SAGE VIEW

# 5 KEY RISKS IN RETIREMENT

If you're nearing or in retirement, it's important to think about protecting what you've saved and ensuring you'll have enough income throughout your retirement. Here are five rules of thumb to help manage some things that can impact your income in retirement.

## 1. EXPECT TO LIVE LONGER

As medical advances continue, it's quite likely that today's healthy 65-year-olds will live well into their 80s or even 90s. This means there's a real possibility that you may need 30 or more years of retirement income. Without some thoughtful planning, you could outlive your savings and have to rely solely on Social Security for income. And with the average Social Security benefit for a retired worker just over $1,335 a month, it may not cover all your needs.[1]

## 2. PLAN FOR HEALTH CARE EXPENSES

Longer life spans, rising medical costs, declining employer-sponsored medical coverage, and possible shortfalls ahead for Medicare all add up to make health care expenses a critical challenge for retirees and pre-retirees alike. In fact, a recent study estimated that a couple retiring today at age 65 may need current savings of approximately $260,000 to supplement Medicare and cover their out-of-pocket health care costs in retirement.[2]

## 3. BE PREPARED FOR INFLATION

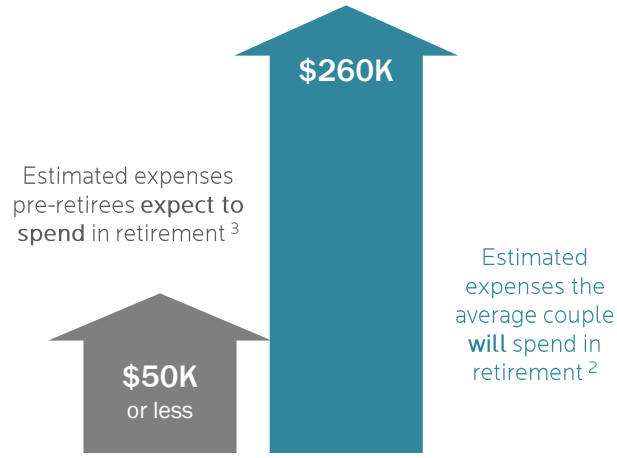
Inflation can eat away at the purchasing power of your money over time. This affects your retirement income by increasing the future costs of goods and services, thereby reducing the purchasing power of your income. Even a relatively low inflation rate can have a significant impact on a retiree's purchasing power.

## 4. POSITION INVESTMENTS FOR GROWTH

Too-conservative investments can be just as dangerous as a too-aggressive ones. They expose your portfolio to the erosive effects of inflation, limit the long-term upside potential that diversified stock investments can offer, and can diminish how long your money may last. On the other hand, being too aggressive can mean undue risk of losing money in down or volatile markets. With retirement likely to span 30 years or so, you'll want to find a balance between risk and growth potential.

## 5. DON'T WITHDRAW TOO MUCH

Even the savviest asset allocation strategy can misfire without an equally wise strategy for withdrawing assets. Spending your savings too rapidly can also put your retirement income at risk. For this reason, we believe that retirees should consider using conservative withdrawal rates, particularly for any money needed for essential expenses.




1. U.S. Social Security Administration, October 2015.
2. According to a 2016 Fidelity analysis performed by its Benefits Consulting group. Estimate based on a hypothetical 65-year-old couple retiring in 2016. Estimates are calculated for "average" retirees, but may be more or less depending on actual health status, area of residence, and longevity. The Fidelity Retiree Health Care Costs Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government's insurance program, Medicare. The calculation takes into account cost-sharing provisions (such as deductibles and coinsurance) associated with Medicare Part A and Part B (inpatient and outpatient medical insurance). It also considers Medicare Part D (prescription drug coverage) premiums and out-of-pocket costs, as well as certain services excluded by Medicare. The estimate does not include other health-related expenses, such as over-the-counter medications, most dental services, and long-term care.
3. Fidelity 2014 HSA Survey, conducted GfK Public Affairs of 1,247 U.S. adults from ages 25-65 with household income of $25,000 or more, primary or shared responsibility for household financial decisions, and who receive healthcare benefits through their own or their spouse/partner's employer. The survey was conducted from April 30th to May 9th, 2014.