



Shannon Davis & Phil Holstrom

Financial Advisors

Shannon – Voice: 234.802.2296, Office: 312.701.1100 x265,

Text: 440.740.3300, sdavis@retirementplanadvisors.com

Phil – Voice: 513.288.4024, Office: 312.701.1100 x267,

Text: 513.802.9705, pholstrom@retirementplanadvisors.com



How Retirement Spending Changes with Time

Whether your spending pattern will follow a U-shaped graph or gradually decline, the key is to have a carefully devised financial plan

New retirees sometimes worry that they are spending too much, too soon. Should they scale back? Are they at risk of outliving their money?

These concerns may be legitimate. Some households “live it up” and spend more than they anticipate as retirement starts to unfold. In 10 or 20 years, though, they may not spend nearly as much.

By the Numbers

The initial stage of retirement can be expensive. The Bureau of Labor Statistics figures show average spending of \$70,570 per year for households headed by pre-retirees, Americans age 55-64.

That figure drops to \$52,141 for households headed by people age 65 and older. For people age 75 and older, the number drops even further to \$45,820.¹

Spending Patterns

Some suggest that retirement spending is best depicted by a U-shaped graph – it rises, then falls, then increases quickly due to medical expenses.

However, a study by the investment firm BlackRock found that retiree spending declined very slightly over time. Also, medical expenses only spiked for a small percentage of retirees in the last two years of their lives.²

Have a Plan

So, what’s the best course for you? As you enter retirement, ultimately your spending patterns will depend on your personal choices. A carefully designed strategy, devised with your trusted financial professional(s), can help you be prepared and enjoy your retirement years.

Citations.

1. Bureau of Labor Statistics, 2020
2. BlackRock.com, 2023 (based on a 2017 landmark study that looked at retirement spending)

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