How to Calculate Your Retirement Age

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Retirement Rehab

Wondering how to calculate your retirement age? It's a complicated process. There are a lot of factors you need to consider, and the world is changing every day. A projection that makes sense in today's economy might not work tomorrow.

Luckily, there are a lot of calculators out there that can help you determine your retirement age. Most of them determine how to calculate your retirement age based on:

- Your current annual income
- Your current annual savings
- Your current annual expenses
- The value of your financial portfolio

But there are many other factors that affect when you can retire in the real world.

Other Factors to Consider

Life expectancy

How long you really expect to live after retirement will have a big impact on when you can retire. As of 2012, the average life expectancy in the US was 78.74 years. So if you retire at 65, you'd need about 14 years of retirement savings. Simple.

…Or maybe not.

What happens if you aren't part of the average and live beyond 78.74? It happens all the time. In fact, a report shows that an upper-income 50-year old man has an average life expectancy of 89. So tack on 10 more years.

And don't forget about those technological and scientific advancements. Several times in history life expectancy has jumped because of this. Thanks to key discoveries like antibiotics, vaccines against diseases, and progress in personal hygiene, biologists now believe the human lifespan to be 97 years.

Expected inflation

Some of the better calculators out there will factor in inflation when figuring how to calculate your retirement age. But in reality, expected inflation can vary a lot.

The Economist Intelligence Unit, International Monetary Fund, United Nations, and others all have their own forecasts for the coming decades. Take a look at the data yourself. Which inflation rate should you punch in, 3.10% or .77? Whichever you choose can affect your retirement age a lot.

And what about hyper inflation? This is a worst case scenario, but it's happened many times in past decades. Germany 1923 — 500%. Mexico 1982 — 10,000%. Hungary 1946 — 13.6 quadrillion % per month (seriously).

And given recent political shifts, some are worried the worst case scenario could happen again in the US.

Expected medical expenses

Even given inflation, it's easy for people to underestimate what their health care expenses will look like in retirement. If you're in your 50's, the fact remains that you are likely much healthier now than you'll ever be in the coming decades.

The total cost for a couple over 65 to pay for medical treatment over a 20 year period is $218,000. That's a huge bill, and it will only get bigger. Healthcare expenses are expected to grow 5.8% per year through 2022. Factor that in.

When in Doubt, Plan for the Worst

I know I just painted a very negative picture of how to calculate your retirement age, but there's a reason.

When planning for your golden years, do you really want to rely on averages and the possibility that things might cost too much in the coming decades?

It's a nice way to think about retirement savings, because it means you have to save less. But why risk the (very likely) possibility that you'll run out of money with this strategy?

That's why I say, when you're figuring out how to calculate your retirement age, always plan for the worst. In a way, with this strategy, you are being optimistic — optimistic about your ability to support yourself no matter what happens in the world around you.

Sign up below to get the tools and insights you need to make a real-world plan for your retirement.

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