

Retirement Misconceptions

Today, let's look at some Retirement Misconceptions. These come from an October, 2019 article from the Motley Fool, "[3 Money Myths That Could Ruin Your Retirement.](#)" The author, personal finance and retirement writer Katie Brockman, breaks down each of these things that she considers myths and how they can impact your retirement. I like to consider these more misconceptions rather than myths since each comes from some factual basis, but the end assumption is flawed in some way.

Take for instance the first myth or misconception mentioned in the article, is that you will spend less in retirement. According to the article it's likely that spending will change during retirement for most people. It cites a report from J.P. Morgan that showed nearly 80% of retirees experienced a significant change in their spending. However, more than 33% of those individuals found themselves spending more than they had before retirement during at least some retirement years. These years often came early in retirement. You can imagine the challenge that would come with suddenly spending more than expected! So, this misconception could be expensive. You may average less spending per year over the course of your retirement, but that average may include years of more spending.

Another misconception from the article is that if you wait until you have a higher income, it will be easier to save for retirement. At first blush it's easy to rationalize this idea. Making more money would mean there's more money to save. However, building a retirement nest egg can take years and the value of compounding interest can be a powerful growth tool for your savings. If you put off saving for retirement you may find yourself needing to save an even larger percentage of your income. Missing out on years of annual rate of return can result in challenges later in life. Saving early, even if it's a small amount, can have strong financial results.

The final misconception in the article deals with Social Security and I'd like to look at this from both sides of the issue. In the article, they caution against assuming Social Security benefits can be your primary source of retirement income. According to the Motley Fool's article from October 2019, entitled "[The Average Social Security Benefit Is Probably Smaller Than You Think](#)" In 2019, the average Social Security check is just over \$1,400. For many people, that's likely not enough to cover all your monthly expenses. When you look at the potential growth of medical expenses in the future, you may feel even less enthusiastic about covering your costs with Social Security benefits alone.

It's also important to note that assuming Social Security won't be part of your retirement income is likely a misconception as well. An April 2019 press release from the Social Security Administration provides some encouraging news. It was entitled, "[Social Security Combined](#)

[Trust Funds Gain One Year Says Board of Trustees.](#)” The release details that the Board of Trustees found positive developments in the long-term financial stability of Social Security.

Previously the Board found that the combined asset reserves of the Old-Age and Survivors Insurance and Disability Insurance (OASI and DI) Trust Funds would be depleted in 2034. This new report shows that an additional year of estimated solvency has been gained.

One year is likely not a sign of a permanent fix. However, it’s a sign of progress. The Board of Trustees recommended that Congress continue to act to address these issues. And it’s also important to realize that 2035 would not be the end of Social Security benefits. In current projections, there would be enough income coming into Social Security to pay 80% of scheduled monthly benefits.

Social Security will likely not be enough to cover your monthly expenses by itself. However, it’s also unlikely to completely vanish from the calculation. I believe What will be important is for you to maximize your Social Security income when the time comes. I highly recommend working with a financial services professional to determine the right time and strategy for your personal financial situation.

Social Security, monthly expenses and delaying savings can all have a large impact on your financial future. Misconceptions, myths and incorrect assumptions about these issues can further cloud your vision of the future. I hope that this episode has giving you the chance to learn and examine your thoughts on some retirement misconceptions.