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# 8 Things Financial Advisors Wish You Realized About Retirement



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Personal Finance

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Talk about best laid plans. Three in five Americans are very likely to work longer than they'd like to meet their personal retirement goals, according to a recent [study from the Indexed Annuity Leadership Council](#)—on average pushing back retirement by two years.

What's the issue? Forty percent regret not saving earlier, 17% regret not saving enough, and 19% admit to making bad financial decisions, according to the research. Also a problem: An expansive budget. "Workers who are unprepared for retirement are five times as likely as those who are prepared to cite high living expenses as a barrier to retirement planning," the report says. "They are also seven times as likely to have too much debt."

Planning for retirement is a delicate dance, and there are a variety of surprises for people. (Having to work longer before you retire is just one of them.)

Here are a few things many people don't realize about retirement, according to financial planners:



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### **Costs go up—and you’ll pay taxes.**

“Many people underestimate the amount they need to save in order to maintain their standard of living in retirement. Most expenses will be inflating every year for 30-plus years. And many don’t fully understand the tax consequences of withdrawing from their different accounts. They view their savings as their pot of money when in reality, they will only be able to keep a certain amount after taxes.”

–Linda Rogers, financial planner in Memphis, TN

“Retirees overlook the impact inflation will have on their long-term cost increases and tend to think about both their expenses and their situation only in the present tense. They tend to look around and say that everything is fine now, so therefore it should be fine 10 years down the road. I encourage them to consider possible future situations when they are healthy to evaluate what events would trigger them to take action on changing their circumstances.” –Cheryl Sherrard, financial planner in Charlotte, NC

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### **You need more than you think.**

“I have many people who will come to me and say they have \$100,000 in retirement accounts and say they are ready to retire. When I ask how much they live on each year, they say about \$40,000, and I say, ‘We are good for about two and a half years.’” –Kenneth Nuttall, financial planner in New York City

### **Leisure time is worth planning.**

“A lot of people don’t realize they need to spend time focusing more on what happens during retirement than on the actual date of their retirement. That’s like the couple who spends all their time planning their wedding and not thinking about their marriage. Retirees need to think about whom they will socialize with during retirement, and what their purpose is in retirement.” –Patti Black, financial planner in Birmingham, AL

“The whole idea of ‘purpose’ and ‘what do you do with the time you now have that you didn’t have before?’ is a huge one for pre-retirees. They don’t realize that perhaps they have fewer hobbies or will really miss work.” –Dennis Nolte, financial planner in Oviedo, FL

### **You could live a long time.**

“Many retirees simply don’t want to consider what extended old age may mean in term of lifestyle and expense. Today, in the absence of other client information that might influence our projections, our long-range planning assumes living to 95 or beyond. Better health habits and continued advances in medical science all play a part in this thinking. Early planning to consider future care needs and living circumstances is essential. The need for assistance and or care will arise.” –Kevin Gahagan, financial planner in San Francisco

### **A cash flow analysis is crucial.**

“When it comes to budgeting, people like to estimate based on their most recent memory of spending. A client of mine estimated her family budget for retirement at about \$30,000 per year. In reality, their current spending is \$300,000. No doubt, that spending will come down at retirement, but can you imagine the future shock if I just took her words to run a retirement analysis without doing my own cash flow research?” –Rose Swanger, financial planner in Knoxville, TN

“People think that because they stop working, their expenses such as eating out or commuting will decrease. However, they don’t realize that other expenses such as groceries and entertainment and travel might increase. When creating their financial plan, we recommend clients assume that their expenses will not go down, they will just change in nature.” –Avani Ramnani, financial planner in New York City

“We’ve seen a growing epidemic in which people have allowed their living expenses in the last five to 10 years to explode higher. To say it differently, people aren’t saying ‘No’ to anything. As a result, they are finding they need to work longer to support this newer/higher standard of living.” –Kevin Reardon, financial planner in Pewaukee, WI

### **Travel costs can sink a budget.**

“I find that many retirees underestimate travel cost tied to their desire to be in their grandchildren’s lives. These expenses extend past the cost of the flight and include dollars spent at the fair, theme parks, mall and education.” –Charles Adi, financial planner in Houston, TX

### **Health insurance can be pricey if you retire early.**

“The biggest thing that we see keeping people from retiring prior to 65 is health insurance. Many people don’t realize how much their employer subsidizes their health insurance costs. When they find out that plans can cost \$1,500 per month or more and have huge deductibles, it can make them reconsider working until Medicare is available to them.” –Adam Van Wie, financial planner in Jacksonville Beach, FL

## **Retirement requires a different mindset.**

“After a lifetime of squirreling away money and delaying gratification, many retirees still fret about their spending. Financial market gyrations can cause a lot of anxiety. Other unknowns can be just as puzzling and distressing. Which accounts do I pull from first? How long will I live? Will my pension stay solvent? Retirement can be relaxing and low stress, but it takes planning, perspective and a different skill set from what is required leading up to retirement.” –Daniel Moisand, financial planner in Melbourne, FL

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I'm a freelance journalist who has written for BBC.com, LearnVest, Money, More, Real Simple, and Parents, among others. Before going freelance in 2007, I worked at both Money and Good Housekeeping magazines, where I covered personal finance, insurance, travel, and consumer t... MORE