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*Do you know where you're going to
Do you like the things that life is showing you
Where are you going to
Do you know
Now looking back at all we've planned
We let so many dreams
Just slip through our hands
Why must we wait so long
Before we'll see
How sad the answers
To those questions can be*



Theme from the movie "Mahogany" - lyrics sung by Diana Ross

You are about to undertake one of the most important journeys of your life – it is called **RETIREMENT**. Retirement is not a destination, it is a journey. As with most of life's travels, it will likely be filled with both happy and sad moments. We hope that the joyous times outweigh all the others but we should be prepared for both. Whenever we travel to an unknown destination, it is very wise to have a roadmap to where we are going. In days gone by, that would likely include a trip to the local AAA office for a paper map, a trip tic and a tour book. Did anyone ever really figure out how to fold those paper maps back up? I never did. Anyway, the old paper maps and tour books have given way to the modern GPS and TripAdvisor. But the idea is still the same. Whether a paper map or a modern GPS, the goal of both was/is to help you "know where you're going to."

Sadly, according to most retirement studies that I read, the majority of Americans do not know where they are going to in retirement and are ill prepared for that journey. I recently came across an internet article from ThinkAdvisor that discussed "8 Things Most Americans Don't Know About Retirement." The article is based upon a December 2016 study sponsored by Fidelity Investments. A survey was conducted in which respondents were asked to answer eight key retirement questions. According to Ken Hevert, senior vice president of retirement at Fidelity, "there are retirement concepts everyone should know to ensure you're able to fulfil the goals you have for yourself and your family." I will list the eight questions first and then the answers will follow. See how close you can come to the correct responses without peeking at the answers.

- Question #1:** *Roughly how much do investment professionals say people should save by the time they retire?*
- Question #2:** *How often over the past 35 years do you think the market has had a positive annual return?*
- Question #3:** *If you were able to set aside \$50 each month for retirement, how much could that end up becoming 25 years from now, including interest, if it grew at the historical stock market average?*
- Question #4:** *Given the current average life expectancy, if you want to retire at age 65, about how long would you need your retirement savings to last?*
- Question #5:** *Approximately how much did the average monthly Social Security benefit pay in 2016?*
- Question #6:** *About what percentage of your savings do many financial experts suggest you withdraw annually in retirement?*
- Question #7:** *What do you think is the single biggest expense for most people in retirement?*
- Question #8:** *About how much will a couple retiring at age 65 spend on out-of-pocket costs for health care over the course of retirement?*

The following are the correct responses to the above questions:

- Question #1:** *Correct response: At least 10 times the amount of one's last full year's income*

Fidelity said that even though professionals disagree somewhat about how much the average person needs to save, 74% of respondents underestimated how much is needed. Not only that, 25% said they needed to save only two to three times the amount of their last full year's income, well below suggested targets. More concerning, 19% of pre-retirees age 55 to 65 also answered two to three times.

In my opinion, the real starting point should be to ask yourself what lifestyle you have planned for retirement and then create a cash flow analysis to determine fixed and discretionary expenses. The answer to these two questions should lead to how much savings you need to have before retiring.

- Question #2:** *Correct response: The market has enjoyed a positive annual return 30 out of the past 35 years. Historically, the U.S. stock market has gained about 7% per year.*

Only 8% of overall respondents answered correctly. Those between 55 and 65 did slightly better, with 14% responding correctly.

"Even with market volatility, the stock market has performed remarkably well over the long term," Hevert said. "The majority of investors need to have a diversified portfolio that includes equities to enable growth over time. If you're not investing, you're likely losing money due to inflation."

However, we also need to remember that an average 7% rate of return does not tell the whole story. A down year like 2008 affected many retirement plans. Risk and losses need to be managed more closely in retirement. Simply investing in an index fund (a popular trend today) could derail an otherwise good retirement plan when the market turns nasty.

- Question #3:** *Correct answer: About \$40,000*

Sixteen percent of respondents answered correctly. However, 47% underestimated how big an effect relatively small savings can have over time. Twenty-seven percent calculated the answer to be about \$15,000, which undervalues the power of consistent savings and would represent a 0% stock market return vs. the market average of 7%.

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Saving regularly, combined with the power of compound interest, shows why it is important to start setting aside money on a regular basis at an early age.

Question #4: *Correct answer: Approximately 22 years, given that the average life expectancy is 87, or 85 for men and 87 for women. Longevity is influenced by both family medical history and lifestyle, among other factors.*

A third of respondents got the answer right. Thirty-eight percent estimated that they would need to make their savings last for only about 12 to 17 years. This lack of insight could leave some at risk of running out of money in retirement.

According to Fidelity, younger generations are likely to live longer and healthier lives. They should plan for a retirement lasting 30 years or more.

Question #5: *Correct answer: About \$1,300*

Forty-three percent of respondents answered correctly. Better yet, half of pre-retirees did so. Fidelity pointed out, however, that with upward of 75 ways to claim retirement benefits and dozens of factors that influence one's decision when to retire, \$1,300 is simply an average. Your specific payout may be more or less.

