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Don't Let Unexpected Costs Ruin Your Retirement!

How much do you need to save for retirement? Determining how much you'll spend on housing, food and other fixed expenses may seem relatively easy, but how about the costs that come out of the blue? An Ameriprise study found that 90 percent of Americans surveyed had faced at least one unanticipated issue or event that may have made retirement more difficult. The Tennessee Society of CPAs offers some insights into making sure your retirement isn't upended by surprise expenses.

Create a Sound Foundation

Before you consider the unpredictable expenses you might face, be sure that you're going to be able to cover the ones that you can see coming. Unfortunately, many people may not have a completely realistic idea about how much they'll need to fund a secure retirement. When workers were asked last year how confident they were about having enough money to live comfortably throughout retirement, 18 percent said they were very confident, according to the Employee Benefit Research Institute Retirement Confidence Survey. That was up from 13 percent in 2013, but it still indicates that many people may be anxious about their future. If you're worried about retirement, start making – or perhaps increasing – regular contributions to an employer or individual retirement savings plan so that your money can grow steadily over

time. If you have questions about retirement planning or getting started on saving, your CPA can explain your options and offer advice customized for your unique financial situation.

Take Stock of What You Have

As you near retirement, it becomes easier to predict the kinds of large but unusual expenses that can really undermine your budget. If you're about to retire and you just bought a new car, for example, your maintenance expenses should remain pretty low for the next few years, but it may be smart to include more costly repairs in your budgeting down the road. The same is certainly true if you own a house. Consider how many years it has been since you've replaced your roof, furnace, hot water heater and other items that will require significant replacement costs, then earmark some of your savings for these repairs. If you have an aging roof and major appliances, you'll want to set aside more each year than if they are all relatively new.

Factor in Health Care Costs

According to a Fidelity Benefits Consulting survey, a 65-year-old couple retiring now can expect to face an average of \$220,000 in health care costs in retirement, not including any nursing home care. And while many Americans expect to rely on Medicare to cover their expenses, quite a few may not be aware that it's not free or realize what percentage is covered for doctor's visits, hospitalization, vision and hearing or long-term care, according to a study of middle-income Baby Boomers by the Bankers Life & Casualty Company Center for a Secure Retirement. A total of 77 percent of study respondents had bought additional insurance to cover out-of-pocket costs that Medicare doesn't encompass.

Keep Family in Mind

A parent's health declines and he or she needs help paying for home health care or other expenses. A child loses his or her job and turns to you for help making ends meet. Or a grandchild is on the way and you want to help the young parents swing the down payment for a new house. There are many happy and sad reasons that retirees may find themselves digging deep to help out a family member financially. That's why you should also include possible unforeseen requests from loved ones in your retirement budgeting.

Your CPA Can Help

It may seem difficult to plan for retirement when life brings so much uncertainty. If you'd like expert advice on the best ways to plan for the unexpected in retirement, be sure to turn to your local CPA.

About Money Management

Money Management is a column on personal finance that is a joint effort of the AICPA and the Tennessee Society of CPAs, as part of the profession's nationwide 360 Degrees of Financial Literacy program. Members of TSCPA are CPAs residing and practicing primarily in Tennessee in all areas of public accounting, education, government, business and industry. TSCPA offers a speakers bureau for many types of business and educational engagements. For details, visit www.tscpa.com. TSCPA is headquartered in Brentwood, Tenn.