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Get There

Afraid your retirement nest egg won't last long? You're not alone.

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By Rodney Brooks Columnist July 25

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We once thought of retirement as a time to relax, play golf and maybe travel — to finally have a little fun. For some, that will still be the case.

For others, the thought of retirement brings anxiety: They're worried that they'll run out of money.

Rodney A. Brooks writes about retirement and personal finance for The Washington Post. Rodney has had a long and distinguished career in financial journalism. He previously worked at USA Today from 1985 until his recent retirement. **View Archive**

In a recent survey by the Transamerica Center for Retirement Studies, 44 percent of workers of all ages cited having insufficient finances as their biggest fear.

And a quarter of middle-class Americans said they "get depressed" thinking about their finances during retirement, according to a Wells Fargo Middle Class Retirement survey. Forty-eight percent of those who have not retired were not confident that they will have saved enough to live "the lifestyle they want" in retirement.

"I don't know that there is anyone who doesn't have that fear," says Kevin Leahy, chief executive of Connecticut Wealth Management. "Our clients tend to be very successful. Most of them have a low probability of running out of money. Yet they have that fear."

Added Michael Mussio, managing director at FBB Capital Partners in Bethesda: "That is people's biggest anxiety." He's found that the fear comes mostly from people realizing that they are no longer adding to their savings but will soon have to withdraw. "The anxiety is that I will have to have this last me for the rest of my life."

Thomas West, senior associate at Signature Estate & Investment Advisors in Tysons Corner, says it is the overwhelming fear among baby boomers.

"Sometimes, the uncertainties of how long someone is going to live can be overwhelming, and the thought of health-care costs can be overwhelming," West says. "And the complexity can lock them out from taking any near-term action."

The best way to feel better about retirement is to develop a plan, financial advisers say. Mussio says that involves discussions of withdrawal rates from retirement savings and longevity.

"Then you will understand exactly where you stand," says Bob Gavlak, wealth adviser with Strategic Wealth Partners in Columbus, Ohio. "Rather than sit there and think, 'Will I have enough money?' or 'I'll probably have enough,' have a set plan in place. Take it from 'I think I'm okay' to 'I know I'm okay.' "

"What I try to do is get them engaged in taking some action and not be a bystander to their own retirement future," West says. "I like to give people something to do. It relates to how do you make sure you are prepared, and get them used to following a regular process where they are making financial decisions."

Ryan Wibberley, chief executive of CIC Wealth Management in Gaithersburg, says your chances of not running out of money increase with some form of guaranteed income.

"In D.C., we have a lot of people with pensions, especially government pensions," he says. "Their probability of success is good."

Stephen DeCesare, president of DeCesare Retirement Specialists in Marlton, N.J., also says that fixed annuities are a good strategy if you are worried about running out of money. "A fixed annuity with a cost-of-living increase will give you steady income," he says.

Which brings us to the people who really are in danger of running out of money because they haven't saved enough or are spending too much.

Tim McGrath, founder of Riverpoint Wealth Management in Chicago, says he sometimes recommends that the client work an extra year or have a part-time job during retirement. "That makes a difference," he says.

"The most important first step is to have that frank conversation," Leahy says. "Sometimes people understand that, and sometimes they don't. You can tell someone they need to exercise and diet and take medication. It doesn't mean they will do any of those things. But you don't want your physician to dance around that."

“Perhaps they can retire later,” he says. “Perhaps they can cut spending. Perhaps they can change the investment approach. Sometimes they can become more tax-efficient. Obviously, it’s different for every person.”

Mussio says the size of a client’s nest egg can sometimes make them overconfident.

“We tell them the rate they are drawing down from their portfolio is unsustainable,” Mussio says. “One million dollars is always seen as a lot of money. For someone who is retiring at 60 and plans to withdraw $80,000 a year from their portfolio for the rest of their life, that’s not realistic. We have to tell clients that if you keep spending at this pace, you will run out of money.”

In extreme cases, he says, he will recommend that the client move to Plan B — selling the house. But he says it’s less painful if clients follow their planners’ advice.

“The most empathetic situation is where there is a couple, and one gets sick and has to go into a nursing-home situation,” Mussio says. “Now the person managing financial resources has this gap where they went from supporting one household to supporting two. That can be scary. You can look at long-term care insurance to insure against that risk. But these are levels of high emotional anxiety and financial anxiety. We try to coach people through that. But it can be tough.”

McGrath says he believes that many are prepared and it’s just a matter of whether they can maintain the lifestyle they want. But a huge swing in the market, tax-law changes or inflation could change everything.

“Most people I work with, it’s not like they will live in the poorhouse,” he says. “The question is, will they do all the things they want to do? If they have to cut back, it will be the vacations and the fun things they want to do.”