

## RETIREMENT

# 10 Things You'll Spend Less and More on in Retirement



## 5 Things You'll Spend Less on in Retirement

We spend a lot of time worrying about running out of cash in retirement. But you might be surprised to see some of the things you'll find yourself spending less on in your golden years. Consider these five budget line items on which you'll likely spend less in retirement.

### 1. Transportation

A popular retirement guideline suggests retirees need 80% of their preretirement income to make ends meet, and some experts encourage saving even more to avoid running out of money. Facing such daunting goals, 53% of preretirees say they plan on working past age 65 to ensure that they have enough money, according to the Transamerica Center for Retirement Studies.

But the 80% rule isn't for everybody, and it may lead to inflated savings goals that cause undue anxiety as you plan for retirement. Consumer spending actually decreases -- significantly -- as you age. Data from the Bureau of Labor Statistics shows the average retired household spends 25% less than the average working household.

In order to know how much you need to save for retirement, it's important to know what your spending will look like once you actually retire. Here's a little pep talk: You've actually been practicing for retirement for the last year if you've been locked down this entire time.

### 2. Clothing

Before we were all in the pants-optional world of working from home, it's likely you spent what you needed to look sharp at your job. In retirement, no more pressed shirts or high heels, and your wallet gets a break from updating your work wardrobe. The average retired household spends \$1,070 a year on apparel, while the average working household spends \$1,866 a year.

Also, factor in the money you'll save on dry cleaning (averaging as much as \$1,000 a year in some metropolitan locations).

A caution though: Although household spending on apparel decreases overall in retirement, Marguerita Cheng, the chief executive officer at Blue Ocean Global Wealth, says that she sees spikes in spending from recently retired clients who feel the need to update casual wardrobes in the first few years of retirement.

### **3. Groceries**

Even if you dream of a retirement filled with steak dinners and brunch dates, chances are you'll still spend less on the food you consume in and out of your house. The average household spends 25% less on food in retirement. According to Erik Hurst and Mark Aguiar, professors from the University of Chicago and Princeton University, the logic to this is simply that you have more time to shop. When you're not in a hurry at the grocery store, you're more likely to compare prices on similar products, use coupons and spend more time planning meals for the week ahead.

Spending on dining out drops even more sharply — as much as 35%. Hurst and Aguiar say that the story behind this is similar. When you're working, much of your dining out may be quick lunch runs or costly lattes on the way to work. Instead of patronizing fast-food restaurants more frequently, retirees reserve their eating-out dollars for table-service restaurants.

### **4. Entertainment**

Plenty of time for plenty of fun, am I right? No. There's a common misconception that you'll spend more dough-re-me in retirement on entertainment — concerts, movies, clogging, you name it — because you have more time. But the numbers don't back this up. And who knows when entertainment venues will fully reopen to large crowds, if ever, post-pandemic? See how much you're saving right now, pre-retirement?

This decline likely corresponds with changes in mobility as you age. You may also be nervous about being in crowds as COVID-19 still rages. Or you just want to chill after years of slogging to the office. Even if you occasionally splurge to see your favorite college band, you may find yourself opting to watch Netflix instead of going out every weekend. But be careful. Streaming services are popping up everywhere, and their layered charges for more and better options can jack up your entertainment bill. We're looking at you, Paramount+, Discovery+, Disney+ and all your compadres.

### **5. Mortgage**

Hopefully, you've timed this right: According to the Bureau of Labor Statistics, 61.7% of Americans between the ages of 65 and 74 don't have mortgage debt, and 82.5% of Americans 75 and older are mortgage-free.

To be sure, housing costs don't disappear entirely in retirement. Even if you've paid off the mortgage, you'll still spend on home maintenance, property taxes, utilities, and you'll incur

moving costs associated with downsizing, relocating or moving into senior-living facilities. Still, average annual spending on housing for Americans who are 55 to 64 is \$18,006. It decreases to \$15,838 for those age 65 to 74, and it drops further to \$13,375 for those 75 and older.

## **5 Things You'll Spend More on in Retirement**

From travel to fitness, the demands on your savings during your golden years might surprise you. Here's a look at five budget categories where retirees are likely to spend more.

### **1. Travel**

Sure, we're all eager to hit the road again and travel, which has been curtailed for most people during the pandemic. And most retirees put "travel" at the top of the list of things to do more of in their golden years.

