
A FISCAL FOOTNOTES BREAKDOWN

What Changed About Retirement

The system changed. Nobody sent a memo.
This guide explains what happened and why it matters.

by David Schaeffer

Founder, American Retirement Advisors | Host, Fiscal Fridays



Context Creates Clarity

Fiscal Footnotes by David | Supported by American Retirement Advisors

Not intended to provide tax, legal, or medical advice. For educational purposes only.

The Assumption Most People Still Carry

Most people think retirement stress comes from money.

In reality, much of it comes from navigating a system that was built for a different time.

Longer life expectancy, inflation, healthcare costs, and the shift away from pensions quietly changed retirement over time. The rules stayed the same while the world underneath them changed.

This guide was created to explain those changes in plain English, because understanding the system is the first step to making it work for you.

FISCAL FOOTNOTE

Retirement was originally designed to last about 5 years. The average American now spends 20 to 30 years in retirement. The system never adjusted.

I've spent 25 years sitting across from people navigating this. I started American Retirement Advisors out of the trunk of my car. Today we serve families in all 50 states, the U.S. Virgin Islands, and Puerto Rico. And the number one thing I've learned is that most people aren't confused because they're bad with money. They're confused because nobody ever explained how the system actually works.

That's what this guide is for.

-- David, Fiscal Footnotes

25+

Years guiding families

50

States served

20-30

Years the average retirement now lasts

THE BIG PICTURE

The Retirement Income Landscape: 1940–Today

EIGHTY YEARS OF CHANGE. ONE CRITICAL QUESTION REMAINS:

Will tomorrow's retirees be more secure than today's?

“The shift from traditional pensions to individual responsibility is the greatest retirement experiment in American history.”

— DAVID SCHAEFFER
American Retirement Advisors



The goal hasn't changed.
The path has.

Today's retirees face more decisions, more risk, and more responsibility than any generation before.

CONTEXT CREATES CLARITY.

Source: U.S. Department of Labor, Bureau of Labor Statistics, Investment Company Institute, Pew Research Center

FISCAL FOOTNOTES
— BY DAVID SCHAEFFER

How We Got Here

The Retirement System Was Built for a Different Era

When Social Security was signed into law in 1935, the average life expectancy at birth was about 61. But that number is misleading. It was pulled down by high infant mortality. A man who made it to adulthood had more than a 50% chance of reaching 65, and those who did could expect to live another 12 to 13 years. Still, the retirement age was set at 65, and most retirements lasted far fewer years than they do today.

Pensions carried the rest. If you worked for the same company for 30 years, the company took care of you. Between Social Security and a pension, most retirees had their income handled. No investment decisions. No withdrawal strategies. No tax planning.

That world is gone.

FISCAL FOOTNOTE

In 1980, 38% of private-sector workers had a traditional pension. Today it's around 15%. The responsibility shifted from the employer to the individual, but nobody handed out an instruction manual.

The 401(k) Was an Accident

Here's a story I tell on Fiscal Fridays that surprises almost everyone.

The 401(k) was never designed to be a retirement plan. In 1978, Congress added Section 401(k) to the tax code as a narrow provision about deferred compensation. A benefits consultant named Ted Benna realized it could be used to create a new kind of savings plan. By the early 1980s, companies figured out it was cheaper than pensions. By the 1990s, the 401(k) had replaced the pension for most American workers.

The 401(k) was a tax loophole that got repurposed into the primary retirement vehicle for an entire generation. It was never designed for that job. And the people using it were never trained for the responsibility it created.

FISCAL FOOTNOTE

The 401(k) was an accident of tax law. Pensions once carried most of the income responsibility. When companies discovered it was cheaper to let employees manage their own retirement, the shift happened fast. The training never followed.

Retirement Was Designed to Last 5 Years

The system never adjusted.

“The purpose of Social Security is to protect the wage earner and his family against the loss of a substantial part of earning power due to old age.”

— FRANKLIN D. ROOSEVELT
Social Security Signing Message, 1935

— 1935 — THE ORIGINAL DESIGN



Social Security
signed into law



Life expectancy at birth:
(skewed by
infant mortality)
~61 years



Adults who reached 65
lived to **~78 years**



Retirement lasted
~5–13 years

TYPICAL RETIREMENT
DURATION

5
YEARS



Average retirement age:
62



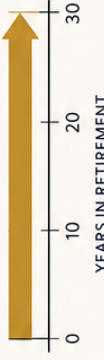
Life expectancy at 65:
~85 years



Average retirement lasts
20–30 years

TYPICAL RETIREMENT
DURATION

20–30
YEARS



5
YEARS

Original retirement design



20–30
YEARS

Today's retirement duration



50%+ of men who reached
adulthood made it to 65



The system was built for a
5-year retirement.

