Planned vs. Actual Retirement Age

One of the questions on every pre-retiree's mind is: "When should I (or can I) retire?" The average reported retirement age for Americans who are already retired is 61. This is lower than the age at which people are retiring today. A recent poll from the U.S. Census Bureau shows that the average age of Americans retiring in 2018 is 63. Actual retirement age has been on the rise since 2004 for a variety of reasons.

The main reasons people are retiring later are:

1. People are healthier, so they are able to work longer.
2. Longer life expectancies and low interest rates mean you need to save more money before you can afford to retire.
3. A higher proportion of the population is working in white collar and service jobs that people can physically perform for longer compared to manual labor jobs.

Another interesting factoid from the poll is that people are still retiring about three years sooner than they planned. In other words, the planned retirement age is 66, but the actual retirement age is 63. As John Steinbeck once wrote… "The best laid plans of mice and men can sometimes go awry."

Actual retirement age is frequently younger than planned:

Many Americans retire sooner than planned for reasons beyond their control such as personal medical issues, medical issues of a loved one, or corporate downsizing. Some studies estimate that as many as 60% of workers end up retiring sooner than they had planned. Many find their jobs eliminated or transferred to new locations. The U.S. labor market has undergone dramatic changes that have affected many workers' planned and actual retirement ages. The unemployment rate has ranged from a low of 3.8% in April 2000 to over 10% at the height of the Great Recession, and back down to 3.9% in September 2018.

The big issue for individual workers is not how many jobs openings there are, but what types of jobs are available, where they're located, and the skills required. Manufacturing employed the most people of any American industry in 1997. Since 1997, the healthcare/social assistance industry has gained over 6 million jobs while manufacturing has lost more than 5 million jobs. Healthcare is now the top sector for employment while manufacturing has slipped to 4th place.

Final Thought: Nothing can improve your financial/retirement plan's probability of success more than working longer. Many people find that they are behind on their retirement savings and plan to catch up during their peak earning years (ages 55-65). Naturally, the risk is that those peak earnings years could be cut short, which might require some lifestyle adjustments in retirement. So, as we say, save early and often, keep your overhead low, and your emergency fund fully funded. The key to financial freedom is living beneath your means.

Have a great week and email me with thoughts or comments: jeremy@jeremykisner.com

P.S. Besides planned vs. actual retirement age, several more issues offer a divergence between what pre-retirees plan and what occurs. For more on this, check out Tom Sightings article: [The Retirement Reality Gap].

THOUGHT THIS WAS INTERESTING

Stock Market Strength and Small Caps Outperformance

The giant technology companies like Amazon and Apple have been grabbing headlines and credit for this year's stock market performance. However, small and mid-cap companies have been performing better than the largest segment of publicly traded companies (large caps).

The other interesting aspect of the stock market's strength is that more stocks are rising than declining. This is known as the advance/decline line, which is a popular indicator of market strength. It shows that the rally is broad-based. Lots of companies and virtually all industries are participating.

There are many reasons for the market's strength. The biggest reason is surging corporate earnings. The estimated earnings growth for the S&P 500 (large companies) is 20% in the 3rd quarter over the same time last year. Smaller companies are expected to do even better with 36% earnings growth!

Source: Wall Street Journal 09/17/2018 B1, B2