

RETIREMENT EXPENSES

# | The Hidden Retirement Expenses

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There probably isn't a retirement plan advisor alive who hasn't heard a plan participant list all the things they want to buy or do in their retirement.

What advisors don't hear is how participants plan for the additional costs that go along with traveling more or owning more real estate. How about that new car? Most plan participants see the shiny sports car, but don't see the cash needed to actually own it. According to Employee Benefits Research Institute (EBRI), people aged 65 or older can expect to pay roughly 16% of their retirement income on transportation. Insurance, fuel costs, maintenance and repairs, even car rentals and using public transportation adds up.

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Rising healthcare costs will also impact current retirement savings accounts. EBRI estimated in 2015 that a 65-year-old male would need \$68,000 in retirement to cover healthcare costs. Females the same age would need \$89,000. That amount would give retirees a 50% chance of covering healthcare costs in retirement.

Also, more downtime means more desire to travel or take up other activities. That means more expense. Traveling more means more meals out, more fuel consumption, more auto repairs and maintenance. Housesitting fees, kennels, and all additional costs of traveling can add up quickly. Also, too many plan participants fail to account

for inflation.

Advisors can help participants understand the various factors that will impact their retirement.

Here's how:

## Healthcare

Arguably the most worrisome costs in retirement are healthcare costs. Advisors should help participants plan for a 95-year lifespan that includes the additional healthcare expenses that Medicare won't cover. Life insurance that allows participants to accumulate cash value can help offset healthcare costs later on. Also, advisors can help participants calculate their individual needs and build a savings plan to help meet that goal.

## Transportation

Vehicles are expensive. Prices will increase, as will taxes, repair costs, and maintenance.

Advisors can help participants figure future costs based on cost-of-living inflation applied to all areas of vehicle ownership.

## Housing

Home prices will increase, as will taxes. Where will they want to relocate? What is the housing market like there? Is it a market that will increase in popularity? If so, how will that impact home prices and associated costs? Helping participants estimate these expenses

*"Travel, new cars, second homes ... are participants planning for all the expenses associated with those wish-list items? How advisors can develop an easy checklist that brings these costs into focus."*

continued ...

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now can go a long way toward helping them save for that second home, or toward downsizing into a smaller home.

### Travel

Should plan participants earmark a portion of their retirement savings strategy toward travel? Absolutely, if travel is part of their retirement picture. Talk with participants about how much traveling they're intending to do and to where. Review various retirement savings vehicles with them so they can choose the best way to save for their trips.

No one can know exactly how much of an impact hidden retirement expenses will have on a retirement savings portfolio. However, by arming plan participants with education and awareness, advisors can help them develop a plan for achieving their most important goals post-employment. ■