**LIFE STAGES: Retirement**

**Nick Capodice** [00:00:00] Civics 101 is supported in part by the Corporation for Public Broadcasting.

**Hannah McCarthy** [00:00:05] I have to confess something.

**Nick Capodice** [00:00:07] A podcast for thousands of listeners is as good a place as any Hannah.

**Hannah McCarthy** [00:00:11] Whenever I see an ad for retirement investing.

**Retirement Ad Montage** [00:00:16] Money is like life. You have to decide how to get the most from it which means you can retire without retiring from life with retirement planning and advice for what you need today. And tomorrow.

**Hannah McCarthy** [00:00:30] I get this creeping anxiety.

**Nick Capodice** [00:00:32] I have retirement accounts I whenever I look at them I just try to find something else to do.

**Hannah McCarthy** [00:00:38] Yeah. And I think to myself well you know it honey you're not afraid of the future. You've been paying into Social Security since you were probably 16. You're actually pretty lucky you've got a full time job and a retirement savings account. And I have even used one of those retirement calculator things online.

[00:00:57] And yet...

**Retirement Ad Montage** [00:01:00] We ask people the question how much money do you think you'll need when you retire.

[00:01:04] Five hundred thousand maybe a half million.

**Hannah McCarthy** [00:01:08] Full on stomach ache.

**Nick Capodice** [00:01:09] Isn't retirement supposed to be something that you look forward to no more working for the man. Rest of Your Life is just me time.

**Hannah McCarthy** [00:01:17] Sure all that free time to do what every you've always wanted to do. But then I think to myself What am I actually going to do.

**Nick Capodice** [00:01:28] Can we pull back this existential shroud? Can we lift a little of our dread?

**Hannah McCarthy** [00:01:32] I think.

[00:01:33] In fact we can. This is Civics 101. I'm Hannah McCarthy.

**Nick Capodice** [00:01:38] I'm Nick Capodice.

**Hannah McCarthy** [00:01:39] And today.

[00:01:40] Retirement. The golden years. The autumn years. The sunset years. Life at the crossroads.

[00:01:56] Can we please remove these words from our retirement vocabulary.

[00:02:05] Retirement doesn't mean you pass into some shimmering soft focus cloud of obscurity.

**Nick Capodice** [00:02:10] Thank you. I hate these euphemisms. The sunset years. No wonder I don't want to think about getting old.

**Hannah McCarthy** [00:02:17] Yeah I feel like these terms make us sound like we'll become generic one dimensional versions of ourselves after we leave the workforce and become older. Not to mention the fact that they're a way around saying the word old.

**Bart Astor** [00:02:31] I think we put down the whole concept of Old. And and my my mission I took on was to say the word old is not a bad word. I think it's really good to be old. I'm so much happier now than I was throughout my life.

**Hannah McCarthy** [00:02:47] This is Bart Astor. I called him up to talk about what we don't talk about when we talk about retirement.

**Bart Astor** [00:02:54] I'm fascinated by the fact that we don't think about it. I mean it's amazing everything becomes a surprise. I didn't know that my body would start failing but yet it did. Of course it did.

**Nick Capodice** [00:03:06] Of course it did. It's bizarre but I get it. Age sneaks up on you a bad back sneaks up on you I'm pretty sure I was 22 yesterday.

**Hannah McCarthy** [00:03:13] Yeah. There is a measure of existential dread that comes along with this stage of life right. What's gonna happen to my body my brain? Will I have enough money? Can I ever retire? If I do what is it even going to look like?

**Bart Astor** [00:03:29] Because this image of what life is supposed to be like and we know it is just not necessarily what it is. So I think that we don't want to think ahead. And then when we do we we're afraid that I'm going to sit around and eat bonbons and that that's going to be my retirement.

**Hannah McCarthy** [00:03:46] Does it have to be all lounging on the couch and eating bonbons. How do we make this transition as straightforward and predictable as possible while Bart's helping us out with the existential. Let's make the practical a little less mystifying too. And the practical has a lot to do with government retirement and a lot of ways was designed by the federal government. There are three major things you need to think about when you think about retirement. That's social security health and savings. First stop Social Security.

