

Financial Planning

Retiree Nightmare: When Clients Spend Through Their Savings

by [Katie Kuehner-Hebert](#)

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Many financial planning clients share the same nightmare: running out of money in retirement. Hopefully, with good planning, that won't happen. But what if it does? What can planners then recommend to their clients?

OUT OF MONEY

If the client is past the point of finding work, his or her support is going to fall onto the shoulders of either the family or the government, says *Claudia Mott, a planner at Epona Financial Solutions in Basking Ridge, N.J.* An elderly client may need to be moved either into a Medicaid-funded facility or into the home of one of his children.

"The path children take in terms of support hinges largely on their own financial situation and can range from a parent moving into the household to filling in the parent's budget gap by paying those bills out of pocket," Mott says.

WATCH WITHDRAWAL RATES

Michael Lecours, an advisor at Ohanesian/Lecours in West Hartford, Conn., says the time to address the issue of running out of money with retirees is when they start increasing withdrawal rates from their savings. "We can see the writing on the wall five to 10 years away," Lecours says. "After a conversation, most clients recognize the issue and find ways to reduce their expenses. They make plans to downsize, move in with a family member, or scale back on their lifestyle." During the planning process, Kevin Meehan, regional president at Wealth Enhancement Group in Itasca, Ill., asks clients "long before there is a problem" to discuss any contingency plans if they ever need to support other family members or need support themselves.

MORE WORK

Harriet Brackey, director of investments at GSK Wealth Advisors in Hollywood, Fla., says that taking out a reverse mortgage is often a good last resort. But she sometimes sees potential problems when clients are expressing a desire to retire even though they haven't saved enough to support the kind of lifestyle they want. "After we review their savings, I have to tell them, 'I hope you like what you're doing for a living, because you're going to be doing it for the rest of your life,'" Brackey says. Sometimes clients run out of money because they retired too early, and so they try to go back to work, says Laura West, a planner at West Financial Advisors in Nevada, Iowa. But that doesn't always work out well, because the older people get, the harder it is to get hired. Companies would rather hire younger people who can be paid less. "So just waiting even one or two more years to retire often makes all the difference, particularly since once people start taking out Social Security at 62, they will forever get a lower payment than if they had waited," West says.

Katie Kuehner-Hebert is a writer in Running Springs, Calif. She's contributed to American Banker, Risk & Insurance and Human Resource Executive.