

Budgeting in Retirement

What should you expect to spend your money on during retirement?

It would be wonderful if you could spend most of your budget on leisure and travel, but that's not the reality of retirement for most people. According to the Center for Retirement Research at Boston College, the two biggest expenses for older Americans may not be that different from the two biggest expenses for younger Americans: housing and healthcare.

Housing. It may surprise you to learn that housing is the biggest expense—39% of the budget—for many older Americans. In part, this is because more people are retiring without paying off their mortgages. Among those who have paid off their homes, property taxes are the largest housing expense, followed by insurance, and home maintenance. A new roof or water heater can really dent your budget, if you haven't planned for it.

Healthcare. Whether you're paying for health insurance premiums, drugs, health services or medical supplies, you should plan to commit about 20% of your budget to healthcare. If you'll retire before age 65, you may need a plan for covering healthcare costs until you're eligible for Medicare. The Employee Benefits Research Institute forecasts that employer changes to retiree health benefits could leave retired adults who are younger than 65 without coverage for a period of time.