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Planning for the Go-Go, Slow-Go and No-Go Years of Retirement

Marriage, children, career changes, divorce, retirement – major life transitions like these require careful consideration. When it comes to retirement, most people realize the importance of financial planning, but don't always factor in the non-financial issues.

In *The Prosperous Retirement*, Michael Stein stresses that retirements have changed: they last longer, they are more affluent, and people expect more from them.

The longer I live the more
beautiful life becomes.
Frank Lloyd Wright

When planning for today's retirement lifestyle, you must consider a variety of important factors. For instance, rates of return will shift over time, so a comprehensive analysis should include multiple return scenarios. Equally important is the impact of portfolio withdrawals, especially in the early years of retirement. If actual returns are less than projected, you may run the risk of outliving your money.

In planning ahead, you could think of your retirement as three phases: the active go-go phase, the passive slow-go phase, and the final no-go phase. Each is distinguished by different financial needs and requirements.

The Active Phase: This is characterized by people retiring earlier, often in the prime of life – healthy and vigorous. Most people want to continue to enjoy their pre-retirement lifestyle. This flies in the face of conventional wisdom that says you will need only 70 to 80 percent of what you now spend. To ensure happy golden years, you may need more of a nest egg than you think.

The Passive Phase: Beginning when the retiree reaches the mid-70s, this usually lasts for about 10 years. According to Stein, “The go-go phase of retirement gives way to the slow-go phase.” Retirees gradually lose enthusiasm for airports and long vacations, and tend to let the pace of life slow down. The budget typically declines by 20-30 percent, but inflation, especially for health care, can mask that decline. To offset taxes and inflation, you may want to invest some portion of your portfolio in equities. However, each situation is different, so consult a good financial advisor.

The Final Phase: Eventually, the “slow-go” gives way to the “no-go” phase, often characterized by failing health, medical treatment and nursing care. The budget will remain similar to the passive phase budget. Savvy individuals will have planned ahead for the high costs of long-term medical care.

Viewing retirement as three distinct phases requires new strategies and a keener look at the already-complicated planning process. Add to this the often-overlooked issues of providing financial support for children, aging parents or other relatives and you end up with a wide range of options that should be reviewed. All of this underscores the need to take a comprehensive approach to retirement planning, beyond simple number crunching.

Take the time now to think about the lifestyle you want, and plan accordingly. Enjoy the active years, smile through the passive years and plan for the reality of the later years.

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