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TEN RETIREMENT RISKS

More boomers than ever are ready to talk with financial professionals about the best way to create a retirement income strategy.

SHARE WITH CLIENTS TO HELP THEM ANTICIPATE

Planning for retirement used to be easier. Today, with the uncertainty of Social Security and lack of access to employer-sponsored pensions, it has become a more complex situation for many people.

Take a look at some of the financial challenges most people haven't thought about when planning for retirement.

Not Knowing What You Really Want in Retirement

While people find the idea of retiring appealing and want to focus on hobbies or volunteer work, many face feelings of isolation or indecisiveness after a long life of structure. The saying is true, "failing to plan is planning to fail." When it comes to retirement, it pays to be proactive. What will a typical day look like? What will they do? Where will they go? What types of relationships will they have? You can review this list with them to provide unique resources and value:

- How and where they plan to live
- Identify financial products and services that will provide solutions they need
- Learn some tech to keep you connected and enrich your life
- Proactively call an old friend
- Build a social portfolio - how can they stay connected and make new friends, have fun and manage tough times

Unplanned Spending Shock

Unplanned expenses can be quite costly for clients, especially unexpected healthcare costs, which may include long term care costs. Other unforeseen expenses could be:

- Major home repairs
- A family member who needs help
- Divorce
- Prescription or Medication costs

Overspending

Often, clients plan to pull out 10% per year. Unrealistic and unsustainable plans for spending can put clients in a tough position if they draw down assets in a tough market. Talk to them about smart and responsible planning to help manage expectations no matter what is happening in the economy.

Spending Too Little in Retirement to be Satisfied

Sometimes, clients will do the opposite of overspending. They hold onto their money, leaving more for the estate, and in the process, sacrifice a satisfying retirement. For some, it's their conservative nature. For others, they view their money as savings rather than a source of income and hence don't want to spend. You may be able to have a conversation about giving them permission to spend because they have saved elsewhere.

Too Much Debt

The best option is to have clients retire debt-free. How is that possible? Discussions around pre-planning and cash flow during the working years can help. Share software or credit counseling where necessary. The concept of downsizing could be the perfect solution, and people may be more open to it than you think. Remind them what they are working towards - a debt-free retirement.

Declining Cognitive Abilities

Healthy longevity means a full life, spent with family and friends. But the flip side is the possibility of chronic illness, especially cognitive decline, leaving clients vulnerable to make poor financial decisions or be taken advantage of by scammers. You can help your clients by involving family, or discussing ahead of time what to do, should signs of cognitive decline become an issue for them.

Sequence of Return Risk

Sequence of return risk highlights the timing of withdrawals to the portfolio and how long someone's money can last in retirement. If a new retiree begins drawing down assets in a tough market, their portfolio longevity may not last long enough. The risk is high because the retiree won't have time to make up for the losses compounded by withdrawals in a down market. Timing is everything.

Loss of a Spouse or Partner

While a sensitive topic for some, it's important to discuss. Running through various scenarios can help clients. Asking questions like, "If your spouses passes, how will you handle paying the bills? What will that financial picture look like in 10, 20, 30 years? Are we prepared for that scenario? Asking these difficult questions helps clients plan BEFORE anything occurs to push them off-track.

Unique Risks Women Face

While women tend to live longer than men, they may not be as prepared for retirement. Many women report feeling "uncertain" or "fearful" around meeting future expenses. In certain instances, women may have gaps in their financial picture because they may have relied on the men in their lives to handle finances during marriage. If you keep this in mind when meeting with clients, you can address it early on and build trust with female clients.

Public Policy Risk

Changes to government policy could provide an unwelcome shock to financial security in retirement. Changes to Social Security or Medicare could have a severe impact on clients. What if taxes are raised? What if the Federal Reserve raises interest rates and clients have an adjustable mortgage? Government policy is not set in stone and carries potential risk. Having a plan for these potentials could be important to your clients.

Your Advice

In 2024, the number of people turning 65 will peak at almost 12,000 daily. As Boomers reach retirement age, their journey has not been traditional. As they begin to focus on decumulation and income strategies, your expertise is extremely valuable to them.

UMS is here to help by providing you resources and tools to connect with retirees and pre-retirees. Contact our Annuity Team for help today!

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