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5 RISKS TO RETIREMENT INCOME

"If you fail to plan, you are planning to fail"- Benjamin Franklin. Retirement income planning has changed drastically over the last three decades. Thirty years ago, most Americans could safely rely on Social Security and a pension to provide the income they needed in retirement. Today, That's no longer the case. Today we have a much greater personal responsibility to create our own retirement income plan. To help make sure that a retirement portfolio lasts a lifetime, individuals should prepare for and manage the following common risks to retirement income.

1. Unknown Longevity: The fear that you will outlive your money

The number of years that your income will need to last after retirement is unknown. A long life is wonderful but is also costly. The best way to combat this risk is plan for a longer retirement. If you plan only for the average life expectancy, you could potentially outlive your assets.

2. Spending thoughtlessly instead of thoughtfully

If you withdraw too much too soon you can risk your retirement income in the later years of your life. The less you withdraw, the longer your nest egg will last. As a rule of thumb, if you are retiring around the age 65, you may want to consider limiting yourself to withdrawing 4% or less of your total assets each year.

3. Carrying unreasonable debt

If you withdraw too much too soon you can risk your retirement income in the later years of your life. The less you withdraw, the longer your nest egg will last. As a rule of thumb, if you are retiring around the age 65, you may want to consider limiting yourself to withdrawing 4% or less of your total assets each year.

4. Prices on the rise

We all hear the term "inflation" tossed around by economists, but it does have a very practical and very real impact on how much your income will need to increase over a long retirement. A 4% inflation rate means prices will increase over 50% in just 12 years and double in 18 years. You may need to plan for double the income in 25 years just to equal the buying power you have today.

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5. The rising cost of healthcare

Healthcare costs continue to outpace inflation and many employers have found it necessary to cut back on retiree medical benefits. A Fidelity study estimates that a couple retiring in 2021 at age 65 may need current savings of approximately $300,000 to supplement Medicare and cover their out-of-pocket health care costs in retirement.[1]

SOURCES

[1]https://institutional.fidelity.com/app/item/RD_13569_41055/five-key-risks-of-retirement.html

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