You're planning for a
30-year one.



Source: Social Security Administration; National Center for Health Statistics;
U.S. Census Bureau; Society of Actuaries.

FISCAL FOOTNOTES
— CONTEXT CREATES CLARITY —

The CD Was a Workaround Too

On February 20, 1961, Walter Wriston at First National City Bank (now Citibank) invented the negotiable certificate of deposit. He didn't create it for regular people saving for retirement. He created it to stop corporate clients from pulling their money out and putting it into Treasury bills.

Today, people sit on CDs thinking they're being safe. But they're paying tax every single year on gains they don't even need. I did the math on the show recently: a gentleman had \$500,000 in one CD at the bank, making 5%, paying tax every year on gains he wasn't using. When we compared it to a tax-deferred alternative, the difference was tens of thousands of dollars over time.

FISCAL FOOTNOTE

The CD was never designed to be YOUR retirement plan. It was designed to solve the BANK's problem. The math doesn't lie.

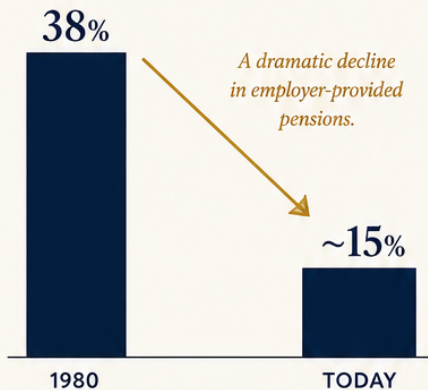
The Responsibility Shifted.

The Training Didn't.

“The 401(k) was a tax loophole that got repurposed into the primary retirement vehicle for an entire generation.” ”

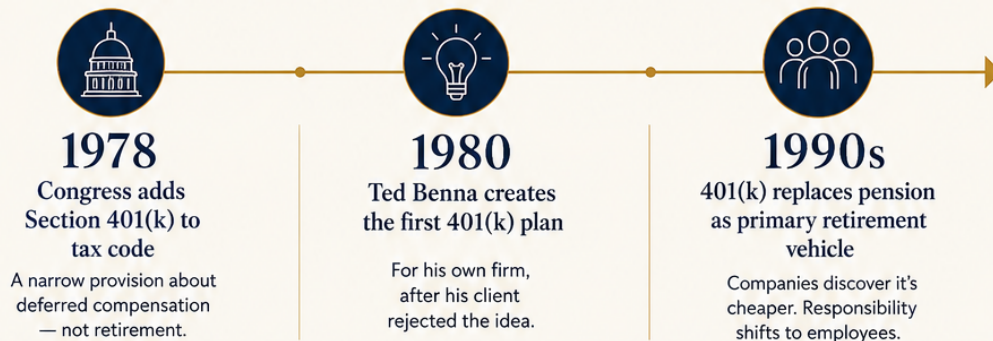
PENSIONS ARE DISAPPEARING

Share of private-sector workers with access to a traditional pension



PENSIONS	VS.	401(k)
Employer managed		You manage
Guaranteed income for life		Depends on markets
No investment decisions		All decisions are yours
Company bore the risk		You bear the risk

HOW THE 401(k) BECAME THE ACCIDENTAL SYSTEM



The 401(k) was a tax loophole that got repurposed into the primary retirement vehicle for an entire generation.



The responsibility moved.
The training didn't.

You are now the CEO of your retirement.

WAS ANYONE PREPARING YOU?

Source: Bureau of Labor Statistics; Employee Benefit Research Institute; Investment Company Institute.

FISCAL FOOTNOTES

CONTEXT CREATES CLARITY

What Inflation Quietly Changed

Many retirement systems were originally built during periods where costs behaved very differently than they do today. The challenge isn't just higher prices. It's that retirement now lasts longer while expenses compound faster over time.

Item	1975	Today	Change
Gallon of milk	\$1.57	\$4.00+	155%+
Hospital stay (per day)	~\$127	\$2,600+	1,950%+
Public university (per year)	\$433	\$10,000+	2,200%+

These numbers don't just affect your grocery budget. They affect every assumption your retirement plan was built on.

FISCAL FOOTNOTE

Inflation changes retirement slowly, then all at once. A 3% annual inflation rate cuts the purchasing power of your savings in half over 24 years. If you retire at 65 and live to 90, your dollar buys half of what it did on day one.

