

CLINICAL PRACTICE

Retirement: What nurses should know and do?

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ABSTRACT

More and more nurses are now retiring at an average rate of 60,000 per year since 2012. There is a lot to consider when preparing for a planned or unplanned retirement so you do not outlive retirement funds. Most people today can expect to live into the mid 80's with women on average outliving men by three years. Retirement considerations should include current and future lifestyles, health needs, current and future debt and amount of money saved at the time of retirement. It is never too early or late to begin planning for retirement to better ensure financial stability.

Key Words: Retirement, Nurses, Financial security

1. INTRODUCTION

If you are approaching retirement age or are planning for a future retirement, there are important factors you may want to consider. At some point, you will retire from your employment and you will want to be in the best financial position for the duration of your retirement years. Securing enough money to meet normal living expenses, current and future medical needs, travel planning, and maintaining a current lifestyle are important issues many people face when considering a planned or unplanned retirement.

It is projected that as many as 73% of the current nurses in the U. S. over the age of 54 will be planning to retire within the next 3-5 years.^[1,2] Since the 1.26 million peak of baby boomer nurses in 2008, an average of 60,000 nurses per year have left the profession since 2012.^[2] Nurses may also be among the many American employees who may not have adequately planned for or have been unable to plan for retirement to meet future living expenses, healthcare needs and lifestyle desires. It is important to consider when thinking about retirement planning that males will likely live to 84 years while females may live to age 86 years.^[3] The longer you live, the more income you will need to off-set

the increasing cost of living expenses.^[4] While living expenses generally increase at 2-3 percent similar to inflation, healthcare cost tends to be much higher at an average rate of 6-8 percent.^[4] As a result of potential increased healthcare needs when aging, many people may feel the need to drastically reduce expenses to financially survive. Experts agree thoughtful and early retirement planning is essential to meet future needs while reducing the possibility of outliving your retirement income. What is important is that you do something for retirement preparation.

2. RETIREMENT FACTS

According to the U.S. Census Bureau, 47.8 million Americans are 65 years or older.^[5] The average retirement age is 63 years old with the typical length of retirement 18 years. The average person should plan for a 20-28-year retirement span.^[6] A Northwest Mutual Insurance Company (NMIC) study found at least one-half of Americans, including both men and women ages 56-61, have not saved significantly towards their retirement or have no retirement savings secured.^[7,8] Also, the NMIC study found 46% of American adults have no planning in place in the event they should out-

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live their retirement savings.^[8] Conversely, 20% of employees believe they may never be able to retire.^[7] Women are 27% more likely to have no retirement savings than men.^[9] Unexpected or chronic health issues were cited as the main

reason for early retirement, and more people will live past 75 years of age thus increasing their potential to outlive their retirement funds (see Table 1).^[9]

Table 1. Ten strategies for starting and/or increasing your retirement funds

<u>Tip one</u> is to start now and save as much as possible allowing compounding interest to increase the funds.
<u>Tip two</u> is to contribute to a 401K plan. These plans allow pre-tax contributions allowing more money to be saved and less money removed from the actual take home amount per pay period.
<u>Tip three</u> is to consider employers matching contributions to a 401K plan. This strategy is taking advantage of essentially free money to increase your retirement funds. Be sure to document your beneficiary, primary and contingency.
<u>Tip four</u> is to consider opening an individual retirement account (IRA). You may choose between a traditional IRA using pre-tax funds (taxes are paid when you start taking the money out) or a Roth IRA, which uses after tax funds.
<u>Tip five</u> is to, if you are over age 50, contribute \$1,000 more to an IRA than the traditional limit of \$6,000 under age 50, thus increasing the annual contributions to \$7,000.
<u>Tip six</u> is to establish an automated savings contribution for each pay period. You will not have to consciously make the contributions thus increasing your retirement funds automatically.
<u>Tip seven</u> is to take a closer look at your current spending and consider ways to reduce spending so more money may be added to your retirement funds. Simple strategies such as limiting monthly lunch and dinner outings may add up to a significant savings over a period of time.
<u>Tip eight</u> is to establish realistic goals for the amount of future retirement funds you will need, then work towards meeting the goals. This strategy may take time but keeping on track will pay off in the end.
<u>Tip nine</u> is to avoid spending extra money you receive such as raises, bonuses, financial gifts, and tax refunds to increase your contributions or at least save a portion of the extra money.
<u>Tip ten</u> is to, if possible, delay taking social security until you move closer to actual retirement or until the maximum retirement of age 70. This strategy may also increase survivor benefits in the event a spouse dies. ^[18; 19]

3. SOCIAL SECURITY

Single individuals and women may notably be less prepared for retirement than their married or male peers. Women on average may live 2.3 years longer than men but may still face retirement income challenges due to inequalities in earnings, less overall savings and benefits than men, working part-time or entering or re-entering the work force later in life.^[10] Women may be widowed, divorced or may have remained single; increasing their risks for a more secure retirement.^[7] People, often erroneously, believe Social Security income will provide sufficient financial support during their retirement years. However, the average person starts Social Security at the earliest eligibility of 62 years with a typical benefit of \$14, 400 per year and falls short of meeting the financial needs of most people.^[6; 7] Currently, Social Security makes up almost half of the income for single women 65 years and older which is much higher than the one third of income for married couples and men.^[7] Age 62 is the earliest time you may collect any social security income, but your monthly payments will be reduced by 30% if you do not wait until your full retirement age. If you wait until full retirement age to start social security benefits you can continue to work and earn as much as you want without penalties.^[12] Employees waiting until age 70 to retire and start social security

benefits will earn an 8% (a total of 132% of your full monthly benefit funds at age 70 or greater) increase for each year they wait from the full retirement age up to age 70.^[12] You can find out more about your full retirement age at the Social Security website <https://www.ssa.gov/planners/retire/1943-delay.html>^[11]

