



12 Retirement Risks Everyone Should Prepare For



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12 Retirement Risks

EVERYONE SHOULD PREPARE FOR

1 Longevity Risk:

The risk that someone may outlive their wealth and available income is one of people's biggest fears in retirement. Longevity is still high, even since the pandemic. On average once they reach age 65, men can expect to live to age 83.2 and women to 85.7. For those with fewer assets, longevity risk can sometimes be managed using insured solutions, such as annuities with lifetime income.

2 Incapacity Risk:

The risk that as a result of deteriorating health or mental faculties, a person may not be able to handle their financial affairs or make health care decisions. Incapacity risk can be managed by having up-to-date tools such as wills, trusts, and power of attorney provisions in place, especially during retirement when incapacity risk can increase.

3 Inflation Risk:

Inflation risk is the risk that rising costs can 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:

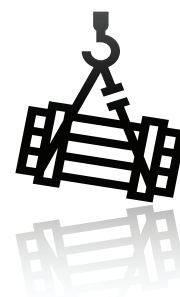
The risk of losing invested wealth, either temporarily or permanently, because of a market downturn or poor investment performance. Market risk can be managed through diversification of savings and investments, including use of insured solutions to provide stability and assurance of income irrespective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

5 Bond Risk:

In general, when interest rates go up, bond values go down. Interest rate risk is common to all bonds, even U.S. Treasury bonds. A bond's maturity and coupon rate generally affect how much its price can change as a result of changes in market interest rates.

6 Excess Withdrawal Risk:

The risk that an individual can 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 who can properly diversify the portfolio by including assets which are not correlated to the stock market.

9 Public Policy Risk:

The risk that government programs, such as Social Security or Medicare, may not offer sufficient financial protection for retirement, and that taxes may be raised. Public policy risk can be managed by increasing personal savings, investing prudently, using tax mitigation strategies like Roth conversions, evaluating Medicare plans annually during open enrollment periods, and by using insurance, such as a new type of policy designed to fill Social Security gaps that may happen in the future.

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 medical expenses becoming unaffordable in retirement. It is estimated by Fidelity that a couple age 65 may need \$330,000 to cover Medicare premiums, deductibles, co-pays, coinsurance and out-of-pocket health care expenses during retirement. This figure does not include long-term care, not covered by Medicare, which can cost nearly \$8,000 per month in suitable states for a semi-private room in a nursing care facility. Adequate funds and contingency plans for health care should be part of a robust retirement plan.

12 Personal or Event Risk:

Preparing for the many adverse personal events you could face in retirement is what a financial advisor is trained to do. You may want to consider estate planning to preserve you should you or your spouse become incapacitated, liability insurance to preserve against lawsuits, and a plan for long-term or nursing facility care if needed, because it is not covered by Medicare.

Sources:

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<https://www.genworth.com/aging-and-you/finances/cost-of-care.html>

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