12 Retirement Risks

EVERYONE SHOULD PREPARE FOR

1 Longevity:
The risk that someone will outlive their wealth and available income. Fifty-percent of 65-year-old men have a chance of living to age 87; women to 89. The number of people living to age 100 increased more than 43% from 2000 to 2014. This risk can potentially be managed using insured solutions, such as immediate or deferred annuities or variable annuities with living benefit riders.

2 Incapacity Risk:
The risk that, as a result of deteriorating health, a retiree may not be able to execute sound judgment in managing their financial affairs. Incapacity risk can be managed through having tools such as wills, trusts, and power of attorney provisions in place at the time of retirement, if not before.

3 Inflation Risk:
Inflation risk is the risk that rising costs will undermine purchasing power over time. Inflation risk can be managed through insured solutions that offer inflation adjustments, through portfolio diversification, and by proper financial planning.

4 Market Risk:
The risk of losing invested wealth, either temporarily or permanently, because of a market downturn or poor investment performance. Market risk can be managed through diversification of savings and investments, including use of insured solutions to provide stability and assurance of income irrespective of market results.

5 Bond Risk:
A modest increase of interest rates of 1.3% could equate to a loss in value of 8.2%.

6 Excess Withdrawal Risk:
The risk that an individual will draw down assets too quickly and undermine their retirement plan. Excess withdrawal risk can be managed by preparing a well developed plan that includes a clear understanding of retirement expenses and available sources of income.

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7 Lifestyle Risk:
The risk that there is not sufficient income to maintain the current or expected standard of living during retirement. Lifestyle risk can be managed through disciplined savings, sound budgeting and planning and can include sustainable income sources, such as immediate or deferred-income annuities, as part of a diversified investment approach.

8 Asset Allocation Risk:
The risk of investing either too conservatively or too aggressively and not adequately diversifying assets to sustain a portfolio across market cycles. Asset allocation risk can be managed through the assistance of an experienced investment professional, through diversification of assets and by including insured solutions as part of the investment mix.

9 Entitlement Risk:
The risk that government programs, such as Social Security or Medicare, will not offer sufficient protection for retirement. Entitlement risk can be managed by increased personal saving and investing and using insured solutions.

10 Sequence of Returns Risk:
The risk of receiving low or negative returns in early years of drawing down a retirement portfolio and increasing the potential of running out of money prematurely. Sequence of returns risk can be managed by sound planning as well as through use of insured annuity products and other guaranteed solutions.

11 Medical Expense Risk:
The risk of paying for the growing cost of health-care-related services in retirement. Medical expense risk can be managed through including risk protection solutions, such as long-term-care insurance, as part of a broad financial plan.

12 Personal or Event Risk:
The risk of paying for the growing cost of health-care-related services in retirement. It's projected that the average 65-year-old couple retiring with Medicare will still need approximately $276,000 to cover deductibles, supplemental premiums, out-of-pocket expenses and excluded services. Medical expense risk can be managed through including risk protection solutions, such as long-term-care insurance, as part of a broad financial plan.

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