4 Biggest Risks During Retirement

May 2019 Newsletter | By: Ian Sachs

There are 4 major risk factors that can come between you and your ability to retire when and how you want. During our lifetime, we focus on building assets by making more money or spending less. Though this is important for obvious reasons, we also need to make sure the following risks are properly addressed as they will influence our financial futures and ultimately our retirement outlook.

1. Stock Market

Many people are heavily invested in the stock market as they approach retirement. Being too aggressive can result in huge investment losses, but being too conservative can result in lost opportunity for gains. Sitting in a bull or bear market when approaching retirement paint two very different pictures. It's important to know where you stand in the stock market and what your goals are for retirement to minimize the impact of market volatility.

2. Longevity

Couples that have reached the age of 65 have a 50% chance that at least one spouse will live until age 90. Living longer than expected can exhaust retirement savings and increase your need for long-term care. To ensure that your retirement is properly funded, make a portion of your retirement income guaranteed for life.

3. Taxes

The top marginal tax rates are well below historical averages and the U.S. National Debt is now at $22 trillion dollars (twice as much as was 10 years ago). Diversifying your retirement income is extremely important, especially when considering the income tax ramifications of your tax-deferred accounts like 401(k)s, Traditional IRAs, etc.

4. Inflation

Inflation is a fact of life in our economy. Every year, the costs of essential goods and services become more expensive. Over the course of a 30-year retirement, an inflation rate of 3% could decrease the buying power of your money by 50%. Not only should a portion of your retirement income be protected, but it should also increase to adjust for inflation.

Now what?

Having sources of **protected income** during retirement is the best strategy to combat these

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4 risks. Protected income is defined as income sources where either the account values do not decline because of potential negative market returns or there is predictable, lifetime income. The most common sources of protected income are earned income, pensions, Social Security income, annuities and cash value life insurance.

In an optimal retirement plan, fixed expenses will be covered by protected income. This will give you the peace of mind that those expenses are always taken care of. We can't predict the future, but by addressing these 4 risks, we'll have a better idea as to which way the wind will blow.

About Risk Resource

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We specialize in Life Insurance, Disability, Long-Term Care, Annuities, and Tax-Free Wealth Accumulation, and understand that every need is different which is why we represent over 100 insurance carriers. This gives us the flexibility and freedom to find the right solutions for each of our clients.

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