Another concern is the average couple 65 years old will spend \$275, 000 on healthcare cost over insurance or Medicare coverage.^[13] While there is no magic number for retirement savings experts have estimated the average person will need 10-12 times of their last income saved to retire at age 65.^[14, 15] There are many factors to consider and individuals should think about their current and future lifestyles, anticipated health needs, age at time of retirement, how long you might live past retirement, and the current amount of money saved to determine a more realistic amount of money needed.^[14] Social Security remains the single most important source of retirement income for people 65 years and older (82%) and makes up about 35% of their total annual income.^[7] Consequently, many (38%) adults 65 years and older are considering to continue working past 70 years of age or delaying retirement further to increase retirement savings and or out of necessity.^[7, 8]

4. RETIREMENT CONSIDERATIONS

When contemplating retiring, it may be essential to think about if you want to fully retire, work part time to supplement your retirement income and occupy your time, start a new career, or volunteer your time or a combination of these options. It is wise to reflect on important questions when thinking about retirement such as, does my job provide joy and fulfillment? How will my time be used during retirement? Will my spending change? Will I maintain personal connections and or make new ones? Will I need or want to move to a different location? Retirement may provide exciting opportunities to do or learn something new. Social interaction can be very important for many people to avoid feelings of isolation and may add structure and purpose to life. Conversely, retirement may also lead to isolation and feelings of depression or anger especially if forced into an unplanned retirement. If you are reluctant to completely retire or still need additional income, many organizations offer a phased retirement plan and or part time work to slowly ease into the retirement phase of life. Some people simply like working for a sense of accomplishment, companionship and the security of a continued income. Only you can decide if retirement is the right option.

5. PREPARATION FOR RETIREMENT

Regardless of your age or how close you may be to retirement, focus on retirement planning today. It is never too late to develop a suitable plan for the future. Your first step in retirement planning is to estimate how much income you will need. It will be necessary to factor in any fixed expenses such as a mortgage or rent, utilities, health, home, and auto insurances and local taxes. Consider the following questions

when planning for retirement. Do you plan to travel during retirement? Do you have any chronic or major health issues? Will you still have individuals who are considered financial dependents? Will you have any unpaid debt upon retirement? It is recommended to save at least 15% of an annual income for retirement.^[16] If saving 15% is simply not possible then start with a more manageable amount and increase the amount as you are able. There are some simple strategies to work towards retirement such as, creating financial goals, frequently checking to see how ready you might be to retirement, seeking help from financial planners at your place of employment and realistically determining the right time to retire.^[16] Consistently saving even small amounts of money can eventually lead to a significant amount over time. For example, saving just \$3.00 per day over a three-year period totals \$3, 285 and saving \$500 per month will total \$18, 000 over three years without factoring in potential interest.

If you are under age 49 take advantage of compounding interest investments savings plans such as individual retirement accounts (IRA), 401k's accounts and employer matching or contribution plans.^[11,17] Employees over age 50 should consider increasing contributions to the maximum allowed by law. An important point to know is the Internal Revenue Service (IRS) Rule of 55 allows an employee who is between ages 55-59.5 and is laid off, quits, or is fired from a job to withdraw money penalty-free from a 401k invested while employed at that job.^[17] This rule does not apply to IRA investments you might have accumulated from previous employment.^[17] At age 59.5 the 10% withdraw penalty issued on IRA withdraws ends but the traditional IRA distributions are not mandatory until you reach 70.5 years of age, but withdraws are taxed as income.^[17]

Table 2. What should you do when you decide to retire?

<ul style="list-style-type: none"> When you reach the age of 70 ½ or the year in which you retire, you can start the withdrawal of required minimum distributions (RMDs) from your retirement accounts such as 401 (K), 403 (b), and/or 457 (b). The RMDs do not apply to Roth IRAs.
<ul style="list-style-type: none"> The RMDs are the minimum amounts withdrawn annually from your retirement accounts. The account owner will pay taxes on the amount of the withdrawn RMDs.
<ul style="list-style-type: none"> You, with the help of retirement administrator, will calculate your RMDs based upon the designated chart provided by the IRS. The rule is to divide your December 31 retirement account balance by a life expectancy factor that is provided by the IRS chart.
<ul style="list-style-type: none"> If the owner of a retirement plan dies before RMDs were initiated, the beneficiary will be responsible for the RMDs.
<ul style="list-style-type: none"> If you start making the RMDs and still working, your employer must continue its contribution to your account and allow for the continuation of a tax-deferred plan, if the plan allows for that.
<ul style="list-style-type: none"> Consider your current and future lifestyle and your health status. Do you plan to move? Do you have financial dependents? Will you have any unpaid debt at the time of retirement?^[19]

Regardless of how and when you plan to retire, careful financial planning and personal reflection towards retirement at

any age will be beneficial in the future (see Table 2).

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