

Want to be a successful retiree? Here's how

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Experts offer this six-point plan.



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You might know what it takes to be a successful investor. You might even know what it takes to be successful in business. But what does it take to be a successful retiree? Well, according to financial advisers, successful retirees share many traits. And the most common include these:

•**Plan in advance:** Successful retirees prepared in advance and educated themselves about what decisions they had to make, says Tracy St. John, a financial planner with Financial Avenues in Kansas City, Mo.

"They understand the purpose of having a retirement plan in place before retirement and value the plan itself," says St. John. "They recognize that following the plan, barring unexpected circumstances, can keep them on track to allow continued success in their retirement years."

What's more, she says they trust in the process of reviewing their plan each year based on the markets, their investment portfolio, changes in spending and things they want to accomplish.

And, St. John says successful retirees also "hired a financial adviser to guide them during their retirement years."

•**Start saving early:** Successful retirees also started saving for retirement early on in their lives, St. John says. "Many started in their 30s when they recognized a need to take care of their family and their future," she says. "Others started because they experienced the challenges of taking care of their elderly parents."

Also, successful retirees were not tempted by the pleasures of spending. Instead, they took pleasure in saving for tomorrow. "While saving for retirement (successful retirees) accepted that success is about putting away as much as they can," says Steve O'Hara, a certified financial planner with CLA Financial Advisors in Northbrook, Ill. "They tended to not be the people who took the best trips, and who had a normal to modest lifestyle, compared to their finances."

Others share that point of view. Successful retirees "managed their expenses by not overspending and put savings as a priority," St. John says. "They always focused on the long term vs. immediate gratification."

That's not to say, successful retirees denied themselves all the finer things in life during their working years. Rather, St. John says, "they learned to balance enjoying life while also accumulating savings for their future."

St. John also says successful retirees began by saving in their company retirement plans and increasing their contributions as they received raises. "Almost all contributed whatever the company match was but most made sure to contribute 8% or more," she says.

•**Craft a spending plan:** Creating a spending plan that you can live with is another common trait of successful retirees, says Susan Strasbaugh, a certified financial planner with Strasbaugh Financial Advisory in Colorado Springs, Colo. "We do a lot of planning with clients in the years leading up to retirement, to make sure they can live within their means for a 30- to 40-year retirement period," she says.

Others agree. "Successful retirees tend to take a conservative spending approach, probably the most crucial move in a 20- or 30-year or longer game plan," O'Hara says. "One financial planning truism actually is true just as much in retirement as when young and getting started: 'Spend less, save more and don't do anything stupid.'"

•**Build a proper portfolio:** Strasbaugh also says successful retirees have their investments allocated in ways that they "can stick with through all market cycles." What's more, they have set aside enough money in liquid assets so they don't have to sell their stocks during downturns to meet cash flow needs.

For his part, O'Hara says all of his clients, for the past 30 years, have invested at least 60% to 70% of their assets in equities at or near retirement. "Since a 65-year-old U.S. couple has an expected average age at the second death of 92, they need to invest to beat inflation for 27 years," says O'Hara. "We cannot do that with bonds."

O'Hara also says successful retirees allocate 10% to 20% of their portfolio to guaranteed income variable annuities. The current variable annuity products typically guarantee a 4.5% income for life, with the potential for the income to increase as markets climb. "Every dollar into one of these provides income certainty, allowing the retirees to focus that much less on account volatility," he says.

Despite the attention on having a proper asset allocation, successful retirees don't spend a lot of time gazing at their portfolios. "They don't spend a lot of time looking at account balances and performances," O'Hara says. "That tends to create a greater desire to 'mess with the investments.' Like handling a snowball, the more they get handled, the more they shrink.

•Having a traditional pension plan helps: For her part, Leslie Beck, a certified financial planner with Compass Wealth Management in Maplewood, N.J. says most successful retirees in her practice have one thing in common: a traditional defined benefit pension plan. In addition, she says a "lucky subset" of those also have fully paid retiree health insurance, which either allowed them to retire early or provide a secondary source of coverage to Medicare.

"Many of those lucky enough to work for state or local agencies also have generous 403(b) retirement plans with guaranteed returns or healthy matches," says Beck, noting that one clients has a 7% guaranteed return. "If every client had access to these kinds of plans, there would be much less worry about retirement," Beck says.

•Know your end game: Successful retirees also knew what they were retiring to and not just what they were retiring from, says David Mendels, director of planning at Creative Financial Concepts in New York City. "The first question I always ask them is: 'What's going to get you out of bed in the morning?'" Mendels says. "Early on, I was told by a very successful businessman who sold his company for a lot of money: 'I found out really quickly that there is one thing worse than getting up in the morning and going to work, and that is getting up in the morning and having nowhere to go.'"

Advisers agree that having a passion is key to having a successful retirement. "The most successful retirees find a new passion in their retirement years: they focus on reinventing themselves for this new chapter of life." Strasbaugh says. ()

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