

# Mind The Gap, Then Fund The Gap

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[www.myretirementrehab.me/mind-the-gap-fund-the-gap/](http://www.myretirementrehab.me/mind-the-gap-fund-the-gap/)

## Retirement Rehab

Most retirement plans created for Baby Boomers predicted that the last decade of work before retiring would be a nice gentle ride. Lofty incomes and kids leaving the nest after college would allow you to accumulate a comfortable cushion for the leisure years. But this isn't happening.

After the Great Financial Crisis, incomes for most people I know have not recovered to pre-2008 levels. Companies are quick to do mini-rounds of reductions. As of April, [US job cuts in 2016](#) were at a 7 year high. Everyone is looking over their shoulder wondering if they are next to be let go. If you're forced to change jobs, new salary levels will be lower than what you had at the last place. This is going in the wrong direction.

What has developed is a gap between anticipated pay needed to fund retirement and actual pay. It seems obvious your financial planner didn't factor in these assumptions when he ran the computer simulated retirement plan for you. With economic expansion now late in the game, time is running out.

A good friend named Jay was in town from New York last week and he gave me another perspective. Jay tells me that people in his circle of friends are now openly panicked. Family expenses are too high and the bonuses only pay down recent debt with nothing left to build their retirement nest egg. In a good economy, pay raises come in [at 1-2 points above annual inflation](#). People are frozen hoping this will change, but secretly know it won't.

Exactly how large this gap is for you depends on a lot of variables. The best-case scenario you're just under-saving. Maybe you also have a retirement account or some savings. Your retirement concerns may not inspire terror, but your highly productive years are quickly ending. You need a strategy to generate more income and add to savings. Complacency may be your worst enemy if you don't understand the urgency of your condition.

The ugliest-case scenario is your expenses have depleted your savings and you're going deeper into debt every month. Maybe you've rationalized this as a temporary problem, but it's not sustainable. I've been in this situation and it takes deep expense cuts and dramatic actions to recover from. You need to dig very deep and go into survival mode. Everything needs to be on the table. You're on the clock now. This is cause for a red alert.

In either case, there is good news. You can recover and get back on track. The strategy is simple:

## First, Mind the Gap

Minding the gap means:

1. Changing your mindset and acting on your expenses. You're not entitled any more.
2. Making new habits and losing the old bad habits. Don't waste time. Eliminate television. Exercise.
3. Commit to a financial plan. Write it down and revise it as you go.
4. Get your spouse and whole family on board by walking the walk first.

I have written many times that you won't feel comfortable until you have two years living expenses in a safe bank

account. You need to identify someplace with a low cost of living where you can stretch out your savings. Go through the steps you would take if your worst-case scenario happened.

Having done this, you should feel some relief that your worst-case isn't so bad.

You now understand the gap. What's more, you have a plan and a backup plan.

## Next, Fund the Gap

Savings can only take you so far, because your paycheck is never a guarantee. Only durable cash flow from other income streams independent of your employer can give you real freedom. Lose the employee mentality and break the twice monthly paycheck addiction.

Survey after survey is telling us that Baby Boomers are aware they will have an income gap. It's not surprising we continue to see people delaying their retirement indefinitely. [Bloomberg](#) reports that three in five older workers delayed retirement for either pay or benefits. Almost 20% of Americans 65-or older are now reported working, a record high as the number of folks over 65 continues to grow too.

But you'd be smart to look beyond a simple strategy like delaying retirement. Specifically, take these steps to figure out how to fund your gap:

1. Assess where you have strengths you can leverage.
2. Develop a new personal discipline to grow your skills and knowledge.
3. Find communities where people are discussing alternative income opportunities.
4. Invest in mentors to help you expedite the process.
5. Leverage your job for all the benefits and safety it affords you.

## Protect Yourself

The goal is to protect yourself from the inevitable decline in income from your career. This may come from [job loss](#) due to age or any number of macro-factors. Trading time for money has inherent limitations beyond potential seismic shifts in the economics of careers and professions today.

This does not mean you shouldn't capitalize on your job skills. You may have very relevant subject matter expertise, but be in the wrong circumstances to capitalize on it. In fact, this may be the best place to start when looking for ways to build an alternative income stream.

Broadly speaking, you should make money early in your career by what you do and then transition to making money by what you know. Late career professionals have enormous amounts of experience to leverage. It takes time and energy to shape it into a form you can monetize. So don't delay or ignore the warning signs.

[Entrepreneurship](#) for the over-50 set is also booming. [Twice as many entrepreneurs today](#) are over 50 than under 25. I favor online businesses because they leverage my skills and are cheap to set up. I can run them inexpensively by accessing a global talent pool of specialists. I live abroad and earn dollars, but mostly spend weaker currencies.

**If these topics and strategies resonate with you, please join our community.**

-Ian Bond

## RETIREMENT REHAB

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