

MONEY & MARKETS EXTRA

Money Matters The psychology of retirement income

By Samantha Lamas
Morningstar

The narrative of a miserly, Scrooge-like figure hoarding his wealth for years instead of enjoying his retirement might seem unbelievable—but unfortunately, it isn't relegated only to fiction. It's a cold reality for many retirees.

According to the Life Cycle Hypothesis, this shouldn't need to happen. A retiree who is financially prepared for retirement should keep a consistent income in retirement, and her overall consumption should not change.

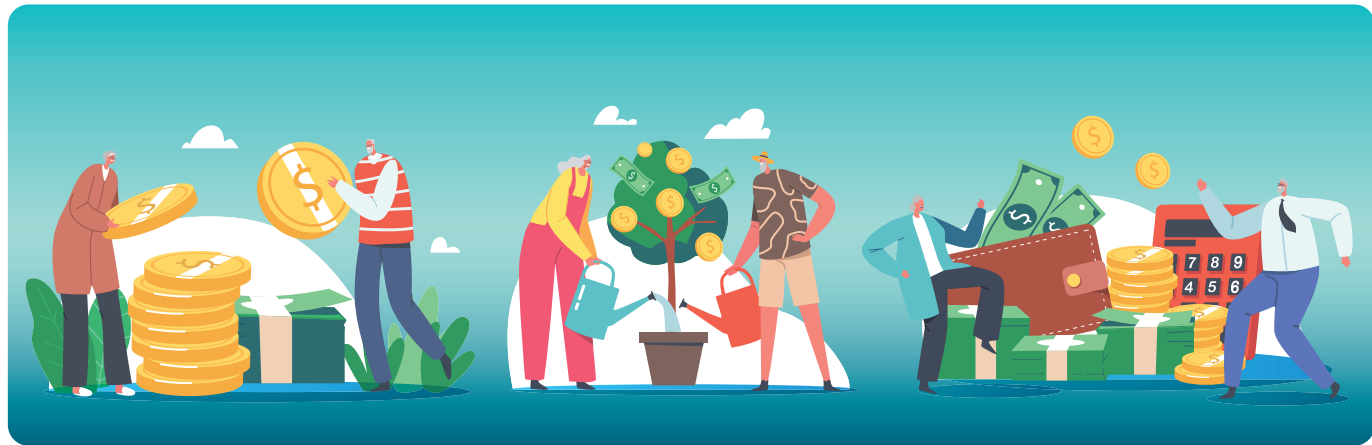
WHO IS STRUGGLING TO SPEND THEIR RETIREMENT INCOME?

About 25% of retirees fall into the camp of people who decrease spending during retirement.

Moreover, research suggests this problem may worsen. Researchers found that the issue was most pronounced with individuals who use their own savings for retirement income—whereas people with guaranteed sources of income, such as annuities, Social Security, and pensions, were more likely to spend their income.

WHY DO PEOPLE HAVE TROUBLE SHIFTING FROM A SAVING TO SPENDING MINDSET?

One line of thinking posits that people simply don't need to spend as much in retirement. For example, when people retire, they may experience a drop in work-related expenses. They may be able to spend more time doing things they had to pay for in the past—now making meals at home or mowing their own lawn—and searching for the best deals for their purchases. And they may pay off their mortgage, thus decreasing their expenses.



Another line of thought points to more psychological reasons behind a change in spending patterns.

Before retirement, a person may be more susceptible to present bias (the tendency to focus more on the present situation at the expense of long-term planning) because their future labor income is uncertain, and they don't yet feel an ownership of that money. That uncertainty gives them the flexibility to think things like, "I'll work more hours next month to make up for this trip," or "My boss will cough up that bonus soon."

However, after retirement, they are on a fixed income and the money they are spending is coming from their own pocket. This shift triggers loss aversion—that is, the desire to avoid losses outweighs the desire to experience gains. In retirement, we know that overspending today will result in a sure loss in future consumption. In a world where that future you is 85 years old and unable to work, that future loss looms much larger than an extra extravagance today.

HOW TO MANAGE RETIREMENT SPENDING WOES

Every retiree is different, and different explanations may ring true based on their personal circumstances, so retirees may benefit from taking stock of their retirement spending.

