



# The Number One Fear For Boomers? *Can you ever retire?*



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Imagine. The day you've been looking forward to is almost here.

## Retirement.

Time to do the things you've always wanted to, but were too busy earning a living, perhaps raising a family. But wait, will you have enough **income**? Will you have to live like a hermit? Will you be eating cat food? Geez, you start to question whether you can *ever* retire and live comfortably without running out of income.

You know what your monthly expenses have been and you want to maintain your standard of living, so you consult a recent mortality table and discover that if you make it to your 65<sup>th</sup> birthday, you can expect to live to at least **85** years old. When you calculate your Social Security payment, and possibly a pension, together with all of your savings, you think you have enough, with expected future earnings on your money, to make it. But what if you live longer? What if investment returns are not what you expected at the *start* of your retirement and your plan gets derailed early on? How will you get back on track? Where will the money come from?

These questions are increasingly urgent in our country today. The old ways of spending down your assets in retirement need to be revisited. Why? *There are basically five known challenges to the old system, all converging on us at the same time:*

**1** The decreasing return on your Social Security benefits. Those of you currently in your working years will receive a much lower return on your contributions than

your parents did. This is especially true for those whose earnings were taxed at the maximum levels (for Social Security) whose expected return is 0.4%.

**2** The demise of traditional pensions known as defined benefit plans with the replacement of defined contribution plans such as 401ks, 403bs, known as defined contribution plans. Under a traditional pension plan, you receive a fixed monthly income for as long as you live. Under the defined contribution plan, there are no guarantees, and the burden, and the risk of retirement income is solely **your responsibility**, whether you know what you're doing or not. Add to that reduced eligibility and taxation, the sustainable income gap gets wider yet.

**3** The aging baby boomers (born 1946-1964) will continue to exit the workforce for at least another eighteen years! That's approximately 27% of the US population, and 48% of all households who will become dependent upon Social Security, retirement plans, and any additional savings or investments you managed to accumulate.

**4** Boomer babies-Generation X (born 1965-1979) and Gen Y (born 1980-2001) will bear the double burden of preparing and saving for their own retirement as well as supporting Social Security and Medicare payments to the boomers as there will be 7.2 people withdrawing and less than 3 people contributing according to the Census Bureau.

**5** Increased longevity-When Social Security began in 1940, the average person did not live until age 65. Now, if you reach age 65 in decent health, 50% of women can expect to live *past* age 88, and 25% *past* age 94! If a couple makes it to 65 in good health, the odds are 50% one partner will live *beyond* age 92 and 25% that one will live *beyond* age 97!

### So, can you ever retire?

The answer is yes! With the proper planning, done as early as possible, together with disciplined spending, you can enjoy those golden years. In comes the **life-time income** annuity. Begin by "annuitizing" (turning a lump sum into a permanent income stream - your "person pension") Use enough of your assets so that you can provide as much as 100% of your supplemental income needed after Social Security, and any pension benefits, to meet your acceptable monthly income level. The cost of not being able to cover even your basic needs far exceeds the potential upside of taking on investment risk exposure to accomplish this. Unless, of course, moving in with the kids is an option you would consider choosing! Eeek!

Depending on your risk tolerance, once you know you have the income to have your basic needs covered, you may be able to invest with a bit more confidence and you'll have the time to wait out any volatility. Sounds simple, right? In fact it's so easy there must be something wrong with it. Right?

### Why isn't everyone doing this?

Many of you believe, or have been told, that stocks are the way to go for the long run, but unless stocks consistently perform at the level you expect, you can be left with inadequate monthly income. The same can be said for bonds. Life annuities have evolved considerably over the past several years. Some other annuities even provide an "income doubler" should there be a need for long-term care. Others, still, have a built in inflation protector by allowing for payments to increase. Every benefit has some cost to it, but you can pay now or pay later at much higher rates. You and your trusted advisor can evaluate what best fits your individual mindset and circumstances.

Family Focus Financial Group has been especially invited to hold a public forum at The Pines at Whiting

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### Will you lose control over the funds you use to create a life annuity?

Pretty much, the *good* news is yes. You'll have a guaranteed, insured check deposited directly into your bank account every month, every year, for as long as you live. You can't overspend. You can't lend it to the kids. It won't ever go down, or be discontinued. It has a neat benefit like no other investment called an **exclusion ratio**, which means a good portion of the income is **not taxable** (if it's not qualified). So what's wrong with all that? You've got to **eat** first, in order to live. By covering your basic living expenses with a life annuity, you can stop worrying about how you're going to make it, and really enjoy the life you have yet to live. *Your* life!

Now you'll know exactly how much you can allocate to other investments. We adhere to an "abso-

lute return strategy" when it comes to investing. Your personal risk tolerance, together with the ability to grow your money in an up, down, or flat market, is an investment philosophy that can serve you well. After all, it's not all about the return *on* your money, as it is about the return *of* your money. A well-balanced plan that incorporates **income as a priority** and **growth as a necessity** as well as **tax efficient spending** will have you enjoying a reasonably good life for many years to come!

At, **Family Focus Financial Group, we listen.** We listen to what *you* want to be able to live a good life. Together, we will help you get there, and more importantly, *stay there.* You've found a home with us. Let us help you stay the course.

For a complimentary copy of our newsletter, **The Focus**, or to schedule a consultation, call us at (732) 364-5462 or visit us online at [www.ffrgonline.com](http://www.ffrgonline.com). We welcome the opportunity to be of service to you.

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## Family Focus Financial Group

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