

FACTORING HOUSEHOLD EXPENSES INTO CLIENTS' RETIREMENT PLANS

Widening your knowledge of common household and personal expenses can help provide a more tailored financial planning experience for clients.

Retirement can be an overwhelming change for your clients. It marks the ends of careers as they know them, a focus of travel and leisure may arise, along with significant shifts in their social and personal priorities. And, as with any change, retirement can bring with it a fear of the unknown. Clients may be weary of spending money because they are fearful of running out. In fact, studies show that as people transition into retirement, almost half of Americans cite running out of money as their primary fear, and only 36% are “very confident” in their ability to retire comfortably¹.

As you work with clients to build the futures they want, your understanding of their potential expenses can be vital to their overall confidence and comfort in retirement planning. It also can provide you a solid foundation of information to help you identify potential lifestyle changes that may impact clients' retirement plans—a skill you can use with clients throughout your career.

Healthcare—the Expense that Generally Increases

According to the [Bureau of Labor Statistics: Consumer Expenditure Survey \(CES\)](#), healthcare is the only retirement expense category to increase with age². And it's no wonder; Medicare beneficiaries could need to save as much

as \$300,000 per couple to pay for health care and medical expenses throughout retirement, according Fidelity's study.³

In the face of these complexities, your clients will turn to you for guidance and clarity. Your knowledge can help them avoid costly mistakes like the “[Medigap Trap](#),” which may charge a higher premium or limit coverage for recipients who switch from Medicare Advantage to Original Medicare. You also can help your clients navigate the particulars by making sure they're aware of [deadlines related to both Medicare and other retirement needs](#).

Housing is Typically the Highest Expense for Retirees

While healthcare costs continuously increase over time, housing remains the highest expense across all retiree age groups by a wide margin². These expenses could come in the form of anything from property taxes, to mortgage and rent rates.

Effective retirement planning includes considering the effects of your clients' homes on their ability to live their desired lifestyles. Should they need a change, be sure to keep in mind the [retirement-friendliest states in the U.S.](#) and how each may best accommodate your clients' needs and wants.

¹Planning for Retirement. *Almost Half of Americans Fear Running Out of Money in Retirement*. AARP. May 21, 2019.

²U.S. Bureau of Labor Statistics. *Consumer Expenditure Surveys*. January 26, 2020.

³Fidelity's 20th Annual Retiree Health Care Cost Estimate Hits New High.

Surprise! Most Retirement Expenses Decrease Over Time

While clients typically anticipate rising healthcare costs, many may be unaware that total retirement spending generally decreases with age. A growing base of studies have found that spending trends downward for most of retirement's duration and increases only toward the end, likely as a result of higher healthcare expenses⁴. These findings are mirrored by the Bureau of Labor Statistics: Consumer Expenditure Survey (CES), which saw a 38% drop in total retirement expenses between ages 55-64 and 75 plus, despite the uptick in healthcare costs. From this data, we might assume that, in many cases, increased medical expenses do not necessarily require substantially more retirement income in later years.

Average Annual Expenditures by Age Groups



Expenses	55–64	65–74	75+
Housing	\$21,192	\$18,709	\$15,806
Transportation	\$11,380	\$8,640	\$5,960
Food	\$8,579	\$7,305	\$5,597
Healthcare	\$5,958	\$6,772	\$6,914
Apparel and Services	\$1,828	\$1,497	\$1,035
Entertainment	\$3,981	\$2,700	\$1,946
Pensions and Social Security	\$8,404	\$3,208	\$1,136
Other	\$8,172	\$6,990	\$5,229
Total Annual Expenditures	\$69,494	\$55,087	\$43,623

As you advise your clients on how best to manage spending changes as they age, these findings could reassure those who may be hesitant to withdraw more from their savings earlier—thus, enjoying their retirement less. [This video](#) can help you start these conversations early to gauge your clients' priorities and help them find retirement solutions that will help grow and protect their future income and allow them to truly enjoy their retirement adventure.

We encourage you to take a deeper dive into spending in retirement and read the white paper written by Michael Finke [A Protected Approach to Retirement Spending](#). We also have an [Income & Expense Worksheet](#) to help you and your clients visualize their available income, retirement expenses, and other assets to build an accurate and goal-oriented plan for more confident retirements.

⁴<https://www.kitces.com/blog/estimating-changes-in-retirement-expenditures-and-the-retirement-spending-smile/>

[Additional Resources and Links](#)

[Household Expenses in Retirement](#)

[Will Your Income In Retirement Match Your Spending Needs? Video](#)

[Income Planning](#)

For more information about retirement planning,
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VLC2086-0921W

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