FINANCIAL RISKS OF A LENGTHY RETIREMENT
FACT SHEET

Most people recognize that it will be hard to make ends meet, or at least live their desired retirement lifestyles, on Social Security benefits alone. At the same time, few of us have any insights as to how long we will live.

Did you know:

- Social security benefits fall below government thresholds for a living wage
- Average life expectancy now exceeds age 85
- 50% of retirees are expected to live beyond age 85
- 25% of retirees are expected to live beyond age 90
- 50% of healthy, non-smoking females are expected to live beyond age 90
- Retirements can span 25 to 40 years, or more
- Inflation at 2% to 2.5% per year will cut the value of a dollar in half in just 30 years
- Medical cost inflation runs at 5% to 12% per year
- Medical breakthroughs from gene mapping and artificial intelligence could extend retirements
- Many retirees only have modest savings and home equity to cover large medical bills
- Governmental budget problems and rising property taxes negatively impact retiree lifestyles

According to a study by Vanguard, as reported in *U.S. News*, the average 401k balance for those making over $100,000 per year is less than $250,000.

However, for those making between $75,000 and $100,000 per year, that average 401k balance drops to just over $100,000. And for those making less than $75,000 per year, the average 401k balance is well below $100,000.

How do such balances translate to monthly income?

The yellow shaded area in the table below shows the amount of monthly income available to draw at retirement age from three account balances assuming an annual guaranteed 5% investment return:

	Years Until Savings Are Exhausted		
Savings at Retirement	20 Years	30 Years	40 Years
$50,000	$ 330	$ 265	$ 240
$100,000	$ 660	$ 535	$ 480
$250,000	$ 1,640	$ 1,335	$ 1,200

Not surprising, the amounts above fall well short of replacing a significant portion of pre-retirement income. Also note the discrepancy in amounts available depending on if the savings are expected to last 20, 30 or 40 years. The good news is that the participants in this study have more time to grow their account balances prior to retirement.

However, the picture is further complicated by the fact that 5% annual investment returns are not guaranteed, there could be investment losses in multiple years, recessions could quickly deflate the savings balances, large medical bills will arise in retirement, inflation will reduce the purchasing power of these dollars over multiple decades, and the amounts shown above stop after the years indicated.

At ANNUA, we believe longevity risks are best managed by using a portion of retirement savings to purchase guaranteed income for life.

Please contact us to discuss options for securing additional income that you cannot outlive.