



can help improve the likelihood that you won't run out of money during retirement. Given those considerations, as well as the ebbing away of pensions, increasing longevity and the fact that the financial crisis did a number on many pre-retirees' portfolios, it should come as no surprise that older adults are pushing back their planned retirement dates. Whereas just 11 percent of individuals surveyed in the 1991 Employee Benefit Research Institute's Retirement Confidence Survey said they planned to retire after age 65, that percentage had tripled — to 33 percent — in the 2014 survey. In 1999, just 5 percent of EBRI's survey respondents said they planned to never retire, whereas 10 percent of the 2014 respondents said that.

Yet there appears to

be a disconnect between pre-retirees' plans to delay retirement and whether they actually do. While a third of the workers in the 2014 survey said they planned to work past age 65, just 16 percent of retirees said they had retired post-age 65. And a much larger contingent of retirees — 32 percent — retired between the ages of 60 and 64, even though just 18 percent of workers said they plan to retire that early. The variance owes to health considerations (the worker's, his or her spouse's or parents'), unemployment or untenable physical demands of the job, among other factors.

What to do instead: While working longer can deliver a three-fer for

your retirement plan — as outlined above — it's a mistake to assume that you'll be able to do so. If you've run the numbers and it looks like you'll fall short, you can plan to work longer while also pursuing other measures, such as increasing your savings rate and scaling back your planned in-retirement spending. At a minimum, give your post-age-65 income projections a haircut to allow for the possibility that you may not be able to — or may choose not to — earn as high an income in your later years as you did in your peak earnings years.

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RETIREMENT PLANNING

Let's replace these terms as they spread confusion

end-paying stocks as retirement draws near, as such securities often have more stability than stocks without dividends. But retirees can meet their cash flow needs from a variety of sources: Social Security and pension payments, annuity income, rebalancing proceeds, withdrawals of principal and, yes, dividend and income distributions. The broader the base of cash-flow resources, the greater the diversification and flexibility to maximize the investment portfolio's risk/reward profile.

In: Retirement life-cycle fund
Out: Target-date fund

The term "target-date fund" definitely has the potential to mislead. For starters, the term "target" could incorrectly promote the notion that such funds will deliver a specific level of guaranteed income in retirement. Indeed, in a Securities and Exchange Commission survey, only 36 percent of respondents correctly indicated that target-date funds do not provide guaranteed income in retirement.

Even some investors who own these funds appear to be confused about what "target date" means. Some of the SEC survey respondents thought target date refers to the date that the fund will begin delivering that guaranteed income stream, while others thought it was the date when the fund would reach its most conservative investment mix. Just 32 percent of target-date fund owners and 27 percent of non-owners correctly indicated that the target date

A GLOSSARY OF SOCIAL SECURITY TERMS

Average Indexed Monthly Earnings
The dollar amount used to calculate your Social Security benefit based on your past earnings, which are adjusted for wage growth.

Credits
Earned when you work and pay into Social Security. 40 credits are typically needed to qualify for benefits.

Delayed Retirement Credits
Credits earned for delaying claiming of Social Security benefits beyond full retirement age. These credits translate into a roughly 8% increase in benefits for every year delayed past full retirement age.

Disability Benefits
Available from Social for people who are not yet full retirement age, have earned sufficient Social Security credits, and have either a mental or physical disability that prevents them from working.

Full Retirement Age
This is between 65 and 67, depending on when you were born. Technically you can claim Social Security any time after age 62, but you'll get smaller monthly checks than if you'd waited until full retirement age.

Primary Insurance Amount
The monthly amount you'll receive if you're a retired worker who begins receiving benefits at full retirement age.

Spousal Benefit
A Social Security benefit paid to a spouse (or former spouse, assuming the marriage lasted 10 years or more). The spousal benefit is equal to 50% of the worker's benefit, assuming he or she waited until full retirement age to claim benefits. Spouses may also claim benefits based on their own earnings histories; they are free to choose the higher payout.

was supposed to be their anticipated retirement date.

The term "retirement life-cycle fund" doesn't exactly trip off the tongue, but it helps address some of the confusion surrounding the "target date" term. For one thing, "life cycle" conveys that the asset mix of the fund will change throughout one's accumulation years and perhaps even into retirement. And

removing the word "target" helps dispel the idea that these funds' results are guaranteed.

In: Social Security "insurance"
Out: Social Security income

Social Security is an important source of income — er, cash flow — for many retirees, and while it's not the same as an insurance policy you would buy from

an agent, the program's benefits do have insurance-like qualities that are worth considering when you map out your retirement plan.

Social Security provides more than just an income stream — it's an income stream that's guaranteed throughout your retirement. That stands in contrast to your portfolio, which may at some point become exhausted due to unexpected expenses, poor market returns or an unexpectedly long life span. Social Security will continue paying as long as you continue breathing. So if you think of Social Security as a form of longevity "insurance," it helps clarify your decision about when to start taking it. If you expect a long life span, you probably want more insurance, and that argues for starting benefits at full retirement age or later; that way you can earn a higher benefit. If you think you need less insurance, you may start taking benefits sooner.

As with an insurance purchase, a current or, particularly, future Social Security recipient will want to consider the financial strength of the counterparty (in this case, the U.S. government) and the likelihood that benefits could be effectively reduced over time. If you are notably pessimistic on this front, then you may choose to have Social Security "insurance" play a smaller role in your retirement financial plan, which may necessitate a higher savings rate leading up to retirement or a lower spending rate in retirement.

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