Make sure you and your spouse can agree on a game plan.

This is part of a series of stories offering help with “Hot Topics”: tricky family conversations that have real financial impact.

Chances are, neither you nor your spouse envision rocking away your retirement on the front porch. Many people plan to continue working in some form after they stop the daily grind, or even plan to stay at their day jobs indefinitely, out of desire or financial necessity. Or you may have big ambitions for travel, hobbies, or other side projects.

But that doesn’t mean that your vision aligns neatly with your spouse’s. In fact, you may not even know his or her dreams for retirement — much less whether you’re socking away enough to be able to fund those dreams.
PAIN POINT

Just 69% of workers report they or their spouses have saved for retirement, according to a 2016 survey by the Employee Benefit Research Institute. And of those who
have, only a third have put aside $100,000 or more.

PREP WORK

Before you and your honey even sit down to discuss retirement, take a snapshot of your current retirement savings. Tools such as the T. Rowe Price Retirement Income Calculator can help you calculate how much you may be able to spend each month in retirement and how long your savings will last. That will give you an estimate of where you stand financially — which, in turn, will help you understand your options.

A financial advisor can also run projections tailored to your specific situation. Ben Barzideh, a wealth advisor with Piershale Financial Group in Crystal Lake, Ill., performs a retirement cash flow analysis for clients. It helps them understand what they can afford to spend in retirement, based on their current situation and assumptions about future market returns, the client’s lifespan, Social Security, and other factors, Barzideh says.

OPENING LINE

“I’ve been doing some thinking about our retirement. I’d love to stop working at 62, but I’m not sure we can afford it.”

Talking about retirement can be challenging, particularly if you’re not sure if you can afford to retire at all. Only 35% of couples reported actively engaging in retirement planning together, according to a study from Hearts & Wallets.

Because your financial reality is going to help shape your plans, start by sharing the results of your calculations and your thoughts about any savings shortfalls. For many couples, simply talking more concretely about plans — and the actual numbers behind them — can help relieve anxiety.

“Money disagreements are the most distressing and the most likely to persist unsolved,” says Terri Orbuch, therapist, relationship expert and author of 5 Simple Steps to Take Your Marriage From Good to Great.

TALKING POINTS

“How do you want to spend your days once we’re retired? Where do you see us living, and what do you want to be doing?”

Once you know the numbers, rough out your retirement vision to get a sense of where you agree and where you differ. Don’t worry if you don’t agree exactly on how you want to spend your time, Orbuch says. It’s healthy for spouses to develop their own interests — most aren’t going to want to spend every waking moment together anyway.

If you find yourself disagreeing on bigger issues, such as where you want to live, then you’ve identified an issue to work on together. You may not need to do anything if you still have a decade or so until retirement — just check back in with one another in a few years and see where you stand. If you’re closer to retirement, though, you may want to explore “what if” scenarios for both visions.
Questions to explore: If you sold the family home and moved to a condo closer to your children, how much money would you save? How much time could you realistically expect to spend with busy children and grandchildren? If it’s a new location, how will you find new friends? Conversely, if you stay in the family home, how much should you budget for ongoing maintenance? Are there home modifications you’d make to help you age in place?

Thinking more concretely about each option might lead you to a compromise.

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“What will we do for health insurance?”

This is important if you both plan to retire before you become eligible for Medicare at age 65. Assuming you’re not one of the lucky few who has retiree medical coverage through work, then you’ll need to buy individual insurance coverage. This is a pricey proposition.

For 2017, the average premium for a silver plan for a 60-year-old before subsidies is $872 a month, according to HealthPocket. If your income will be higher than the subsidy threshold — it was $47,520 for an individual for 2016 and $64,080 for a couple — then you won’t qualify for government assistance that would lower your monthly premiums. Meanwhile, the average annual silver plan individual deductible is $3,572. You’ll have to pay that out of pocket for all medical services — with the exception of some covered preventive care — before your insurance kicks in.

These expenses can quickly eat into your nest egg, particularly if you won’t be getting a subsidy. So do your best to have at least one spouse in the workforce with company-sponsored health insurance until you’re both eligible for Medicare, says Joe Heider, president of Cirrus Wealth Management in Cleveland.

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“How secure are our jobs?”

If your retirement game plan involves working for several more years — whether to let you shore up your nest egg, keep your employer health care, or simply stay active and busy — lay the groundwork now to make sure you can exit on your own terms. Some 46% of retirees left the workforce earlier than expected, and of those a quarter cited changes at their company as the reason, according to the Employee Benefit Research Institute.

If your employment situation isn’t rock solid, make some contingency plans. Keep your network current, in case you need to tap work contacts for a new gig. Think about part-time work that you could easily take up, whether consulting for prior employers or tapping a hobby for cash — say, by training and walking neighborhood dogs.

Your contingency plan should also involve a contingency budget, says Steven Clark, a financial advisor in Coconut Creek, Fla. You’ll have to scale back expenses if you unexpectedly lose your job — where will you cut back? If losing your job means losing your health coverage, budget for buying an individual policy.

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NEXT STEPS

Once you’ve run through various scenarios, decide whether you’ll need to adjust your financial situation to match your retirement plan. You may need to increase your savings rate now, work longer than planned, or figure out a way to scale back future living expenses. Look for ways to put your plans into action: If you’re boosting your 401(k) savings, what expenses will you cut to free up that cash? Or if you’d like to downsize, explore real estate listings to see how realistic your savings assumptions might be. Don’t forget to include costs such as property taxes, which can vary greatly.

Some advisors recommend test-driving retirement, or at least partial retirement. If you scale back to part-time work, you will have time to explore new activities while still
earning a paycheck.

Even if you stop work cold turkey, you can at still take baby steps in other areas of your retirement lifestyle. For example, don’t make any sudden real estate purchases: Many advisors recommend that retirees rent for at least one full season in the location where they’re considering moving. That will give you a much better feel for a place than just vacationing there for some weeks at a time, says Ron Weiner, managing director at RDM Financial Group at HighTower, in Boca Raton, Fla.

ONE FAMILY’S SOLUTION

One couple used to fight in Barzideh’s office, he says, over whether to buy a recreational vehicle in retirement. The husband wanted to buy one and hit the open road for long stretches at a time, while the wife wanted no part of it. Financially it was fine — they could afford the $100,000-plus purchase and keep the family home — but their clashing desires were ultimately a dealbreaker. In the end, they found a travel compromise: The husband deferred to his wife’s wishes and scrapped the RV idea, while she agreed to take more — albeit more conventional — vacations.