

A blueprint for funding retirement

By Dave Lopez

What does it take to be comfortable during retirement? Conventional wisdom calls it the 4 percent rule – withdrawing about that amount from your nest egg each year to live comfortably. And, for that, millions of Americans believe they need to stick to a job they don't like during their earning years.

Unfortunately, the kind of money retirees want to spend each year for a comfortable lifestyle tends to be about \$60,000, which means someone's nest egg would have to be \$1.5 million for that rate of withdrawal to sustain for 25 years.

Of course, there are additional sources of income during retirement, such as social security, but the program may not survive the coming decades. And, there are additional costs of retirement, including legacy interests and the likelihood of needing long-term medical care.

The fact is that millions of retirees simply do not have or will not have the kind of income they'd like to have during retirement.

Here is an alternative approach to the golden, or distribution years:

- Remember, Social Security is a welfare program. Before President Roosevelt signed the Social Security Act in 1935, seniors worked. America was an agrarian culture, and many who were in their 60s and 70s usually continued duties on the family farm, albeit handling lighter tasks. Social Security is essentially a socialist idea. A response to the Great Depression, its purpose was to move out older workers in favor

of employing younger Americans, but times have changed.

- You don't have to remain stuck in your "earning" job. The U.S. government is the biggest employer in the world, and I work with many of its employees. They usually have high-stress jobs and usually want to retire as early as possible and, while leaning on their pension, start working on their own terms as government contractors.

- Consider retiring early and working the job you've always wanted. The model frequently followed by retired government workers can be replicated by millions of other retirees. You don't need a \$1.5 million nest egg when you combine Social Security with a smaller withdrawal amount and a fun job earning \$20,000 a year. Retirees can be creative in how they earn this "fun money."

Let's say your passion is water skiing – why not parlay this hobby into a career? You'll likely have decades of experience and plenty of contacts. You might work for a ski shop or create a small business giving lessons. Doing something you love is a great way to stay active as an older person.

- No pension? – Create your own. The days of working 30 years for a single company and collecting a sizable pension are mostly over. This means retirees need to get creative and rely on other sources of income, including IRAs and strategies for annuities – effectively creating their own "pension." Annuities are contracts with insurance companies. The contracts, which can be funded with either a lump sum or through regular payments, are designed as financial vehicles for retirement purposes. The money used to fund the contract grows tax-deferred. Unlike other tax advantaged retirement programs, there are no contribution limits on annuities.

Annuities provide plenty of opportunity. Of course, creative options also yield the risk of complexity. You'll want to be sure to know what you're doing, or at least consult with an

accredited professional.

- Consider lifestyle changes. Through the distribution years, you should consider moving to a place where the cost of living is cheaper than major metropolitan areas. Simply put, you'll want your money to go further. Take a play from younger folks who are cutting their cable in favor of only Wi-Fi access. Learn how to cook delicious meals on a budget. For many, learning how to make one's money work better for them, rather than working for their money, is a preferable lifestyle.

Dave Lopez is the founder of ILG Financial and has been working with individuals and businesses since 1986.