**Tom Margenau** [00:04:21] Maybe you've heard the term join the Navy and see the worldwide join the Social Security Administration. I didn't see the world but I saw a lot of the country as we moved around to different social security offices.

**Hannah McCarthy** [00:04:31] This is Tom Margenau. He worked for the Social Security Administration for 31 years and a bunch of different jobs. And these days he writes a column about Social Security and retirement. And before we do jump into Social Security as a retirement benefit.

[00:04:47] A quick caveat.

**Tom Margenau** [00:04:49] Social Security isn't just old people. What Social Security is in a nutshell is it obviously is old people it's retirement benefits and widows benefits those are two big parts of Social Security. But another big part of Social Security disability benefits we don't all stay healthy until we reach our retirement years.

**Hannah McCarthy** [00:05:08] You can receive Social Security benefits for as long as the Social Security Administration says your condition is one that prevents you from returning to work. For some people that is indefinite and then when they do reach retirement age their disability benefits convert into retirement benefits. There is also a survivor's program for spouses and children widows and widowers can collect part of their deceased spouse's benefit. Children can too until they turn 18.

**Nick Capodice** [00:05:36] I got it. So Social Security helps keep people secure and all sorts of situations right. But it seems like they're all tied to the fact that someone was working at some point.

**Hannah McCarthy** [00:05:45] Yes the Social Security Administration uses a credit system so it's similar to the way that you earn college credits as you put in class time on your way to graduation. As of 2019 for every 1360 dollars you earn you get a credit.

[00:06:02] Up to four credits a year.

[00:06:05] The minimum is 40 credits to receive benefits which get delivered once a month for the rest of your life.

**Nick Capodice** [00:06:13] So after about 10 years you unlock the social security enhancement.

**Hannah McCarthy** [00:06:18] Exactly.

[00:06:19] Now before we get into details have we always had Social Security in the U.S. the United States actually came a little bit late to the Social Security game.

**Tom Margenau** [00:06:27] Social Security was implemented in the U.S. in 1935 in many European countries have social security systems long before we started doing that which for example Germany had a Social Security system going back to the 1880s.

**Nick Capodice** [00:06:41] So what was it like before we had it. It's a long time to go without having a retirement safety net.

**Tom Margenau** [00:06:46] So it was something like 60 or 70 percent of senior citizens before Social Security were living below the poverty level. They were living with their family they were a lot of senior citizens ended up living in cold poor houses because they had essentially no money.

[00:07:03] So so security grew out of this era in this country when especially going out of the Great Depression as a target. Franklin Roosevelt's New Deal program some kind of system to provide some level of support for older people and then eventually for disabled people and widows and widowers and so on.

**Hannah McCarthy** [00:07:23] The Social Security Act has been changed a number of times since 1935 but initially it was just federally administered social insurance and we paid for it with payroll taxes.

**Nick Capodice** [00:07:35] When I look at my paycheck and there's that little area where social security is taken out that's going into the Social Security pot at the end of the rainbow and it goes into one big pot right. It's not just me saving for retirement.

**Hannah McCarthy** [00:07:46] Right.

[00:07:47] And we'll get into individual savings accounts in a bit but of course if you are making more you are paying more into it and your employer is also paying a percentage into that pot. So if you are self-employed and wondering why your taxes seem so high that is in part because you are paying the entirety of the Social Security tax.

**Nick Capodice** [00:08:06] So do I get more from Social Security if I made a lot more money during my life.

**Tom Margenau** [00:08:10] The more money you put in the system the higher your benefits going to be. You know Bill Gates is going to get a higher social security benefits someday. Then his maid is gonna get.

**Nick Capodice** [00:08:20] What does that mean. Why would billionaire Bill Gates not get five million bucks a week or something from Social Security.

