



# READY, SET, RETIRE

Planning Is Crucial For Your Countdown To Retirement

## What Will You Do After Your Final Paycheck?

If your retirement date is less than ten years away, it's a good time to start thinking about the transition from work to retirement. In fact, your "in" retirement plan may be more crucial than your savings for retirement plan has been.

## Don't Leave Your Retirement To Chance

Moving from a steady salary to converting your savings into income for the rest of your life takes some thought. It helps to understand the kinds of risks you might encounter and how to lessen their impact with thoughtful planning.

## Help Make Your Money Last

Longevity, or running out of money in retirement, is the biggest risk that most retirees face. A careful plan can help you manage this risk.

### Plan To Live Longer Than You Think

Probability of today's 65 year old living to various ages



65 Year-Old Male		65 Year-Old Female		65 Year-Old Survivor	
Age	Probability	Age	Probability	Age	Probability
80	61%	80	71%	80	88%
85	41%	85	54%	85	72%
90	22%	90	34%	90	45%
95	8%	95	6%	95	23%

People are living longer and experiencing healthier, more active lives. When Social Security was established in 1935, men who were age 65 then could expect to live 12.7 more years; women a few years longer.\* Today's 65-year-old needs to plan to live much longer. Some experts say more than 30 years.

Source: Social Security Administration, [socialsecurity.gov](http://socialsecurity.gov), 2013.

Source: Social Security 2010 Mortality Tables with 1% mortality improvement. Life Expectancy Calculator created by Mary Pat Cambell, FSA, updated July 2010.

## Consider These Tips To Overcome Longevity Risk

- Choose a realistic time-frame for how long your money will need to last in retirement. If you retire at age 65, plan for 30 to 35 years.
- Maintain adequate equities (stock funds) in your portfolio. This can potentially help your savings continue to grow in retirement, although it does come with additional risk.
- Pick a practical withdrawal rate. This is the amount you'll take from your savings each year for income. Between 3-5% is generally considered acceptable.

## Protect Your Buying Power

Inflation risk, or your dollar being worth less over time, can have a devastating impact on your retirement security, even when inflation is relatively low. Ideas that may help include:

- Add inflation protection investments to your portfolio.
- Maintain enough equity exposure to help keep investments growing.
- Maximize Social Security payments which are automatically adjusted for inflation. There are a lot of options for how/when to take Social Security. A financial or tax advisor can help review options that might be best for you.

## Defend Against A Decline

A market decline, especially right before or early in retirement, can undermine your savings. Your portfolio will usually be at its largest at retirement, resulting in a greater dollar impact. In addition, making withdrawals during a market decline could mean you won't recover those losses in a market rebound. To help minimize this risk:

- Maximize your portfolio's diversification. Spreading your money across several asset types that react differently under various market conditions may help balance the markets' highs and lows. Within stocks, bonds and money markets, you can drill down further to get a better asset allocation.
- Align your asset allocation with your risk tolerance so you're less likely to panic in a downturn.
- Consider annuitizing part of your portfolio. Annuities can provide income, but can also come with a pretty high price tag.

Diversification does not assure a profit nor does it protect against loss of principal.

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## Healthcare Expenses May Require A Budget Bandage

More than half of retirees and near-retirees greatly underestimate their future healthcare costs.\*

The biggest inflation risk for retirees is for healthcare services. Historically, the healthcare inflation rate has been much higher than overall inflation and it can become an acute situation if a long term illness is involved.

\*Hoffman and Jackson, Retiree Out-of-Pocket Healthcare Spending: A Study of Consumer Expectations and Policy Implications, 2013

## The Bottom Line

Like any journey you'll soon embark on, having a plan could mean the difference between success and failure. Before you start your retirement countdown, make sure you have a plan in place to help you get beyond the retirement finish line.