explore if your savings falls short. If you end up retiring sooner than expected, an advisor can walk you through the steps to help lessen the impact.

2. Maximize your savings opportunities. Smart financial planning and investing can't make up for a lack of savings. Save the maximum amount you can: the current 401(k) contribution limit is $19,500 a year and the IRA contribution limit is $6,000. If you're over 50, these accounts allow you to save even more each year through "catch-up" contributions.

3. Put off retirement and work a few extra years if you can. Working forever is not the answer. But working a little longer can make a big difference. Delaying retirement provides the dual benefit of giving your retirement savings more time to grow and reducing the number of years your nest egg has to last.

4. Delay claiming Social Security benefits. Though you can claim retirement benefits as early as age 62, doing so will permanently reduce your long-term benefits. You will only be entitled to your full Social Security benefits at your full retirement age, which is 66 for most retirees. But if you can wait until age 70 to claim, then your benefits will grow an additional 8% for each year past your full retirement age.

5. Don't forget to budget for healthcare costs. Though 8 in 10 retirees are very or somewhat confident that they will have enough money to cover medical expenses, a longer life may bring higher medical bills. More than one third of retirees in the EBRI study say their health costs in retirement are higher than they expected. As part of a comprehensive financial plan, an advisor can help you determine what these costs might be after you stop working.

6. Think about multiple sources of income. According to the EBRI survey, about 3 in 4 workers say income stability in retirement is more important to them than maintaining wealth. One way to gain more stability is to build a diversified portfolio of income sources. Combined with Social Security, a variety of income investments may help investors meet this important goal.

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