[00:08:26] That has to do with something called rate of return. It's higher for people who earn lower wages over their lifetime. So Bill Gates is Social Security check. It is going to probably be higher than let's say his housekeeper's check. But the percentage of his total income is going to be way lower.

**Tom Margenau** [00:08:44] A rich person gets a higher Social Security benefits than a poor person. But again as a sort of percentage of what they kicked into the system the poor person gets a better deal out of the program. And that's one of the social aspects of Social Security is to raise the standard of living of lower income people in retirement by giving them this higher rate of return.

**Nick Capodice** [00:09:05] I've wondered how does the Social Security Administration know that you're ready to collect your benefits to retire.

[00:09:10] Do you tell them you give a call or does your employer tell them?

**Hannah McCarthy** [00:09:13] You have to apply with the administration. So in most cases you can do this online or over the phone but there are also social security offices in every state in the country.

[00:09:23] You've got to be a few months away from age 62 in order to do it. But there are a lot of people in this country who spend years paying into Social Security who reach that retirement age and find that they are denied benefits.

**Tom Margenau** [00:09:37] You might be pumping money into the system matter of fact so sturdy actuaries will tell you that illegal immigrants crudely pump about two billion dollars a year in taxes into the Social Security system. People who've obtained numbers through nefarious means but they're working above the people faithfully are of course a lot of folks like that work under the table. But there are some who actually get us all still does work above the table and are paying money into the system pumping two billion dollars a year into the Social Security system but they never collect a dime in benefits because if you're living here illegally you're never going to get a nickel of Social Security benefit.

**Nick Capodice** [00:10:16] All right. So that's how Social Security is applied to undocumented immigrants. But I have another one I'm a little confused about. I've heard that by the time I retire Social Security will have dried up entirely. What's the deal with that.

**Hannah McCarthy** [00:10:29] I have heard the exact same thing. And by the way I like Way to up the ante on existential dread. Right.

[00:10:36] And this is an issue that Tom really wanted to get out of the way.

**Tom Margenau** [00:10:40] The very first presentation I ever made about Social Security somebody got up and said I don't know why we're even listening to you because we all know the program is going to be broke long before we ever get benefits. That was 50 years ago. If that guy is still alive he was in his 30s at the time. You know he's in his 80s now and he's been getting so steady checks for 20 or 30 years now for 50 years now. People have been telling me the system's going to go belly up before they ever have a chance to get benefits. But the system has been paying these benefits for 80 years now. I'm not quite sure how long it's got to be around before people finally accept the fact that maybe it's here to stay.

**Hannah McCarthy** [00:11:17] The deal right now is that Social Security's excess cash their reserves could run out a decade and a half from now. If Congress does not pass any laws to help things out but this is not the same thing as Social Security going broke. Now there are certainly scenarios where we might receive less money from Social Security because say the economy tanks or we go into a recession but things like this Reserve's running low or economic crises have happened in the past and Congress has reacted.

**Tom Margenau** [00:11:50] Now certainly over the years the system has had its pumped up against various economic problems were and forecasts were that the benefits would might have to be tapped or something.

[00:12:03] Over the years every time this has happened Congress has passed some laws that make some reforms to Social Security like keep the system going.

**Nick Capodice** [00:12:12] What kind of reforms.

**Hannah McCarthy** [00:12:13] Things like phasing in a higher retirement age tweaking tax rates for a period of time adjusting the benefit formula adjusting the retirement age didn't the government sit down and say 65 is the perfect number.

**Hannah McCarthy** [00:12:27] Well they did in 1935 but actually 65 is not the national retirement age anymore. Reforms in 1983 mean that now the ages 66 and two months if you are on the brink of retirement right now. But by 2022 that age will be 67.

**Nick Capodice** [00:12:50] Alright so I'll be retiring at 67.

**Hannah McCarthy** [00:12:52] Or later even. It really all depends on what possible future reforms look like and what your bank account looks like. Also humans tend to be living longer. You can start collecting retirement before you retire but your longevity might be a consideration for you.

**Cristina Martin Firvida** [00:13:09] You might outlive your savings but you cannot outlive your Social Security and you want to make sure that your Social Security check is robust especially as you get much older.