What Inflation Quietly Changed

The prices changed. The assumptions didn't.

“The cost of living never stands still. Why would your retirement plan?”

WHAT YOU PAID FOR...	IN 1975	TODAY	INCREASE
 GALLON OF MILK	\$1.57 	\$4.00+ 	155%+ ↑ INCREASE
 HOSPITAL STAY (PER DAY)	~\$127 	\$2,600+ 	1,950%+ ↑ INCREASE
 COLLEGE TUITION (PER YEAR, PUBLIC)	\$433 	\$10,000+ 	2,200%+ ↑ INCREASE

THE DOLLAR FADE: PURCHASING POWER EROSION

At 3% inflation, your dollar loses **HALF** its value in 24 years.

AGE 65
RETIREMENT DAY

AGE 89
YEAR 24



0 6 12 18 24 YEARS



If you retire at 65 and live to 90,
your dollar buys half of what it did on day one.



Inflation changes retirement
slowly... then all at once.

Source: Bureau of Labor Statistics (CPI-U, annual average);
Centers for Medicare & Medicaid Services;
College Board (Annual Survey of Colleges).

FISCAL FOOTNOTES
— CONTEXT CREATES CLARITY —

Why Healthcare Became a Retirement Issue

Previous generations rarely thought about healthcare in retirement. Their employer plan covered them while they worked. Medicare covered them after 65. The gap between the two was small or nonexistent because most people worked until 65.

Today, the average retirement age is 62. That creates a gap.

If you retire before 65, you need to bridge your healthcare coverage. The options are COBRA (expensive and temporary), the ACA marketplace, or a spouse's plan. Each has its own rules, deadlines, and traps.

Medicare Has Its Own Complexity

- Part A, Part B, Part D all have separate enrollment windows, separate costs, and separate penalties
- Medicare Supplement vs. Medicare Advantage affects your doctor network, costs, and flexibility for life
- IRMAA (the Medicare surcharge) penalizes higher-income retirees. A Roth conversion in the wrong year can trigger a surcharge two years later
- The Part B late enrollment penalty is permanent: 10% for every 12 months you delayed. It never goes away.

FISCAL FOOTNOTE

COBRA is NOT considered creditable coverage once you're eligible for Medicare. If you're 65, retire, and elect COBRA instead of Part B, the clock is ticking. Those months count against you. We've seen this trap cost people thousands.

62

Average retirement age

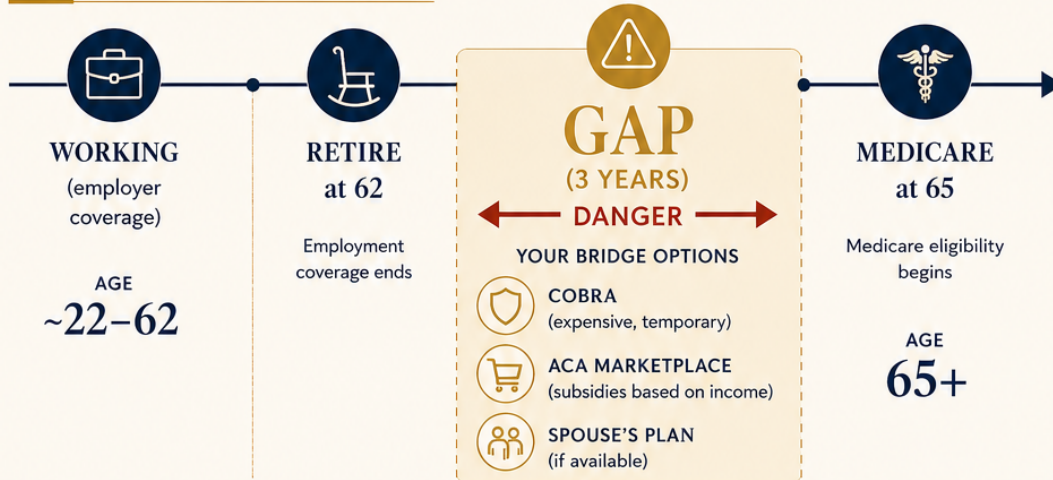
10%

Part B penalty per year delayed

2-year

IRMAA lookback period

The Healthcare Gap Modern Retirees Face



COBRA AFTER 65 IS A TRAP

COBRA is NOT creditable coverage once you're eligible for Medicare. If you're 65, retire, and choose COBRA instead of Part B — the penalty clock is running.

62

AVERAGE RETIREMENT AGE

Most Americans retire around age 62.