Maybe you plan to set off on luxury cruises (the Centers for Disease Control and Prevention no-sail mandate on ships carrying 250 people or more in U.S. waters has been modified for phased reopening). Or perhaps you simply want to pack up your car for weekend getaways with your grandkids. Either way you may find yourself spending more on travel in retirement than you bargained for. Customer-starved travel firms are eager to get retirees back on the boat, bus, train -- or into an RV.

While overall transportation expenses decline throughout retirement, many retirees take the kind of trips they could only dream about while working full-time. For instance, compared with their working peers, retirees were choosing (pre-pandemic!) longer cruises and cruises that visit more destinations, according to travel experts.

To make these dreams a more affordable reality, Deborah L. Meyer, a certified financial planner and founder of fiduciary advisory firm WorthyNest, recommends a five-step plan for pre-retirees:

- Assign specific cost estimates to travel goals.
- Break the big savings goal into monthly or quarterly allocations to savings.
- Adjust income and expenses to make room for the regular savings.
- Don't compromise on future goals.
- Act on achieved goals.

### **2. Health Care**

It's fun to make big travel plans in retirement. What's less fun: the reality that we spend more on medical care after we retire, and those costs keep increasing as we age.

The Employee Benefit Research Institute found that the percentage of a household's total spending on health care increases from 8% in preretirement households to up to 13% by the time a household is past the age of 85. A similar finding turns up in a more recent survey by the Employee Benefit Research Council.

Unpredictable and costly new diagnoses and hospitalizations drive much of the increase in health care spending for the average retired household, but overall spending rises for general health needs, health insurance, prescription medication, medical supplies and medical services as well. As the National Council on Aging reports, 84% of people 65 and plus have at least one chronic condition.

### **3. Utilities**

Holey moley, talk about practicing for retirement while we work remotely: Have you checked out your utility bills?

Chances are, you'll have finished paying off your mortgage (or come pretty close) when you reach retirement age. That means you'll be saving thousands each year.

However, the average retired household spends more each year on utilities than the average working household, according to the Urban Institute. Why? If retirees are home more often, they're simply using utilities more -- just like those of us who have been working remotely during the pandemic. If you've seen a bump in your bills -- gas, electric, water and sewer, cable and streaming services -- think of it as a precursor.

### **4. Moving and Relocating**

Once the nest empties out, the thinking goes, downsizing that multi-bedroom home for smaller living quarters is an obvious move. For the most part, that's true. But the move-out process can set you back thousands of dollars.

Take it from experience. My wife and I recently moved into our "retirement" home and community. Retirement is in quotes because we're not retiring anytime soon. But the right house in the right city popped up on our radar at the right time and we made the move. Fortunately, we're still working and were able to cover the thousands of dollars in expenses relating to getting a home ready to sell, selling a home, buying a new home, and moving. Not to mention upgrading appliances, new lighting, window treatments, etc.

According to Mike Palmer, a certified financial planner with Ark Royal Wealth Management, downsizing in full retirement can present huge unexpected costs for some of his clients, particularly when they want to stay within urban areas. "I see a lot of folks thinking they're going to walk away with \$200,000 [by downsizing], but that's rare. In most cases, it will be lateral," he says. To avoid this, he recommends trying to move from an urban area to a more rural one.

It can be nearly impossible to predict every moving expense as it comes, but Squared Away can help: It offers a calculator that estimates what you'll spend.

### **5. Fitness**

With more time on their hands, retirees may exercise more — raising their spending on gym memberships and fitness classes (when more gyms reopen and classes resume following the pandemic.)

Research has also shown that retirement itself is a motivator to get fit. With a flexible schedule free of commuting and the stress of a busy work week, many retirees drop unhealthy habits, such as drinking and smoking, and pick up healthier ones.

Approximately 53% of retired Americans participate in physical activity and allocate about 13% of their annual spending to fitness and leisure activities. Because of this, Fung Global Retail & Technology says that the fitness industry is starting to cater to seniors as well, offering more specific (and pricey) gym options for aging populations.

Marguerita Cheng, the chief executive officer of Blue Ocean Global Wealth, says that fitness is one of the biggest new expenses she sees her retired clients take on. For her clients, she says, it is often the fear of declining health as they age that motivates them to take fitness seriously. Some of her clients put so much time and money into fitness that they schedule meetings with her around their yoga or spinning classes.

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