[00:13:22] This is Cristina Martin Firvida. She's the vice president of financial security and consumer affairs at AARP.

**Nick Capodice** [00:13:28] The AARP American Association of Retired Persons.

**Hannah McCarthy** [00:13:32] it actually used to be the American Association of Retired Persons. But there are a lot of people who are members of the group who are not yet retired so now they just go by the acronym AARP.

[00:13:43] They're pretty influential lobbying group in the U.S. that focuses on senior citizen issues.

**Cristina Martin Firvida** [00:13:48] So I lead up all of a piece federal lobbying on retirement issues including Social Security and pensions. And in addition to that I also work on employment issues housing transportation telecommunications all sorts of important issues that people think about when they're getting ready retire and they're thinking about their money.

**Hannah McCarthy** [00:14:12] AARP also sells memberships and lends its name to some health insurance companies for health care plans.

**Nick Capodice** [00:14:18] And they know when you turn 50 my friend just got home for his fiftieth birthday and the card was in the mail and he nearly died. So it's like Hogwarts for adults.

**Hannah McCarthy** [00:14:26] Yes AARP does send you a membership invitation when you turn 50.

**Nick Capodice** [00:14:31] How do they know.

[00:14:32] Well in one of the articles that I read about exactly this subject a rep from AARP said they get birthdays from quote companies that specialize in providing information to direct marketers. It's totally legal even if it bums you out. Can we get back to the show, Harry.

[00:14:50] OK onward.

**Hannah McCarthy** [00:14:54] Your Social Security check is based on your average monthly earnings. The administration pulls from the highest earning 35 years of your employment so you can estimate depending on your age and your highest earnings what your monthly check will look like when you start collecting.

[00:15:09] And that number will barring changes in the law be the same for as long as you collect.

**Nick Capodice** [00:15:14] And the longer you wait before you decide to collect Social Security the bigger the check will be.

**Hannah McCarthy** [00:15:19] To a point after you hit the national retirement age you actually do get a monthly bonus if you wait to collect Social Security. But that bonus will only take you to age 70 and you're not going to make more than around thirty five hundred bucks a month.

**Nick Capodice** [00:15:32] OK. So I'm not going to get rich on Social Security checks if I made the absolute maximum and Social Security and make about forty two thousand dollars a year which seems like enough if the House and the car are paid off. I didn't have any unexpected medical catastrophes or want to go on vacations.

**Hannah McCarthy** [00:15:51] Yeah and most people are not even going to make that much from social security checks. The average is closer to just under three thousand dollars a month.

**Nick Capodice** [00:16:01] Is that enough to live on for the rest of my life?

**Cristina Martin Firvida** [00:16:04] Very few workers have sufficient savings to really make it on just their savings. That's why we have Social Security. The idea of Social Security has always been to form the bedrock of your retirement income. And unfortunately for a lot of for a lot of retirees it's their sole source of income. So to your question is it ever enough. It's probably not enough to have a comfortable retirement. If it's the only source of income you have but it is unsafe it sadly for many their only source of income which is why we definitely want to talk about some other supports.

**Hannah McCarthy** [00:16:43] Lots of people out there depend on Social Security alone and plenty more rely on it to make up about half of their income. So for many many older Americans it can make a huge difference to access various programs that make life easier to afford. And this is also where part two of the insurance puzzle comes in. Health care.

**Cristina Martin Firvida** [00:17:05] You obviously want to think about signing up for Medicare which is a very important benefit. After you leave the workforce and then depending on you know for some folks there are some additional benefits that a retiree can access as well and those will include nutritional supports and some other supports that are really designed to assist retirees who have very low income in their post work years.

**Hannah McCarthy** [00:17:32] There are thousands of these programs across the country to help with prescription drugs housing issues transportation home care services and the hundred plus other things that can crop up in retirement all right.

**Nick Capodice** [00:17:44] It's time for me to confess something my eyes just glazed over a little when you mentioned Medicare only because health insurance is so much to comprehend. What do I need to know.

