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The Decreased Cost of Retirement

by Steven Podnos, Md, Cfp • Oct. 12, 2015 • 1 min read • original

Physicians may not know this, but there are actually some expenses that disappear or are reduced in retirement!

Disability Insurance is no longer needed, nor cost effective. By the time you reach 65 years of age, most disability policies either cease to have benefits or have very limited benefits (usually a year of coverage or so). Hopefully, at this time you have accumulated enough assets to no longer need the coverage either.

Life insurance is usually no longer necessary. For most of the families I work with, term-life insurance is used for 20-to-30 years until enough assets are accumulated to provide security in retirement. At this point, life insurance is getting very expensive and not needed.

Social Security taxes go away when you stop working. This can be seven to 15 percent of your earned income.

Federal Income taxes are usually reduced when you start working. Other than for those fortunate enough to have significant income coming from pretax accounts, most families can adjust where they draw income from in order to reduce tax brackets.

Saving for retirement goes away as well! This might (and should have been) 15-20 percent of your annual income alone!

If you plan correctly, your mortgage should be paid off by the time you retire. Additionally, some people downsize in retirement (a smaller home or a less expensive locale).

Transportation and clothing costs may go down if you were going to work every day and having to fit a dress code. Some families are able to drop a car and its related expenses.

By the time you retire, your children are hopefully independent financially. With them off the family payroll, expenses can drop significantly. If they are still dependent, you have other troubles as well.

Physicians, there are many expenses that are either reduced or disappear in retirement. How much any one family needs to spend is a function of expectations and lifestyle. However, it is reasonable to believe that you could maintain a pre-retirement lifestyle on

15-30 percent less annual income when finally retired.

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