

34% of Retirees Are Spending More Than Expected

Source: *MotleyFool.com*, 10/8/2020

A big part of planning for retirement involves setting up a budget ahead of time to get a sense of what your spending will look like once your time in the workforce comes to an end. That way, you can properly assess your savings and make sure you'll have enough income available to cover your expenses.

But sometimes, it's hard to anticipate what your expenses will look like in retirement until you actually get there. Such has been the case for 34% of retirees who say they're spending more than they thought they would, according to a recent survey by the Employee Benefit Research Institute.

Of course, the danger of landing in that scenario is not having enough money to cover the bills. Here are some of the categories retirees are spending more on than they anticipated.

1. Healthcare

Not surprisingly, 38% of today's retirees are spending more on healthcare and dental expenses than they figured they'd need to. Part of that could boil down to the fact that Medicare comes with so many out-of-pocket costs that it's often hard to keep track of them in advance. Plus, Medicare doesn't cover dental services, so routine oral health visits for cleanings are on seniors to pay for without help.

Setting money aside in a health savings account (HSA) during your working years can help ensure that you don't wind up busting your retirement budget once your career ends. The great thing about HSAs is that the funds you accrue don't expire; you can carry them all the way into retirement and use them to pay for everything from Medicare premiums to prescription drug copays.

2. Housing

Many seniors manage to enter retirement mortgage-free, and thus assume their housing costs will be minimal. But 24% of retirees say they spend more on housing than they expected, and that uptick could boil down to property taxes and maintenance. Property taxes tend to climb over time, even during periods when home values decline. And as homes age, they tend to require additional upkeep.

To avoid a scenario where housing expenses wreck your retirement budget, assume you'll spend about 3% to 4% of your home's value on annual maintenance. This means that if your home is worth \$400,000, you're looking at \$12,000 to \$16,000 a year. Also, assume your property taxes will rise each year, especially if your town does frequent property assessments.

3. Entertainment and leisure

The beauty of having a job is that it allows you to occupy your time without spending money (except for commuting costs and other incidentals). When you're retired, you need to find ways to fill your days to avoid boredom and often that means spending money.

A good 21% of retirees spend more on leisure than they thought they would. If you're the type who needs constant entertainment, factor that into your retirement budget. You may have to cut back on other expenses to give yourself more wiggle room, but you're better off being realistic about your needs.

Many people assume their spending will decline in retirement, but that doesn't always happen. If you're not yet retired, learn from the 34% of seniors who say their expenses are higher than expected. That way, you can avoid a financial shock later in life.