Start by gauging your financial affairs and have a clear understanding of how much you can spend.

Try tracking your spending using an online tool that breaks down spending by category. It's ideal to do this before you retire, but not essential. On a quarterly basis, check your overall spending and take note of any categories where your spending patterns have changed. Do these changes align with your financial goals? Did your spending on eating out suddenly drop, even though you love trying new cuisines with friends?

THE PIECES TO THE RETIREMENT INCOME PUZZLE

If you fall into the underspending camp, research suggests that people using

guaranteed income sources are more willing to spend their income.

If you don't want to take the leap to guaranteed income sources, try reframing your retirement income as a paycheck that someone else is paying you.

Although not spending enough money in retirement may not be a universal problem, it does represent a huge, missed opportunity for the retirees in question. It's important to remember that this is the money you've spent years toiling over and protecting. Now, during a long and happy retirement, is the time to put that money and free time to good use, funneling both resources into your version of a life well-lived.

This article was provided to The Associated Press by Morningstar. For more personal finance content, go to www.morningstar.com/personal-finance

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The Week In Review

TRUMP THREATENS SWEEPING TARIFFS

President-elect Donald Trump threatened to impose sweeping new tariffs on Mexico, Canada and China as soon as he takes office as part of his effort to crack down on illegal immigration and drugs. He said he would impose a 25% tax on all products entering the country from Canada and Mexico, and an additional 10% tariff on goods from China, as one of his first executive orders.

The tariffs, if implemented, could dramatically raise prices for American consumers on everything from gas to automobiles to agricultural products. The U.S. is the largest

importer of goods in the world, with Mexico, China and Canada its top three suppliers, according to the most recent U.S. Census data.

Trump made the threats Monday in a pair of posts on his Truth Social site in which he railed against an influx of migrants crossing into the U.S. illegally, even though southern border apprehensions have been hovering near four-year lows.

He said the new tariffs would remain in place "until such time as Drugs, in particular Fentanyl, and all Illegal Aliens stop this Invasion of our Country!"



RAW MILK RECALLED AFTER BIRD FLU DETECTED

The bird flu virus was detected in a retail sample of raw milk from a dairy in Fresno, California, state health officials said.

The sample obtained at a store tested positive Nov. 21 during routine screening by

"Consumers should immediately return any remaining product to the store where it was purchased," the state health department said in a statement. Pasteurized milk remains safe to drink, the department said.

On Friday, health officials confirmed bird flu in a California child — the first reported case in a U.S. minor.

The child had mild symptoms, was treated with antiviral medication and is recovering, the Centers for Disease Control and Prevention said.

There have been at least 55 U.S. bird flu cases this year, including 29 in California, the CDC said. Most were farmworkers who tested positive with mild symptoms.



Santa Clara County health officers, the state Department of Public Health said Sunday.

The dairy, Raw Farm, issued a voluntary recall for one batch of cream top, whole raw milk with a best buy date of Nov. 27.

CHARLOTTE AIRPORT WORKERS STRIKE

Workers who clean airplanes, remove trash and help with wheelchairs at Charlotte's airport, one of the nation's busiest, went on strike Monday during a busy week of Thanksgiving travel to demand higher wages.

The Service Employees International Union announced the strike in a statement early Monday, saying the workers would demand "an end to poverty wages and respect on the job during the holiday travel season." The strike was expected to last 24 hours, said union spokesperson Sean Keady.

Employees of ABM and Prospect Airport Services cast ballots Friday to authorize the work stoppage at Charlotte Douglas International Airport, a hub for American Airlines. The two companies contract with American, one of the world's biggest carriers, to provide services such as cleaning airplane interiors, removing trash and escorting passengers in wheelchairs.

American doesn't expect "any significant disruption" to its flights this week as a result of the strike, the company said in a statement.

Most of the striking workers earn \$12.50 to \$19 an hour, union officials said.



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Don't wait to enroll

Tips for shopping for Medicare Advantage plans

By Tom Murphy

Shopping season for Medicare coverage is about to begin. People eligible for the federal government's Medicare Advantage plans, which are privately run versions of the program. They also can add a prescription drug plan to traditional Medicare coverage.

Many people on Medicare Advantage plans will probably have to find new coverage as major insurers cut costs and pull back from markets. Industry experts also predict some price increases for Medicare prescription drug plans.

