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What to Do if You’re Retiring in a Bear Market

Checklist includes creating a budget, reducing debt and setting up a payment stream

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I’m planning to retire in 2019, but the turmoil in the markets has me worried. Any thoughts about retiring in a bear market? Is it better to wait for things to settle down?

I have no idea when, or if, markets will settle down. What I do know is that it’s easy to get caught up in issues that are out of our hands: the markets, interest rates, changes in government programs, etc. At their worst, such anxieties can leave people paralyzed. Put another way, you could end up delaying—and delaying—your retirement for a very long time.

So…instead, focus on the parts of your retirement preparations where you have control.

Pop quiz: If you are, in fact, retiring in 2019, how many of the following steps—for which you’re the boss—have you taken?

• Setting a budget: It’s among the most important steps in planning for later life, but fewer than 3 in 10 workers (29%) have put pencil to paper, according to the Employee Benefit Research Institute.
• Reducing debt: Yes, it’s difficult. But entering retirement with little or no debt will make it easier to ride out downturns in the markets. The numbers are worrying: In 1989, about 21% of homeowners age 65 and older had a mortgage on their primary residence, according to the Urban Institute and the Federal Reserve. The median amount: $16,800. In 2016, 41% of homeowners age 65-plus had a mortgage, with a median amount of $72,000.

• Timing Social Security: We tackled this in a recent column. Rather than simply jumping in the pool at age 62 (the earliest most people can claim benefits) or sorting through different (and confusing) claiming scenarios, take advantage of a service that can run the numbers for you. One good bet: [Open Social Security].

• Creating a pension: The turmoil in the markets underscores the need for investments that throw off income in retirement, regardless of what's happening on Wall Street. If you're fortunate enough to have a pension, great. If not, there's no excuse for failing to buy and hold products—dividend-paying stocks, bond funds, annuities—that generate cash.

• Managing taxes: You can't control tax rates, but you can practice "tax diversification." Ideally, the more buckets you have—individual retirement accounts, brokerage accounts, Roth IRAs, municipal bonds, real estate—the more flexibility you have in pulling funds from different sources at different times to minimize taxes.
Planning for long-term care. Difficult—but an area where failing to act could prove devastating. As we noted in a recent article, more people are looking at hybrid products, which combine long-term-care coverage with potential life-insurance benefits.

Getting back to your original questions: Don't let the markets alone govern your decision; they could seesaw for years. People have more control over their financial future than they realize. And that should help take some of the anxiety out of retirement planning.

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I am getting conflicting information about survivors' benefits. I deferred claiming Social Security until I was 70. On the one hand, I have been told that, if I die before my wife, her survivor's benefit will be equal to what my benefit would have been at age 66. On the other hand, I have read several articles that state that my wife, at my death, can elect to receive my current "deferred benefit." Which position is correct?

The answer: the latter. The subject here is “delayed retirement credits,” the increase in benefits that people get when they delay claiming Social Security beyond their “full retirement age,” as defined by the Social Security Administration. The rules involving these credits are different for spouses and surviving spouses.

A spouse who claims a benefit based on his or her living partner’s earnings isn’t entitled to the enhanced benefit that results from delayed retirement credits. Let’s say a husband is entitled to a monthly benefit of $2,000 at his full retirement age of 66, and a benefit of $2,640 at age 70. And let’s say he first claims Social Security at 70. If his wife files for a spousal benefit at her full retirement age, she would receive $1,000, or half the benefit her husband would have received at 66. Her spousal benefit doesn’t include the delayed retirement credits her husband earned.

But a surviving spouse *is* entitled to these credits. If the husband in the above example dies first, the wife’s survivor’s benefit (if claimed at full retirement age or later) will be based on 100% of what her husband was collecting at the time of his death, including his delayed retirement credits.
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I will turn 65 in 2019, and I’m considering enrolling in a Medicare Advantage plan instead of traditional Medicare. Can you recommend some good resources to help with this decision?

If you take the Medicare Advantage route, you’ll have plenty of company. About one-third of all Medicare beneficiaries (about 20 million people) are enrolled in a Medicare Advantage plan, also known as a Medicare private health plan or Medicare Part C.

Such plans, which are offered by private insurers, provide the same benefits as (and, in some cases, more bells and whistles than) traditional Medicare, and they frequently come bundled with prescription-drug coverage. One big drawback, however, is that participants are more restricted in terms of the network of doctors and hospitals they can use.

Two resources do a great job of providing information for people choosing between Medicare Advantage and traditional Medicare. The Kaiser Family Foundation, a nonprofit that specializes in health-policy analysis, gives an overview of Medicare Advantage plans across the country (enrollment trends, premiums, out-of-pocket limits, etc.) and publishes reports about the plans. (Example: "How Robust Are Plans' Physician Networks?") The nonprofit Medicare Rights Center operates Medicare Interactive, which explains how Medicare Advantage works and does a nice job of comparing types of coverage, including eligibility, enrollment and costs.

Next, pick up a copy of "Get What's Yours for Medicare," by Philip Moeller. We have highlighted this book in the past, and with good reason: Mr. Moeller is one of the most knowledgeable voices in the country about Medicare. In particular, his chapters about Medicare Advantage tell you what to look for, and what questions to ask, when evaluating various plans and insurers. (Writes Mr. Moeller: "When swimming with piranhas, it helps to have sharp teeth of your own.")

Finally, Medicare itself has a valuable online tool, Plan Finder, that can help you identify and evaluate specific Medicare Advantage plans. Choose "Basic Search," enter your ZIP Code, answer a few brief questions (you can enter the prescription drugs you take, if you wish), and this service will produce a list of Medicare Advantage options in your area, the health benefits associated with each, the costs involved, drug coverage, and customer-satisfaction ratings. Invaluable.