

Steve Vernon's Guide to Retirement Success

By Kerry Pechter Thu, Dec 13, 2018

Steve Vernon's latest book on retirement, "Retirement Game-Changers," teaches anyone how to win not just the game of retirement income, but the game of life-after-55. Vernon (pictured) is an actuary whose interest in retirement planning grew as he grew older. Imagine that.



Steve Vernon, the Boomer, actuary, research scholar at the Stanford Center on Longevity, and co-author with the esteemed Wade Pfau and Joe Tomlinson of a 2017 Society of Actuaries [paper](#) called "Optimizing Retirement Income," has published a new book for consumers about retirement income planning.

Called [Retirement Game-Changers](#) (Rest-of-Life Communications, 2018), the book promises to show near-retirees how to "generate recession-proof retirement income" for life, "enhance your health and longevity," "protect yourself against ruinous medical and long-term care costs," and "lead a fulfilling and socially connected life."

That's a big promise—the kind that perhaps only a sun-soaked Californian like Vernon can confidently make—but one that a host of well-known reviewers, including Christine Benz of Morningstar, Boomer zeitgeist guru Ken Dychtwald, and a host of newspaper columnists, say that Vernon delivers.

We'll focus here on Vernon's advice about retirement income generation. Consistent with his previous writing, Vernon recommends the purchase of single-premium immediate annuities (SPIAs) for people who have a gap between other safe income sources they may have—such as Social Security and pensions—and their minimum monthly spending needs.

Vernon doesn't dive into any specifics about how SPIAs work; he doesn't mention mortality credits, for instance. (I like to explain the SPIA concept by saying that it can let retirees safely spend up to 50% more per month in retirement than they can with the 4% "safe withdrawal" rule, given the same nest egg.) But Vernon already wrote a book that goes into more detail on annuities. It's called [Money for Life: Turn Your IRA and 401\(k\) or IRA in a Lifetime Retirement Paycheck](#).

The core of Vernon's philosophy is captured in what he calls the "Spend Safely in Retirement Strategy," which is distilled from a research project at the Stanford Center on Longevity and the Society of Actuaries. Its component steps include:

- Delaying Social Security benefits (until age 70, if possible)
- Creating a bucket of stable, liquid investments when you're within five years of retirement (to protect against sequence risk or finance the Social Security delay)
- Using investments as a Retirement Income Generator (spending required minimum distributions from qualified accounts, for instance)
- Developing a cash side-fund for emergencies.

Vernon devotes considerable attention to reverse mortgages, which can provide annuity-like income later in life or can be used to set up a line of credit for emergency cash during retirement or for assisted living or nursing home expenses. The reputation of the reverse mortgage industry has been tainted by the dominance of sales by late-night infomercial hucksters, but the fact that so much Boomer net worth resides in home equity makes it virtually inevitable that these products will see greater use in the future.

Besides advice about generating retirement income, Vernon's book contains lots of useful information about health, health care and health insurance. Vernon seems to favor Medigap insurance over those tempting zero-monthly payment Medicare Advantage plans—a sentiment that I share.

This is not a book for financial advisors, per se. If anything, it urges readers interested in annuities to turn to direct providers like Income Solutions, Immediateannuities.com, Fidelity, Vanguard, and Schwab. But I could easily see a fee-only advisor (members of the National Association of Personal Financial Advisors) giving this book to new middle-class (or "mass affluent") clients as a way to save time.

This book is written by an expert from a consumer's perspective; it focuses on minimizing investment expenses and maximizing freedom from anxiety about money. Vernon is one of the many career financial specialists whose professional and personal interests in retirement planning merged as they approached retirement, and who feel inspired to share what they've learned with fellow retirees and near-retirees.