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**Retirement Risks
Everyone Should
Prepare For**



RISK
AHEAD

12 Retirement Risks

EVERYONE SHOULD PREPARE FOR

1 Longevity Risk:

The risk that someone will outlive their wealth and available income is one of people's biggest fears in retirement.¹ On average, once they reach age 65, men can expect to live to 83 and women to 85.6.² This 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, 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:

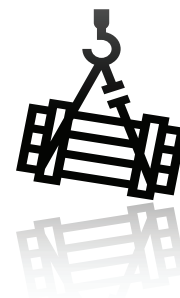
The risk of losing invested wealth, either temporarily or permanently, because of a market downturn or poor investment performance. Market risk can be managed through diversification of savings and investments, including use of insured solutions to provide stability and assurance of income irrespective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

5 Bond Risk:

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 will change as a result of changes in market interest rates.³

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.



12 Retirement Risks EVERYONE SHOULD PREPARE FOR

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 increasing personal savings, investing prudently, and by using insured or guaranteed 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 medical expenses becoming unaffordable in retirement. It is estimated that \$285,000 per couple will be needed in today's dollars to cover Medicare premiums and out-of-pocket health care expenses, not including long-term care.⁴ 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 will want to consider estate planning to protect you should you or your spouse become incapacitated, liability insurance to protect against lawsuits, and a plan for long-term or nursing facility care if needed, because it is not covered by Medicare.

Sources:

(1) <https://www.journalofaccountancy.com/news/2019/feb/top-retirement-fears-201920387.html> (2) <https://data.oecd.org/healthstat/life-expectancy-at-65.htm>
(3) https://www.sec.gov/files/ib_interestraterisk.pdf (4) <https://www.fidelity.com/viewpoints/personal-finance/plan-for-rising-health-care-costs>

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