

“Your Biggest Financial Risk In Retirement”

By Tommy Williams, CFP®

It's a good time for a gut check. Last week, after sliding lower for four days, the Standard & Poor's 500 Index recouped some of its losses on Friday. The reasons behind the week's poor showing were diverse. Barron's reported:

“The market is so discombobulated right now that it can't even decide what it's afraid of. What do we mean? When the Standard & Poor's 500 index suffered its first correction since the beginning of 2016 last month, the cause was easily identified – a good old-fashioned inflation scare caused by a larger-than-expected increase in wages and a rapidly rising 10-year Treasury yield, which almost hit 3 percent...Fast-forward more than a month and those fears seem almost quaint.”

Those fears included:

- Special Counsel Robert Mueller's subpoena of the Trump Organization.
- The effects of recent tariffs and the possibility of trade wars (look at China this week.)
- The departure of Secretary of State Rex Tillerson.
- The Atlanta Fed revised its GDPNow Forecast

downward for the first quarter of 2018. Weakness in consumer spending, net exports, and inventory investment offset gains in private fixed-investment growth.

- The Commerce Department reported weak retail sales for the third month in a row. Economists had expected sales to rise.



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Here's the thing: During 2017, volatility settled at historically low levels and stock markets charged ahead. As a result, it was relatively easy for investors to forget about risk. You could say 2017 made investing seem as mundane as driving across Texas. It's possible 2018 will be more like traveling icy switchbacks through the Rocky Mountains.

No matter what happens in the months to come, it's a good time to reassess your

risk tolerance and make sure it aligns with your financial goals and asset allocation.

Though market volatility may be on your mind, an equally important financial challenge needs to be how much you spend on healthcare. Healthcare costs have been going up for a long time. The Centers for Medicare & Medicaid Services reported annual health spending – healthcare paid for through private health insurance, Medicare, Medicaid, or out-of-pocket spending by businesses, households and governments – in the United States averaged \$3.3 trillion in 2016.

That's about \$10,348 per person. It's a significant amount even before you consider the median income in the United States was about \$57,600 that year.

Here's another perspective: Healthcare spending was equal to almost one-fifth (17.9 percent of GDP) of everything the United States economy produced during 2016 (Gross Domestic Product – GDP – measures the value of all goods and services produced in a country). That's more than U.S. manufacturing produced

(11.7 percent of GDP) during 2016. Add in retail (5.9 percent of GDP) and the total is just shy of spending on healthcare.

The cost of healthcare is important not just because it's high, but because it's a critical aspect of retirement planning. A retirement plan is built around a horizon, which is the number of years you expect retirement to last. It's a difficult number to think about because it's a reflection of how long you expect to live.

In general, the planning horizon for women should be longer than the planning horizon for men. Women tend to live longer, and that means their healthcare costs may be considerably higher. About \$79,000 higher, according to one estimate that found a healthy 55-year-old woman could pay almost \$523,000 in healthcare expenses (Medicare Parts A, B, D, a supplemental policy F, dental, and all out-of-pocket expenses) during retirement.

There are a variety of approaches that may help cover the expense – even if you're closing in on retirement. A retirement planning strategy that factors in healthcare expenses with an appropriate planning horizon can help improve financial stability in your

later years. Medicare is more complicated than you might think. The good news is that the employees at the Social Security office tend to be very knowledgeable and helpful. Call ahead and make an appointment and you may not even have to wait long for some good advice.

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