# Does Overspending or Inadequate Planning Threaten Your Retirement?

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You have worked hard to build a retirement fund. Could you derail it in just a few years by overspending? According to a 2015 report by the Employee Benefit Research Institute, almost half of retirees spend more than what they had spent just before retirement. In fact, it appears that many retirees celebrate retirement by going on a spending spree:

- After three to four years in retirement, 41.5 percent spent more than their preretirement levels.
- After five to six years in retirement, 33.4 percent still spent more than their preretirement levels.
- By the sixth year of retirement, 23 percent of households are spending 120 percent more than what they did in the years just before retirement.

These lifestyle choices put your retirement plan at risk since you may outlive your resources. The Social Security Administration reports that a man reaching the age of 65 today can expect to live, on average, until age 84.3, compared to 86.6 for women. Nearly one in four 65-year-olds will live past 90.

This scenario, however, needn't happen to you. With a combination of planning and self-awareness, you can experience an enjoyable and financially secure retirement. If you are currently overspending or suspect that you may overspend, you have three basic choices to protect your retirement: **(1) *stop overspending*, (2) *compromise on retirement goals***, or **(3) *work longer***. It may be necessary to adopt a combination of the three approaches in order to protect your retirement funds.

1. **STOP OVERSPENDING**.
   Researchers propose that individuals addicted to overspending experience some of the same obstacles to and steps toward changing their behavior as those with substance addictions: denial, ambivalence, preparation, action, maintenance, and relapse…repeat until success is achieved.

   Changing destructive behavior may include therapy, budgeting or a combination of the two. And, it's best for over-spenders to have a partner in this endeavor.

2. **ADJUST RETIREMENT GOALS AND EXPECTATIONS.**
   A retiree who moved from California to Florida told his financial advisor, "If you live in Florida, you need a boat," so he bought an expensive one.

   When gas prices soared, he couldn't afford to use and maintain the boat and tried unsuccessfully to sell it. The client realized too late that his retirement expectations – owning an expensive boat – did not fit the reality of his retirement distribution plan.

3. **WORK LONGER.**
   Retirees may view working longer or returning to work as a safety net, but that expectation may prove unrealistic.

   In the 2011 Retirement Confidence Survey, conducted by the Employee Benefit Research Institute, about 45 percent of retirees said they retired sooner than expected; of those, 53 percent did so because of a health problem or disability.

It is wise to do the retirement reality check periodically: have a budget and check your spending levels in retirement to ensure that you aren't overspending. If you need a bit of coaching, ask your financial advisor to help you map out a spending plan that is realistic for your future.

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