Shoppers often have dozens of options during this sign-up period. Here are some things to consider.

1 Don't put off shopping for Medicare coverage

Start thinking about next year's coverage as soon as possible. Insurers will usually preview their offerings or let customers know about any big changes. That makes anything arriving in the mail from your insurer important to read.

Insurance agents say many people wait until after Thanksgiving to decide coverage plans for the new year. That could be a mistake this year: The holiday falls on Nov. 28, leaving slightly more than a week to decide before the enrollment window closes.

2 Look beyond the premium

Many Medicare Advantage plans promote a \$0 premium. That may sound attractive, but price is only one variable to consider. Shoppers should look at whether their doctors are in the plan's coverage network and how prescriptions would be covered. They also should know the maximum amount under the plan that they'd have to pay if a serious health issue emerges.

Plans offer many supplemental benefits, including help paying food or utility bills. Don't let those distract from understanding the core coverage, said Danielle Roberts, co-founder of the Fort Worth, Texas, insurance agency Boomer Benefits.

"Remember that we buy health insurance for the big things, not the frills," she said.

3 How to get help shopping for plans

The federal government operates a plan finder that lets people compare options. The State Health Insurance Assistance Program can be another resource. Insurance brokers or agents also guide customers through searches.

Sometimes a plan's coverage doesn't work as expected. If that happens, there's another enrollment window in the first three-months of each year where some shoppers may be able to make a change.



Want to suggest a personal finance topic that Quick Fix can address? Email apmoney@ap.org

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Small Business Monitor

By Mae Anderson

Brace for tariffs

Small businesses can prepare for President-elect Donald Trump's promised tariffs by diversifying their supply chain and adjusting pricing, along with other steps.

Trump has proposed importers pay a 25% tax on all products entering the country from Canada and Mexico, and an additional

10% tariff on goods from China, as one of his first executive orders. This means small

businesses may end up paying more for goods and services. Small business owners say they're preparing in a variety of ways.

Laurel Orley, cofounder and CEO of Nashville-based sprouted nut snack company Daily Crunch, said at first she didn't think the tariffs would affect her business, since she doesn't import very

much. But she realized there are several ways the tariffs will affect her business. She had planned on sourcing bags from China to save 5 cents a bag, however. But with the tariffs, she might have to pay more for bags sourced locally in the U.S.

Warehouse prices are increasing because of the expected tariffs, too, she

realized. "As many other companies are buying bulk inventory overseas to get ahead of tariffs, warehouse availability is becoming limited, which will increase costs for everyone," she said.

She's also working on securing contracts for 2025 and finding a third-party logistics provider for the year, "to get ahead of what's to come and pre-planning as much as we can," she said.



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TechTake

By Matt O'Brien



US leads China in AI

The U.S. leads the world in developing artificial intelligence, surpassing China in research and other important measures of AI innovation, according to a newly released Stanford University index.

Stanford researchers sought to measure the "vibrancy" of the AI industry across various dimensions, from how much research and investment is happening to how responsibly the technology is being pursued to prevent harm.

"The gap is actually widening" between the U.S. and China, said computer scientist Ray Perrault, director of the steering committee that runs

Stanford's AI Index. "The U.S. is investing a lot more, at least at the level of firm creation and firm funding."

The U.S. has consistently held the No. 1 position since 2018 when it overtook China. It has far outpaced China in private AI investment, which hit \$67.2 billion in the U.S. last year compared to \$7.8 billion in China, according to the report.

China has requested far more patents than any other country regarding generative AI. Stanford researchers counted that as one measure of China's strong growth in AI innovation but not enough to lead the pack. Rounding out the top 5 were the UK, India and United Arab Emirates.

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Foreign Exchange 1 US \$ in foreign currency, with weekly changes

Australian Dollar ▼ 1.5323 (-.0068)

British Pound ▼ .7849 (-.0135)

Canadian Dollar ▲ 1.3994 (+.0012)

Chinese Yuan ▼ 7.2424 (-.0015)

Euro ▼ .9452 (-.0153)

Japanese Yen ▼ 149.62 (-5.19)

Mexican Peso ▼ 20.3533 (-.1414)

Swiss Franc ▼ .8802 (-.0143)