[00:17:54] Bare bones.

**Hannah McCarthy** [00:17:55] OK bare bones. Medicare. Medicare is federal health insurance. It's for people 65 and older. Some younger people with disabilities and people with kidney failure. Medicare is also funded by payroll taxes and some elderly people are eligible for Medicaid too which is typically free comprehensive health care. But there is a catch.

**Cristina Martin Firvida** [00:18:17] A lot of individuals are surprised that they often will need supplemental health insurance or that they will need to think about budgeting for for the high cost of medicine. We're very focused on the high cost of drugs and we are in the in the middle of a really big push both at the federal and state level to do something about high prescription drug prices. I want to make sure your listeners realize that the median annual income for Medicare beneficiaries is only twenty six thousand dollars. That is not a lot.

**Hannah McCarthy** [00:18:54] All right Nick how are we feeling about the prospect of retirement so far?

**Nick Capodice** [00:18:58] I honestly don't know if I'm going to budget for the surprise stuff. I'm terrible at budgeting first off. What if I want to travel to China or start a huge board game collection. I don't want to just scrape by. Is it possible for me to not just scrape by.

**Hannah McCarthy** [00:19:14] Yes. Nick we've arrived at Part 3 of the wild world of retirement prep savings. Oh man. Here's Tom again.

**Tom Margenau** [00:19:24] The thinking was you should get about a third of your retirement income from Social Security another third from savings or investments and another third from maybe a pension from your employer. But that was they always they called it a three legged stool.

**Hannah McCarthy** [00:19:40] It used to be relatively common for an employer to offer a traditional pension plan when you left your job your employer would provide you with retirement benefits based on a fund that they paid into and maintained. But the burden being on the employer is part of the reason that the traditional pension has become pretty rare. It's mostly government workers and a handful of private employees who get these now after some unfortunate incidents in the 60s including pension funds drying up. Two things happened. One Congress passed the Employee Retirement Income Security Act ERISA in 1974 which laid out some basic rules for retirement plans and established a corporation to cover pensions. If that company does go belly up to traditional pension plans started to decline.

**Nick Capodice** [00:20:28] So back in the day a lot of people had said traditional pension options. That's like one leg of my retirement stool and then maybe I've made some investments of my own or I've save some. That's another leg.

[00:20:39] And Social Security is the third leg.

**Tom Margenau** [00:20:41] So a Social Security benefit is roughly for the average retiree if this isn't something like 40 percent 30 to 40 percent of their pre-retirement income. And then it's up to the person getting benefits to make up the other two legs of that stool so that it isn't a wobbly stool.

**Nick Capodice** [00:21:00] But if my pension leg is kicked off I'm standing on a wobbly stool. Hanna I would rather not be on a wobbly two legged stool the rest of my life.

**Hannah McCarthy** [00:21:09] Okay. It is not as easy as it used to be to have a nice sturdy three legged stool of retirement. But there are options. Here's Cristina again.

**Cristina Martin Firvida** [00:21:20] There's been more and more responsibility put on individual workers to save for their own retirement. In 1983 only 12 percent of workers were being put into a for one case style savings plan. But today at the current time 73 percent of workers who are offered any kind of retirement plan at work are offered only a for one case style savings vehicle.

**Hannah McCarthy** [00:21:50] There are tax incentivised retirement programs out there that can help you save even if your employer doesn't offer you one.

[00:21:56] You can get a retirement account with a bank or a credit union or a broker. You can also make your own investments. If you're lucky enough to have the funds or try to stash things away in a savings account even putting a little bit away. Cristina says makes a difference when the day comes to start planning out your retirement.

[00:22:15] Oh and one more thing. Talk to someone who understands money. You don't have to and really shouldn't go through this process alone.