%

10%

PART B PENALTY PER YEAR YOU DELAY

Permanent. Applies for as long as you have Medicare.

2 YEARS

IRMAA LOOKBACK PERIOD

Income from 2 years ago determines your premiums today.

MEDICARE DEADLINES

- INITIAL ENROLLMENT**
7-month window around your 65th birthday.
3 months before | Month of birthday | 3 months after
- SPECIAL ENROLLMENT**
8 months after employment/coverage ends.
Starts the month after your coverage ends.
- MISS IT = PERMANENT PENALTY**
10% penalty per year for as long as you have Medicare.



The gap between 62 and 65 isn't just a few years.
IT'S A DECISION THAT CAN COST YOU FOR LIFE.

Source: Kaiser Family Foundation; Centers for Medicare & Medicaid Services (CMS); Social Security Administration.

FISCAL FOOTNOTES
— CONTEXT CREATES CLARITY —

Why Retirement Taxes Feel Different Today

Your Income Might Be Higher Than You Think

If you retire mid-year, your W-2 income through your retirement date, plus severance, unused vacation payouts, or stock option exercises, could make your final working year one of your highest-income years. That affects your tax bracket AND could trigger IRMAA surcharges two years later.

Social Security Is Probably Taxable

Up to 85% of your Social Security benefits can be subject to federal income tax, depending on your combined income. Most retirees don't realize this until they file their first return.

RMDs Are Coming Whether You Want Them or Not

If you have a traditional IRA or 401(k), Required Minimum Distributions start at age 73 (under SECURE 2.0), rising to 75 for those born in 1960 or later. You must take them or face a 25% penalty on the amount you should have withdrawn. And those distributions count as income, which can push you into a higher bracket and trigger IRMAA.

The Conversion Window

The years between retirement and age 73 are often your lowest-income years. That makes them the ideal window for Roth conversions: pay taxes now at a lower rate to avoid taxes later at a potentially higher rate. But conversions count as income, so they need careful planning.

FISCAL FOOTNOTE

The rules stayed the same while the world underneath them changed. Your parents probably had a pension, employer healthcare, and a shorter retirement. You have a 401(k), a healthcare gap, and 30 years of inflation to outrun. Different system. Same rulebook.

Why Retirement Taxes Feel Different Today

Four surprises nobody warns you about.

1 Your Last Year May Be Your Biggest



Mid-year retirement + severance + vacation payout = one of your highest income years.

Affects tax bracket AND triggers IRMAA two years later.

2 Social Security Is Taxable



Up to 85% of your benefits can be taxed depending on combined income.

Most retirees don't realize this until they file.



3 RMDs Start at 73



Required Minimum Distributions from IRAs/401(k)s.

↑
73
TODAY

75

IN 2033
(FOR 1960+)

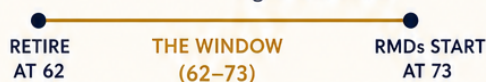
- Miss them = 25% penalty.
- Rising to 75 for those born in 1960+.
- These count as income.

4 The Conversion Window



Years between retirement and 73 = lowest income years = best time for Roth conversions.

Pay tax now at lower rate, avoid higher taxes later.



“ Different system. Same rulebook. ”



THEIR REALITY

- Pension
- Employer healthcare
- Shorter retirement



YOUR REALITY

- 401(k)
- Healthcare gap
- 30 years of inflation to outrun

Source: IRS; Social Security Administration;
Kaiser Family Foundation; J.P. Morgan.

FISCAL FOOTNOTES
— CONTEXT CREATES CLARITY —

The Part Nobody Prepares You For

Here's the part that catches people off guard. The money might be fine. The health insurance might be handled. And you still feel off.

Retirement isn't just a financial transition. It's an identity shift.

For 30 or 40 years, your job told you where to be, what to do, and who you were. Now that's gone. "Retired and bored" is the most common search phrase. But "retirement identity crisis" and "feeling lost after retirement" are right behind it. The boredom is a symptom. The identity shift is the real thing.

I've sat across from thousands of retirees over 25 years. The ones who thrive share a few things:

- They built structure before they needed it. Not a rigid schedule. Just a rhythm. Coffee at 7. Walk at 8. One thing that gets them out of the house by 10.
- They found something that needed them. Volunteering, mentoring, consulting. Not for the money. For the purpose.
- They stayed social on purpose. Work gave you a built-in social network. Retirement doesn't. The happiest retirees intentionally maintain and build friendships.
- They gave themselves permission to experiment. The first year doesn't have to be perfect. Try things. Quit things. Try different things.

