

SMILING IN RETIREMENT WITH S'MORES

August 10 was National S'mores day—a celebration of a favorite dessert. The ingredients are simple, and the prep is messy, but you know what the finished product will be. If only retirement planning could be that easy.

The basic s'mores recipe consists of three simple ingredients: graham crackers, chocolate, and marshmallows. Take the marshmallows and heat them up using either fire or a microwave. Once heated to perfection, combine the marshmallows with the chocolate, sandwich it between the graham crackers, and enjoy! Make sure to have plenty of napkins as the melted chocolate and marshmallow will get all over the place! Are there any retirement-planning concepts that could be that easy?

Michael Stein¹ coined the phrase: Go-go, Slow-go, and No-go years in retirement. Simply put, the older a person gets, the less they spend in retirement. However, with life expectancy increasing year-by-year, spending in retirement may likely increase for some clients. Here's how and why.

David Blanchett wrote about the Retirement Spending Smile. In short, it coincides with Stein's three phases of retirement, with a twist. Blanchett's work shows that in the early years of retirement, spending decreases by about 26% from ages 65 to 85. Now the twist: past age 85, spending increases for some retirees.² A large reason for the increase is due to healthcare and long-term care costs. According to Employee Benefits Research Institute (EBRI), Medicare covers only 64% of healthcare costs. This doesn't account for long-term care (LTC) costs. This now means that retirees must plan for longevity of their retirement assets. So how can one prepare and feel more confident heading into the later stages of retirement? Here are a couple of strategies to consider during planning:

- **Deferred Income Annuities:** Deferred income annuities are just as they sound. Clients defer income until a specified time (restrictions may apply). This strategy can be used to prepare for future income needs such as increased healthcare costs or long-term care needs. Once retirees place assets into these types of products, they can rest assured that they will have a source of income during the specified time of retirement, whether it be ages 75, 80, or later.
- **Variable Annuities:** Variable annuities provide the power of tax deferral. For an additional fee, an optional income benefit or beneficiary benefit might be added, depending on the client needs.
- **Long-Term Care:** Another option is to purchase life insurance using a long-term care benefit. Many companies offer this option to use the policy to help with long-term care if certain requirements are met. Typically, the requirements include the inability to perform a number of activities of daily living (ADL).

Now, let's get back to s'mores. Every enthusiast will have their own twist to the recipe to make it their own. In order to make the perfect s'mores, it takes some planning and preparation to ensure maximum enjoyment. One must choose what type of graham cracker or chocolate to use, as there are so many varieties. Ultimately, you have the three main ingredients to put together and make the ideal s'more.

¹Michael Stein, "The Prosperous Retirement: Guide to the New Reality" (1998).

²Journal of Financial Planning, "Exploring the Retirement Consumption Puzzle," (May 2014), David Blanchett.

Making s'mores is like planning for retirement. Careful planning and consideration of which products to use are essential in giving retirees confidence and enjoyment. By planning, retirees can help ensure that they are ready to supplement their incomes should their health start to decline. Since we are talking about healthcare costs in retirement, I really should consider laying off the s'mores and sweets in general to avoid higher healthcare costs in the future!

Additional Resources and Links

[Retirement Strategies Blog: Healthcare](#)

[Retirement Strategies Blog: Retirement Planning](#)

[Employee Benefit Research Institute. "Savings Medicare Beneficiaries Need for Health Expenses"; EBRI Notes; Vol. 38 No. 10, Dec. 20, 2017.](#)

[Journal of Financial Planning, "Exploring the Retirement Consumption Puzzle," \(May 2014\), David Blanchett.](#)

For more information about retirement planning,
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