Retirement Spending in Seasons

Ask ten retirees what they spend in a year, and you may get ten different answers. Ask how they chose that number, and they might say they picked a figure at the start of their retirement and raised it each year for inflation. It's a common method, and the simplicity is part of the appeal. It may not match how retirement spending changes over time, though. While the approach is simple, it may not match how retirement spending changes over time. Research on retiree households found that spending, after adjusting for inflation, drifts down by roughly 1% a year on average.[1] Thinking in seasons gives you a way to plan around that pattern instead of guessing at one flat annual number.

The Active Years

For many retirees, the 60s and early 70s can be among the most active years. Travel, hobbies, house projects, and time with family all compete for your calendar. You finally have the hours to do things you put off for decades, and spending in this season can run close to what you spent while working, sometimes higher. That can make sense when you've chosen it on purpose. It also helps to name the big-ticket items you want to do early, such as a long trip or a home update, so they can get planned and budgeted for in advance.

The Slower Years

Somewhere in the middle of your retirement, many people travel less and settle into closer-to-home routines. Big trips and big purchases give way to quieter weeks, and the daily rhythm gets simpler. The same research found that the pace of decline in real spending varies across retirement, a pattern its author called the "retirement spending smile."[2] Your own middle years may look different. Some people never slow down at all, and that's fine. What matters is noticing where you are, so your plan reflects your life rather than an average.

The Later Years

Spending on travel and entertainment may taper further, while health care and care-related costs can take a bigger share. The total may be lower, but it can be less predictable from one year to the next. A single medical event or a change in living arrangements can shift the picture quickly. Leaving room in your plan for the unexpected is a practical way to prepare for this season.

Putting Seasons to Work

A useful first step is to sort your spending into two buckets. Essentials include housing, food, utilities, insurance, and health care. Flexible spending covers travel, dining out, gifts, and hobbies. Essentials tend to stay fairly steady, while flexible spending is where seasons show up most. Reviewing each bucket periodically and adjusting as priorities change can help keep your plan aligned with your needs.

These seasons should not be seen as a strict schedule. Averages describe groups of people, not any one household, and your health, family circumstances, and market conditions may all influence your own path. Sketching out what each season might look like gives you a starting point for deciding where your dollars go, and you can revisit it as life changes.

[1]Blanchett, David. "Exploring the Retirement Consumption Puzzle." May 2014, Journal of Financial Planning, https://www.financialplanningassociation.org/sites/default/files/2020-09/MAY14%20JFP%20Blanchett_0.pdf.
[2]Ibid.

Family Adventures on a Budget

Some of the best family memories cost next to nothing, and they usually come from simply being together.

- **Bake together.** Pull out a family recipe and let the little ones take charge of the sprinkles.
- **Visit a free museum day.** Check local calendars for free admission days at museums and gardens.
- **Explore the library.** Local libraries often host free activities for children and can sometimes provide complimentary tickets to local events or exhibits.
- **Build a blanket fort.** Pillows, flashlights, and a stack of favorite books are all it takes.
- **Pack a picnic.** A park bench and sandwiches from home make for a lovely afternoon.
- **Host a game night.** Dust off the old board games and enjoy some friendly competition.
- **Try a neighborhood scavenger hunt.** Look for interesting leaves, birds, and unusual mailboxes.
- **Share stories.** Flip through old photo albums and trade memories.

Years from now, most people won't remember what the afternoon cost. They'll remember the flour on the counter and who laughed hardest when the fort came down.

To learn more about spending intentionally in retirement, contact the office to schedule a time to talk.

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