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Tune in to Jeffrey's podcast, *Financial Focus*, by visiting
http://financialconceptsmesquite.com/podcast/

CRANBERRY ORANGE PANCAKE BAKE

INGREDIENTS

- 1 cup pancake mix
- 1 teaspoon baking powder
- 1 teaspoon cinnamon
- 1 teaspoon orange extract
- 1 orange zested
- 1 egg
- 1 cup almond milk cashew milk or skim milk
- 1/2 oz dried cranberries
- optional: dusting of powdered sugar

DIRECTIONS

1. | Preheat the oven to 350F.

2. | Liberally spray a pie plate or baking dish with cooking spray.

3. | Combine all ingredients (use 1/2 of the cranberries), whisking to eliminate clumps, and pour into the baking dish (reserve the remaining 1/2 cranberries for the top).

4. | Sprinkle the top with the remaining dried cranberries.

5. | Bake for about 25 minutes or until a toothpick comes out clean.

5. | Cut into four servings and dust with powdered sugar.

https://sweetsavoryandsteph.com/cranberry-orange-pancake-bake/

Jeffrey Bird-RICP®

Financial
Focus

A Monthly Insight Into Your Finances

October 2021

Should You Speed Up Your Retirement Plans?

According to a March 2021 survey, an estimated 2.8 million Americans ages 55 and older decided to file for Social Security benefits earlier than they expected because of Covid-19. This was about double the 1.4 million people in the same age group who said they expected to work longer, presumably due to pandemic-related financial losses.[1]

Many older workers were pushed into retirement after losing their jobs, and others may have had health concerns. Still, it appears that work-related stress and the emotional toll of the pandemic caused a lot of people to rethink their priorities and their retirement timelines.

How do you know if you can realistically afford to retire early? First and foremost, determine whether you will have enough income to support the lifestyle you envision. Instead of accumulating assets, you may have to start draining your life savings to cover living expenses. Here are four important factors to consider.

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Spicing Up Your Garden

We all love cute wild animals but if you are trying to grow your own veggies, they can become your sworn enemy. Sprinkling the ground of your vegetable patch with strong spices like cayenne pepper, chili powder or red pepper will humanely keep away these critters. Additionally, the spices will enrich your soil and protect it from bacteria!

https://listverse.com/2021/07/13/10-bizarre-ways-spices-can-be-used-for-things-other-than-cooking/

SHOULD YOU...

Lost Income and Savings

You may be sacrificing years of future earnings and contributions to your retirement accounts. For example, an early retiree who was making $80,000 per year would forgo about $400,000 of salary over five years or $800,000 over a decade, not counting cost-of-living or merit increases. The 10-year total rises to nearly $1 million when annual raises averaging just 3% are included.

If the same retiree could have contributed 5% of salary to an employer-sponsored retirement plan with a 100% match, he or she would also miss out on $8,000 in combined contributions in the first year, more than $40,000 over five years, and almost $100,000 over 10 years.

Debt and Other Financial Responsibilities

If you are still paying a mortgage, have other debts, of are supporting children or aging parents, you may not be ready to retire. Ideally, you should be free of "extra" financial responsibilities so you can focus on meeting your own living expenses without a regular paycheck.

Reduced Social Security Benefits

The earliest age you can file for Social Security is 62, but your benefit would be reduced to 70% or 75% of your full retirement benefit — for the rest of your life. So even if you do decide to retire, you might think about waiting to claim your benefit until you reach full retirement age (66 or 67, depending on the year you were born) or longer if you have enough income and/or savings to cover your expenses. For every year you wait, past your full retirement age, your benefits will increase by 8% (up to age 70).