In general, it said, waiting until your Full Retirement Age (FRA - ranging between 65 to 67) when one is entitled to full **Social Security Retirement benefits** may help increase the monthly payout. Those who can afford to wait until full retirement age and longer will increase their monthly Social Security income by about 8% per year until age 70.

Question #6: *Correct answer: Fidelity's general rule of thumb suggests limiting portfolio withdrawals to no more than 4% to 5% of one's initial retirement assets, adjusted each year for inflation, over the course of one's retirement horizon.*

Forty-two percent of pre-retirees answered correctly. However, 38% of those 55 and older said they could withdraw 7% or more of their savings annually. These larger payouts may place many at risk of quickly running out of savings in retirement. And 15% of this age group felt they could withdraw 10% to 12% annually — a rate that could drain many households of savings in less than a decade, Fidelity said.

Fidelity suggested covering essential expenses with guaranteed income sources, such as Social Security, pensions and annuities. The “nice-to-haves,” such as travel or gifts to loved ones, should come from withdrawals from one's retiree investment portfolio.

Question #7: *Correct answer: housing, health care and transportation are typically the largest expenses in retirement, but housing by far tops that list for most Americans — for many retirees, housing can make up nearly half of their expenses.*

Seventeen percent of respondents and 13% of those between 55 and 65 answered correctly, but 69% thought health care would be the largest expense. Fidelity said this perhaps indicated the deep concern many Americans have around an expense that is difficult to predict, involving the state of one's health among other factors, including skyrocketing health care costs in recent years. It noted that health care was also the No. 1 item respondents were most worried about being able to afford — 63% of pre-retirees worried about health care affordability.

Question #8: *Correct answer: Fidelity reported last year that the average 65-year-old couple retiring in 2016 would pay \$260,000 for out of pocket health care expenses over the course of their retirement.*

Only 15% answered correctly, with 72% underestimating the true amount of health care costs. Overall, 22%, including 19% of pre-retirees, underestimated how much they would spend by about \$200,000.

“If you're like most Americans, health care is expected to be one of your largest expenses in retirement, after housing and transportation costs,” Hevert said. “But unlike previous generations, most of us won't have access to employer- or union-sponsored retiree health care benefits. That's why these costs will likely consume a larger portion of your budget — and you need to plan for that.”

How well did you do? Don't feel bad if you didn't do very well- most respondents did not do very well either. This little test should serve as a wake-up call if you are contemplating retirement, are recently retired or are already well into retirement. Haas Financial Services Inc is here to be a roadmap and GPS to help you find “where you are going to.” Since this issue of the newsletter is about retirement, I will end with a chart on **2017s Best & Worst States to Retire** (includes District of Columbia). The study was conducted by WalletHub. Michigan ranks 15 out of 51 so not too bad for our hometown state. Take good care!!!

Overall Rank	State	Total Score	'Affordability' Rank	'Quality of Life' Rank	'Health Care' Rank
1	Florida	69.22	1	11	24
2	Wyoming	67.81	4	25	19
3	South Dakota	67.06	15	33	2
4	Iowa	66.26	26	6	5
5	Colorado	64.85	27	17	7
6	Idaho	64.12	14	31	16
7	South Carolina	64	7	37	33
8	Nevada	63.64	6	9	42
9	Delaware	63.59	10	40	25
10	Wisconsin	63.34	33	5	4
11	Pennsylv	63.23	20	4	32
12	Montana	63.08	23	24	13
13	Arizona	63.04	21	16	21
14	Missouri	61.73	22	18	28
15	Michigan	61.69	28	12	26
16	Washington	61.31	31	20	17
17	Utah	61.25	25	35	18
18	Texas	61.11	3	36	44
19	Virginia	61.08	19	23	31
20	Georgia	60.55	11	32	41
21	Minnesota	60.49	45	2	1
22	Maine	60.41	37	7	14
23	North Carolina	60.27	18	26	37
24	New Hampshire	60.24	35	19	11
25	Ohio	59.59	24	22	36

Overall Rank	State	Total Score	'Affordability' Rank	'Quality of Life' Rank	'Health Care' Rank
26	Oregon	59.47	30	30	22
27	Kansas	58.83	34	14	23
28	Oklahoma	58.47	12	39	43
29	Tennessee	58.26	5	38	47
30	Nebraska	57.78	40	28	8
31	Illinois	57.15	32	15	38
32	California	56.9	42	8	20
33	Louisiana	56.74	9	43	46
34	Indiana	56.67	29	29	40
35	Massach	56.58	47	3	10
36	Alabama	56.46	2	47	50
37	Maryland	55.73	39	21	27
38	North Dakota	55.09	43	42	6
39	West Virginia	54.48	13	44	48
40	Mississippi	54.48	8	49	51
41	New York	53.54	46	1	30
42	Arkansas	53.45	17	48	45
43	Kentucky	53.27	16	45	49
44	Vermont	52.79	48	10	12
45	New Mex	52.61	36	41	39
46	New Jersey	52.55	41	27	35
47	Hawaii	51.85	50	34	3
48	Connectic	51.34	49	13	15
49	District of Columbia	50.96	44	51	9
50	Alaska	50.82	38	50	34
51	Rhode Isl	43.84	51	46	29

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