Retire RIGHT

GCI's guide to leaving the world of turf and living out your golden years in comfort.

{ by Bruce Williams }

There comes a point in life in which most of us must face retirement. Some are looking forward to that time in our lives while others are forced into this inevitable scenario. In either case, there are a variety of things to consider relative to retirement. Undoubtedly, this general overview will help you on your way, but I would encourage you to reach out and contact a certified financial planner to assist you with developing a retirement plan.

EXIT STRATEGIES AND PLANNING. We once considerd 65 as the magical age for retirement. Pension plans were set up for 65 as the age of retirement and we actually looked forward to entering our "golden years." But things have changed over the last four decades. This isn't your father's retirement scenario.

Human life expectancy has increased and, more than ever before, people are enjoying healthier and longer lives. Today, health permitting, it's not uncommon to work until 70 or older.

In our industry, I have seen a number of superintendents who are working out of necessity well into their early 70's. There are many reasons for this, but more often than not it is for financial support to pay off mortgages, car payments, kid's college loans, weddings and other of life's costly endeavors.

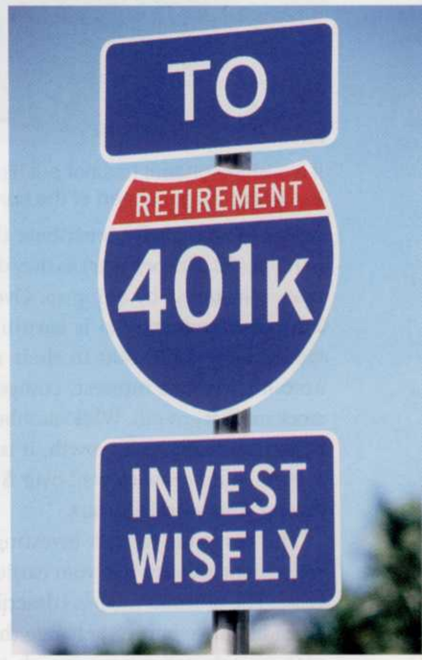
Regardless of your situation, you need a solid plan to set the course for those golden years.

If a superintendent has not put his or her financial house in order by the age of 50, then it will be difficult to get ahead of the curve in the last 15-20 years of employment. My suggestion is that all financial planning should be done prior to your 50th birthday. Then, this plan is reviewed every few years to make sure things are on track.

PENSIONS. In the mid-1990's many businesses switched from defined benefit pension plans to defined contribution plans. Instead of receiving a specific amount of money for the rest of your life, employees started to receive a specific amount of money from their employer that could be placed into a 401k account and allowed to grow over time. The switch allowed for employers to control their costs and also allowed employees to take advantage of several different options to grow their money via stocks, mutual funds and other financial vehicles.

In an informal survey of superintendents, I found a range from no-pension benefits all the way up to 10 percent of wages with a contribution of matching funds. In fact, quite a few superintendents indicated a $2,000-per-year contribution by the employer regardless of the salary.

While better than nothing, it is logical that with 40 years of employment those funds would only equal $80,000. But with the power of interest and compounding it could result in as much as $256,000, at a reasonable interest rate. Coupled with Social Security this could provide as much as $4,000 per month during retirement.



Some superintendents reported pension plans that allow them to live well due to generous contributions by their employer. One example is a club that provides the superintendent with a base of 2 percent of his wage plus matching funds of up to 4 percent of his wage. Using a baseline figure of $80,000 in wages, that sum would total $1,600 automatically contributed by the employer. If the employee utilized his ability to contribute his own $3,200, then the club would match that at an additional $3,200. The total amount going into your 401k per year would be $8,000. A smart

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person would gladly contribute their own 4 percent ($3,200 per year) as they double their money instantly by doing so. Over 40 years a superintendent who is earning $80,000 would have $320,000 in their retirement account without interest, compounding or stock market growth. While numbers will vary by interest rates and growth, it is likely that a 401k could grow to well over $1.5 million during your working years.

The best time to start investing into your retirement account is in your earliest working years. The previous models I described change considerably when you change the variables of the number of years you work, the amount contributed per year and the interest rates inserted into the mathematical equation. Getting an early start and better understanding pensions is much more important today than it was in the past.

Another way to grow your IRA is to make a personal contribution to your account annually. There are several rules that limit the amount any individual can contribute. For a superintendent in his 50's there are options for additional "catch-up" funding to allow that money, and whatever else is in the account, to grow untaxed until the time those funds are withdrawn. At that time it is likely you would be working off a lower tax rate.

Some individuals are still working from a pension model based on defined benefit. The majority work for cities, states, counties or park districts. The most important thing for those people is to evaluate what the pension pays vs. what they make working as they near full retirement eligibility. Some of these pensions allow for up to 80 percent of compensation if you have enough years of service. That begs the question as to whether or not putting in a 40 hour week is worth the extra 20 percent in pay you would receive.

SOCIAL SECURITY. In the last decade we have seen several revisions to Social Security. I it's to say we'll see a few more in the future. Some of the significant changes include the age at which you can begin to receive your full payment. While this age was traditionally 65 it is now ascertained by the date in which you were born and more people will fall under the age of "66 and above" in the years ahead. It is important to figure this when doing your overall computation of the eventual fixed income you will be living on.

Social Security benefits will be greater or lesser than your "normal" retirement age. For those individuals who choose to take their benefits at the age of 70, they will receive a couple of hundred dollars per month more than if they had started receiving those benefits at age 66. A superintendent, with his financial planner, must decide which is the best option.