**Cristina Martin Firvida** [00:22:26] There are a lot of conflicts of interest in the financial advice world. They're not all disclosed. It can be difficult to know what fees you're being charged what commissions you're being charged what recurring fees you're being charged. It's really important to ask those questions. They can be uncomfortable questions to ask. I know it from personal experience but it's your money you saved it you need it for your retirement and you need to know what's going to happen to have money. So make sure the advice you get is best for you. The only way you can know that. Is if you ask those questions.

**Hannah McCarthy** [00:23:18] Okay Nick what do you think is retirement less of a dark looming forest creature now.

**Nick Capodice** [00:23:26] It is still a lot to take in.

[00:23:29] But I feel like it has gone from being something I just didn't want to face to being something that's like possible to face now.

**Hannah McCarthy** [00:23:36] And necessary to face.

**Nick Capodice** [00:23:37] Whether I like it or not.

[00:23:39] But to be honest I'm still not thrilled with the prospect.

[00:23:42] This whole thing still means at the end of my job and getting older and dealing with all this stuff that I don't want to deal with.

**Hannah McCarthy** [00:23:49] I think it's time to bring Bart back in.

**Bart Astor** [00:23:52] I'm 70. I figure I'm going to live to be 90.

[00:23:55] Could be more could be I could get it tomorrow by the bus. OK.

[00:23:59] But I have to assume I have 20 plus years.

**Hannah McCarthy** [00:24:03] The foggy shroud around retirement and aging has I think a lot to do with the fact that we don't want to pull back that shroud for many people money and aging does causing diety and anxiety can mean that we don't prepare for what's coming because we just don't want to look at it.

[00:24:23] So Bart's advice. Look at it. People it's coming.

**Bart Astor** [00:24:30] The batter hit the ball with the ball with cleats. We know it's coming at it's time. You know I'm 64 and a half and I have six months before I get on Medicare or retire or whatever. Do nothing. If the ball is already in the air and it's not going to change course it's done all the sudden going to veer left just expressed.

[00:24:53] I because I close my eyes. It's it's coming. So I put my hand out and I catch the ball or I don't.

**Nick Capodice** [00:25:01] I want to catch the ball. I do that we may find the facts of retirement may be boring or intimidating. Basically we have to pay attention if we want the whole thing to be smoother less surprising.

**Hannah McCarthy** [00:25:13] Nick, should we run a final test to see if things have improved in the dread department.

**Nick Capodice** [00:25:18] I'm ready.

**Retirement Ad** [00:25:20] Why earn my mutual fund fees so high my returns so low and yet you guys keep putting up record profits year after year. You'll see the results in the end. It's a long term game. It's not a game. It's my retirement it's my family's future.

**Hannah McCarthy** [00:25:40] Getting real there was a tough one. But how do you feel.

**Nick Capodice** [00:25:46] I feel okay. I feel a little inspired actually. How about you.

**Hannah McCarthy** [00:25:49] I think the shroud of dread has been lifted. I can successfully watch an entire 30 second retirement commercial without total dread.

**Nick Capodice** [00:25:59] Eyes on the prize Hannah. It's just.

[00:26:03] That it's like one big ole elephant that we're kind of skirting around here.

**Hannah McCarthy** [00:26:08] But we're paying attention we're looking forward we got it down.

**Nick Capodice** [00:26:11] We're not looking all the way forward.

**Hannah McCarthy** [00:26:14] All the way forward?

**Nick Capodice** [00:26:15] All stories least the good ones have a beginning a middle and an end. And Hannah. We got to take that step into the most existential of all life stages. The final stage.

[00:26:28] That's next time on Civics 101.

[00:26:41] This episode of Civics 101 was produced by me. Hannah McCarthy with Nick Capodice. Our staff includes Ben Henry, Jacqui Helbert and Daniela Vidal Alee. Erika Janik is our executive producer.

[00:26:51] Maureen MacMurray has been planning her retirement partisan she was a little girl.

[00:26:54] The theme is circus music in this episode by Blue Dot sessions D.R. and scan globe.

[00:27:00] There's so much to see and do at our Web site civics one to one podcast dot org. You can drop us a line or donation if you're so inclined. We really really truly couldn't make this show without your support.

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