MarketWatch

Help Me Retire

I'm 62, unemployed, living off my savings and waiting on Social Security — 'Can I go fishing for the next 25 years and forget about work?'

Published: June 18, 2021 at 10:27 a.m. ET
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Hello MarketWatch,
I am a 62-year-old single male and have no children. I decided three years ago to quit work and enjoy my life instead of working in the office from 7 a.m. to 5 p.m. every day. I am still concerned whether I made the right choice and whether or not I need substantial income to ensure my golden years.
Currently, I am living off of my savings accounts. If I sold my home today I would net $1 million. I have $508,000 in retirement savings, $660,000 in savings (collecting minimal interest) and $441,000 in my brokerage/trading account. I have yet to declare my Social Security and plan on living off of savings to maximize my Social Security and collect at my full retirement age. At that time, when I turn 66 years and 10 months, I will collect $3,100 per month.
My current monthly bills are $5,500 and multiplied over the next 58 months total $319,000 of expenditures (including health insurance). I do have dividend paying stocks paying $660 per month (or $8,000 per year).
My question is, can I go fishing for the next 25 years and forget about work or go back to the grind for a couple of years?
Thank you.

Dear reader,

I've got good news for you. At first glance, it appears you can continue to go fishing for the next 25 years as a retired man. But before you go get your fishing rod and bait, I'd like you to consider some options to ensure you have a comfortable, secure retirement and old age.

If the level of expenses you provided is accurate, coupled with moderate inflation and an estimated investment growth rate of net 6% to 6.5%, your strategy should be able to hold you over until Social Security and then some, said Brian Robinson, a certified financial planner and partner at advisory firm SharpePoint.

"There are enough assets with different taxable circumstances that, if allocated correctly and in the correct types of vehicles, will achieve a sustained retirement through at least age 90," Robinson said. At first, your withdrawal rate will be higher than average, which will obviously draw down your assets faster, but when Social Security kicks in, that rate will taper.

While this definitely sounds like a win, there are ways to improve your situation.

For example, you have a substantial amount of money in your savings account. It is absolutely wonderful that you've got this much stashed away and easily accessible, but keep in mind that inflation will hurt the purchasing power of that money later in life. Robinson suggests looking into an investment vehicle that will provide an income guarantee at a certain age.

You could also consider converting a portion of your retirement savings into a Roth individual retirement account this year, though you should consult with a financial professional about the best way to do so.

Putting the money in an investment account may sound scary, especially as you intend to live off of it for the next few years alone, but if you invest it conservatively it has a better chance of yielding more income for your portfolio than the interest accruing in the bank account, said Todd Scorzafava, principal and partner at Eagle Rock Wealth Management. If you went this route, you should still retain a healthy amount in your regular savings account — at least 12 months worth of expenses.

There are a few strategies you can take to withdraw your money as well, Scorzafava said. For example, the "bucket" approach divides your assets into multiple categories. One is allocated super conservatively, as it would be the first account you dip into. The second would be a little less conservative, with a longer time horizon so there is opportunity for investment returns. The other buckets would continue on that trajectory, being slightly more aggressive, with an even longer time horizon. Ideally, you would not touch those other accounts unless absolutely necessary.

By the way, delaying Social Security to your Full Retirement Age makes a lot of sense, as it will get you 100% of the benefit you're owed. If you find when you get to your full retirement age that you're still comfortable, you may even want to hold off longer — the longer you wait up until age 70, the more you get in your monthly checks. But don't make your decision solely on that fact alone. There are a considerable number of factors to think about when deciding when to claim Social Security, including health and longevity and current or projected future expenses.

Of course, a financial planner and/or a tax professional could point you in the right direction as to how to move around your assets, what a safe asset allocation would be for your investments, and how to make your money work for you without ending up with a hefty tax bill. A planner could also help you create a comprehensive financial plan and account for any gaps that you may have unknowingly overlooked. And, if the time ever comes that you want to sell your home, they could help with the financial consequences of that event as well.

"Does the retiree have any goals they want to accomplish, do they want to travel, take any vacations, are they in good health, do they have proper health coverages and care, do they have an eventual plan for the things caught in the 'doughnut hole' that Medicare will not cover effectively?" Scorzafava said. "All of these questions are critical in order to build out your road map to and through retirement."

So yes, head over to the water for a nice day of fishing whenever and however often as you'd like — just don't forget to shore up your finances so they're working to their fullest potential while you're out there.