FISCAL FOOTNOTE

Retirement was designed as an ending. Today it's a beginning, one that can last two or three decades. The financial plan is necessary. But the life plan is what determines whether you enjoy it.

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IN 2033
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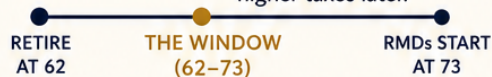
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THEIR REALITY

- ✓ Pension
- ✓ Employer healthcare
- ✓ Shorter retirement



YOUR REALITY

- ✓ 401(k)
- ✓ Healthcare gap
- ✓ 30 years of inflation to outrun

Your parents had a pension, employer healthcare, and a shorter retirement.
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Sources: IRS; Social Security Administration; Kaiser Family Foundation; J.P. Morgan.

FISCAL FOOTNOTES
CONTEXT CREATES CLARITY

What 25 Years of Conversations Have Taught Me

After sitting with thousands of families, patterns emerge.

They have a plan, not just a portfolio.

Their retirement isn't just an investment strategy. It includes healthcare, income, taxes, estate planning, and what they do with their time.

They didn't wait too long to ask.

Not because the problems were unsolvable. Because the options narrow the longer you wait. A COBRA decision made three months late costs you permanently. A Roth conversion window missed is a window closed.

They thought they couldn't afford to retire. They were wrong.

One of our most experienced advisors puts it bluntly: "Financial advisors tell people they can't afford to retire when their actual financial situation shows they can." We see this constantly. When we map guaranteed income against monthly expenses, people are often better off than they think.

They came in 60 to 90 days before retirement.

Not after. Before. In that window, we can map your healthcare transition, coordinate your income sources, evaluate your tax situation, and build a plan that works. The people who come in after are playing catch-up. The people who come in before are playing offense.

Come In 60–90 Days Before. Not After.



Before Retirement **VS.** After Retirement

Playing
OFFENSE



Playing
CATCH-UP

Options are
OPEN



Options
NARROW

Planning
MODE



Reacting
MODE

“
*The people who
come in **BEFORE**
are playing offense.
The people who
come in **AFTER**
are playing catch-up.*
”
— David Schaeffer



25+
YEARS
guiding families



50
STATES
served



4,900+
FIVE-STAR reviews
★★★★★

FISCAL FOOTNOTES
— CONTEXT CREATES CLARITY —



Clarity today. Confidence tomorrow.

Your Retirement Readiness Checklist

Print this page. Check items off as you go.

60-90 Days Before Retirement

- ☐ Map your health insurance transition timeline
- ☐ If 65+: Enroll in Medicare Parts A and B (do NOT rely on COBRA after 65)
- ☐ If under 65: Evaluate COBRA vs. ACA marketplace vs. spouse's plan
- ☐ Review your Social Security claiming strategy
- ☐ Understand your pension options (lump sum vs. monthly)
- ☐ Check beneficiary designations on all accounts
- ☐ Get a copy of your most recent tax return
- ☐ Meet with a retirement advisor to map your income plan

Your First Month

- ☐ Confirm your last paycheck and any severance
- ☐ Roll over your 401(k) if needed (do NOT cash it out)
- ☐ Set up income sources (Social Security, pension deposits)
- ☐ Confirm health insurance coverage is active
- ☐ Update your budget for retirement income vs. expenses
- ☐ Set up a simple weekly routine
- ☐ Try one thing you've always been curious about

Within 90 Days

- ☐ Estimate your first-year tax situation
- ☐ Evaluate Roth conversion opportunities
- ☐ Review long-term care options
- ☐ Update your will, power of attorney, and healthcare directive
- ☐ Talk with your spouse about roles, routines, and expectations
- ☐ Schedule an annual review with your advisor

Every Year

- ☐ Review Medicare coverage during Annual Enrollment (Oct 15 - Dec 7)
- ☐ Meet with your advisor for an annual check-up
- ☐ Review tax withholding and estimated payments
- ☐ Update beneficiaries after any life changes
- ☐ Revisit your estate plan every 3-5 years

Understanding the System Is the First Step

Retirement today is more complex than it used to be.

Not because people are failing, but because the system evolved.

Fiscal Footnotes was created to explain that system in plain English.

Context creates clarity. And clarity creates confidence.

If you want help understanding how these changes apply to your own retirement picture, the team at American Retirement Advisors is here to help.

Book a No-Cost Discovery Session

123easy.com/retirement-discovery-session-booking-page

Or call: (602) 281-3898

Fiscal Footnotes by David

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