

MarketWatch

6 Retirement Strategies by a Local Pro

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What strategies does a retirement expert employ for his personal use? I bet you could learn a thing or two from a professional who has studied retirement all his life and is now in his early 60s, planning for his own retirement years.

That's me -- I've worked as a consulting actuary helping employers and workers with retirement issues for more than 40 years. Along the way, I've written five books on retirement planning, been a weekly retirement columnist at CBS MoneyWatch for over seven years and conducted research on retirement topics for the Stanford Center on Longevity for almost four years.

By the way, I've never worked for an insurance company or investment institution -- I've always worked as a consultant, writer and researcher. So the strategies I share aren't influenced by how I've been paid all my life.

Because I've spent a lot of time applying my experience and expertise to planning my own retirement, I thought I'd share here my strategies with our readers.

To set the stage, you should know my wife and I have taken good care of our health, and both of our mothers lived into their early 90s. Taking these factors into account, there's a high likelihood that at least one of us will live to our mid 90s or even to 100. As a result, we need to plan for the money lasting that long -- at least 35 more years.

Given this time frame, it doesn't make sense to be fully retired and live on just our financial resources for that many years. Not only would that take a lot of money, but a lot can happen between now and then. As an example, during the past 30 years, the stock market has had four major meltdowns, each one of which could have derailed carefully made retirement plans.

So that leads me to six ways I'm planning for retirement.

1) Do work I enjoy, at least until age 70.

When choosing what work I'd like to do, I look for work that I enjoy, helps people and keeps me in contact with people I like. This doesn't mean working at the same job, at the same pace or earning the same amount of money that I needed when I was paying for my children's living expenses and education. Now I'm

earning just enough to cover my basic living expenses, which are much lower since the kids are off the payroll.

Continuing to work now [allows me to optimize](#) my Social Security benefits by delaying them until age 70. Also, I can let my 401(k) and IRA accounts grow until age 70-1/2, when I'm required to start withdrawing my savings due to IRS required minimum distribution (RMD) regulations.

2) Deploy a thoughtful retirement income strategy.

To plan ahead, I'm [developing sources of guaranteed monthly income for life](#) that my wife and I can spend after I stop working. This income will cover our basic living expenses, such as housing, food, transportation, utilities and insurance. It's guaranteed to last as long as my wife and I live, and it won't drop in value when the stock market crashes.

The sources of income include Social Security and a monthly pension from my prior employer. These are the "bond" part of my retirement income portfolio, and they give me the confidence to ride out the stock market crashes that will inevitably occur during our retirement years.

I also used an [online Social Security planner](#) to determine the best strategy for claiming my Social Security benefits and those for my wife. The best plan for us involves delaying my benefit until age 70, while my wife will start her earned benefit at her age 66.

When I stop working completely, I'll most likely buy a [low-cost fixed monthly annuity](#) to supplement the above sources of guaranteed income.

I'll keep the rest of my savings invested in my former employer's 401(k) plan, which offers low-cost index funds. I'll use a conservative [systematic withdrawal strategy](#) to generate cash flow to meet our discretionary living expenses, such as travel, gifts and hobbies. I'll use the IRS RMDs to determine withdrawals from my 401(k) and IRA accounts.

For any other retirement savings I have, I'll withdraw the interest and dividend payments. A [recent study I co-authored at Stanford](#) provides support for investing these savings substantially in stocks, given that I've developed guaranteed sources of retirement income to cover my basic living expenses, which means I can take some risks.

3) Control our living expenses.

Given our need to budget living expenses carefully, we buy "[just enough](#)" to meet our needs and be happy.

Not long after the kids moved out, we downsized to a townhome. Having a smaller, lower-cost property will enable us to pay off the mortgage early in our retirement years, which will reduce our living expenses substantially. The bonus? The homeowners association takes care of gardening and structural maintenance, expenses we won't have to worry about.

Our cars are currently eight and 12 years old, and are still going strong, so we won't be replacing them anytime soon. When we buy things, we're aware they might need to last for the rest of our lives. We do our research before purchasing, and whenever possible, we wait for sales to make major purchases.

4) Take care of our health.

We want to enjoy life as long as we can. Research shows that a [healthy diet and exercise](#) are the best ways to maintain our physical and mental health for as long as possible. As a result, we strive to keep our weight at healthy levels, eating lots of fruits, vegetables, grains and beans. To increase our strength, flexibility and cardiovascular systems, we attend yoga classes regularly, hike, bike and swim. Whenever possible, we go ballroom dancing for fun fitness.

5) Protect against catastrophic health conditions.

Until we reach Medicare's eligibility age of 65, we decided to buy expensive medical insurance from my prior employer. If we didn't have this option, we'd buy insurance on our state's exchange. Going without insurance isn't an option because both [my wife](#) and I have [incurred unexpected, expensive medical](#) conditions in spite of our health-consciousness. If we didn't have continuous health insurance coverage, these preexisting conditions would have prevented us from obtaining insurance (thank goodness for the Affordable Care Act).

Once we reach age 65, we'll enroll in original Medicare and [buy Medigap and Part D prescription drug plans](#) that give us flexibility and options when we reach our later years.

We're very aware of the need to arrange for long-term care in our frail years, having watched our parents incur these expenses as they got older. As a result, we're [holding our home equity in reserve](#) for that potential risk. We won't take out home equity loans or a reverse mortgage to cover our standard living costs in retirement. If we don't need all the home equity for these expenses, the house will serve as a legacy for our children.

6) Stay socially engaged.

While I've been at Stanford, I've seen [compelling evidence](#) that staying socially engaged is correlated with good health and longevity. It's difficult, however, for

scientists to establish causation mechanisms that prove social engagement will improve our health and longevity. Such evidence would require decades of carefully constructed longitudinal studies that most likely won't be finished during our lifetimes.

Until then, I'm relying on my intuition and the existing scientific evidence that convinces me to stay connected with my family, friends and my hobbies and interests until my dying days.

But what about the "vacation" aspects of retirement, you might ask. Only a small fraction of my time is spent on activities like travel, hobbies and purely social visits.

Instead, I'm spending much more time working and giving back to my family, community and causes. This gives my wife and me plenty of "doses" of valuable social engagement and makes life fulfilling, enjoyable and worthwhile.

The proper perspective

It has taken a lot of work to implement these strategies, but they've been well worth the effort, given that we're planning to make the most of all the time we have left on this earth. I realize that not everybody will want to implement some or all of these strategies, or may not be in the position to adopt some of them. But many other strategies can work well for you.

These strategies won't guarantee a long, healthy life because life is anything but certain. But they can certainly improve the odds. My hope is that you can find some ideas here that might help you live long and prosper.