At the time of your proposed retirement you should learn all the nuances of the system. Check on the date you are required to apply for your benefits as it may impact your ability to receive funds when you think they will be available.

There is a lot of information available online at **ssa.gov** relative to Social Security and your own personal account. You can actually track your account and see what your benefits will be when you need them.

LIVING ON A FIXED INCOME. When a person is fully retired they will need to learn to live on a budget. Income will only be coming from a few sources. There will be no raises, but there may be some cost-of-living adjustments with Social Security. While a financial planner can help you with deriving your budget there are also a variety of planning tools available online with websites such as money.com.

Income will come from:
- Social security
- Pensions
- Investments
- Savings
- Income property rentals
- Misc.

Expenses to consider:
- Mortgage or rent
- Utilities
- Insurance for autos, home, etc.
- Medicare supplemental costs
- Food
- Gas
- Taxes
- Gifts
- Entertainment
- Vacation

While income is fixed, expenses are not.To avoid creating or increasing debt the expense side must be managed. Adjustments can be made by minimizing some of the costs. Some people will downsize their homes, buy a more economical auto, cut back on vacations, etc.

HEALTH CARE. Health care is another area changing from year to year. Best advice is to stay current with the fees and programs so you will not be surprised. Many people believe that at 65 they will automatically receive free health care. Sorry to disillusion anyone but it would be more accurate to say that some health care is covered by Medicare. Most people are opting to buy supplemental plans

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to cover the cost of prescriptions and other costs so that their costs are fixed.

EXTENDED CARE. As we are living longer lives there has been a surge in extended health-care facilities. Many of these facilities offer varying levels of assistance. The first level is known as independent living in which an individual can have their own townhome or apartment in the complex. Meals may or may not be included in the plan. Assisted living is in similar units but those people require help with getting around, personal hygiene and medications. Nursing care is provided based on the requirements of the individual.

At some point when a person needs significant care they would then move to the nursing home connected with the extended care facility. Each move is typically to a smaller room but increased attention for the resident.

There is a cost associated with extended care and it varies widely. Plans vary widely in that some require ownership with normal costs being $200,000 to $300,000 to buy your unit. Additional expenses for a couple would be between $4,000 and $8,000 per month depending on your meal plan and individual needs reflected in the level of care you require. The most important thing to consider here is that you should plan ahead for those costs at the final stage of your life.

HOBBIES. Once we get through all the financial ramifications of retirement then everyone should consider what they will do with the extra time they are now afforded. Superintendents are pretty unique in the hours required for them to do their jobs. It is not uncommon to work seven days per week and 60-plus hours per week. That does not leave a lot of time for hobbies and other activities outside of the workplace.

I watched retirement firsthand when my father retired after a great career as a superintendent. I followed him as the superintendent on that job and learned a lot form that experience. The first thing was for my parents to take an extended vacation to Florida and enjoy five months of golf and relaxing. When spring rolled around most snowbirds head back home and my parents joined that migration. So once back in the Chicago area I found my father showing up at his former club just about every day. When you do something for 45 years it is hard to get it out of your blood. During the course of that summer we got things into a routine and my father would hit balls at the range for an hour or two, then ride the course with me mid-morning and we would have lunch together and he would head home. I valued that time we spent together, but it also taught me that we all need a place to go after retirement and a plan for things we want to do.

In discussing this subject with GCSAA Past President, Jerry Faubel, CGCS, he expressed how important it is to have hobbies. Jerry has a business that takes up a small amount of his time. But most of his time is utilized in his enjoyment of fishing and hunting. He likes to hang out with friends at his local shooting range and have coffee and share stories. Hobbies fill the gap – and in some cases emptiness – for guys who have devoted most of their life to their golf courses.

THE HORIZON. Once you see retirement in the near future you will be happy to take care of all the little things that need to be done around your house. Vacations will be more frequent and much more relaxed. You have worked all your life to get to this point, so be sure you know what the future has to hold.

Play golf, enjoy your family, watch the grandkids grow up and plant that garden you have always been thinking about but never had the time to tend. Focus on the important things. Fill you time with hobbies, and if you don't have any, then no better time to start enjoying some different things. Imagine having the time to read a book a week.

Enjoying your retirement will be predicated on your prior planning to ensure you will have your financial house in order. With a well thought out plan all your dreams can become a reality. **GCI**

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eyes (like we don't have enough already) looking at large water users like golf courses in a community no matter what their source of water is.

Expect in the future that you will not only be paying more for utility-driven water, but also for other sources of water, including groundwater and surface waters. To date they are disguised as permit fees or registration costs. However, expect that at some point it will be for the water itself, not the infrastructure, because you already own that.

You can see this trend already occurring in parts of Pennsylvania and New Jersey. In the 17 western states that have "prior appropriation" water laws it will be more difficult to charge for the non-utility water. But as the legal system attacks western water law, count on the trend to take there, too.

The survey showed water costs had doubled or more in 29 locations and tripled in three locations over the last 12 years.

As a large water user, keep your eyes and ears open, have a backup plan for your water supply and be a good steward of water. As I always say, track your water use so you can document what you need to maintain the golf course as opposed to someone telling you what you need and, therefore, what you can use.

Be diligent and stay informed.

And the largest rate increase winners: Atlanta, Ga. (233 percent), San Francisco, Calif. (211 percent), and Wilmington, Del. (200 percent). **GCI**