Higher Medical Costs

If you retire before you (or a spouse) become eligible for Medicare at age 65, you could lose access to an affordable employer-provided health plan. You can purchase health insurance through the Health Insurance Marketplace or a broker, but the age-based premiums are more expensive for older applicants. For two 60-year-olds with a household income of $100,000, the average premium for a silver Marketplace plan in 2021 is $708 per month ($8,500 per year), after subsidies. And if you seek medical treatment, you'll typically need to cover copays, deductibles, coinsurance, and some other expenses (up to the plan's out-of-pocket maximum).[2]

Even with Medicare, it's estimated that a married couple who retired at age 65 in 2020, with median expenses for prescription drugs, would need $270,000 to have a 90% chance of paying their health-care costs throughout retirement.[3]

The bottom line is that some people might be giving up more than they realize when they retire early. Before you say goodbye to the working world, be sure you have the resources to carry you through the next phase of your life.

1) https://www.census.gov/data/experimental-data-products/household-pulse-survey.html
2) https://www.ebri.org/docs/default-source/fast-facts/ff-356-savingstargets-25jun20.pdf?sfvrsn=4d873d2f_4
3) https://www.kff.org/health-reform/issue-brief/impact-of-key-provisions-of-the-american-rescue-plan-act-of-2021-covid-19-relief-on-marketplace-premiums/

The Ever-Changing Nature of Retirement

If it feels difficult to keep up with the things that change regarding retirement, you're not alone. Even some very fundamental things about retirement have changed in the last 25 years.

Take, for instance, real Social Security benefits. Between 1975 and 1984, the Social Security Administration's annual cost-of-living adjustment averaged a healthy 7.7%.[1] During that same time frame, the highest cost-of-living bump was 14.3%, unheard of by today's standards.

This is the perfect example of how things have changed and can certainly throw a curveball into the retirement strategy of anyone who relies on Social Security — which is a lot of us. From 2009 through 2020, the average cost-of-living adjustment was just 1.38%.1 And, in three of those years, there was no cost-of-living adjustment. Accordingly, Social Security's real-world purchasing power dropped a breathtaking 30% between 2000 and 2020.[1]

Another substantial change that has continued throughout the past 25 years is that more employers are transitioning from pensions to contribution accounts. Even just 25 years ago, pensions were still fairly common. But in the years since, there has been an acceleration in the shift away from pensions to contribution plans like 401(k)s and 403(b)s.

The shift from pensions to contribution accounts is another reminder that changes to retirement planning are inevitable.

Additionally, many pension funds are seeking to buy out their beneficiaries. In this process, the pension fund seeks to provide one-time payments through a process called "de-risking." The benefit for the pension fund is the aforementioned one-time payment, rather than lifetime payments.

While this is certainly a significant shift, many younger workers have access to employer-provided retirement accounts. And, if they don't, they can work with a financial services professional to set up retirement income tools that simultaneously suit their current needs and their retirement goals. The shift from pensions to contribution accounts is another reminder that changes to retirement planning are inevitable.

But what about people who don't have access to employer-provided retirement accounts? You may or may not be surprised to hear that number is lower than it was in the recent past. It's estimated that over 40% of full-time millennial workers don't have access to an employer-sponsored retirement plan.[1] Some people might chalk that up to millennials being a younger generation — but the oldest millennials will turn 40 this year. An alternate explanation is that the rise of gig economy workers, who are generally contract employees and don't have full benefits, is a significant contributing factor.[1]

Here's where the changes of the past 25 years get even more concerning to some. Among the changes are fewer companies offering pension plans, fewer younger workers with access to employer-sponsored plans, and finally, fewer younger workers taking advantage of the employer-sponsored plans they do have access to. In fact, only 31% of millennials who have access to an employer-sponsored plan take advantage of it.[1] Ultimately, whether you have access to an employer plan or you have to go it alone, it's important to get rolling with a savings tool long before your retirement.

Many people could benefit from talking with a financial services professional to craft a strategy that adjusts for changes that have already happened and to prepare them for the changes that may be coming.

1 https://money.usnews.com/money/retirement/slideshows/10-retirement-lifestyles-worth-trying