How Long Will Your Money Last in Retirement?

By Charisse Rivers | June 2015


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Longevity is on the rise and with increasing life expectancies, and many people are running into the problem ofoutliving their savings. If we hit a major inflationary period, you could very well run out of money faster than expected. The problem lies not in when you run out of money, but in what investment vehicle will guarantee you won't run out of money and hedge for double-digit inflation.

Most retirees need to start rethinking the way ofthe 1980s, when the norm was accumulation and buy-and-hold. As you're getting ready for retirement, it's time to start thinking about an income stream, selling and diversifying for inflation. You have accumulated your whole life, and now it's time to sit back, relax and decide what amount you need for monthly bills, traveling and extras.

So, how do we do this?

Start by looking at the 21st century annuities. I'm talking about the new-age hybrid annuities. I know, I'm just another person selling annuities, but in reality it might be some ofthe best advice that comes across your path and you should know why there is such hype forthese investment vehicles and why they have trippled over the last few years. There are good and bad annuities, and it all depends on your demands. Wouldn't you like to take half ofyour retirement accounts and/or savings and know a percentage ofyour money will never run out? How about an annuity that participates in commodities? Commodities are risky, but when placed within an index in an annuity, there is no risk at all. Talk about keeping up with inflation. Coffee is up 208% forthis year, groceries are going up 3.5%, and Lean Hog, like bacon and pork, started at $104 in January and is now up to $198 in future contracts. How would you like a piece ofthat action without worrying about any loss?

Why annuities?

Let's look at the annuity 101 basics. We like annuities because they are tax-deferred, probate protected, and can provide a personal pension/income plan that will never die. When you get ready for retirement and your employer gives you a pension, can you guess what they are actually giving you? It's an annuity. Now, this might be a shocker, but it's true. As you look at the tax benefits in annuities, there is the possibility that as you take income from certain annuities, only 14% will be taxable to you. Every case might be slightly different, but I think you get my drift.

Let's look at this example that might help you make some decisions. Let's say you're about to retire at age 62, have an average annual salary of $40,000, and are about to start collecting Social Security. Social Security might pay you about 43%, which comes close enough to $19,000 annually. Where do you get the other $21,000 to equal $40,000 annually? This is where my clients say, "Well, I don't need $40,000 because I have all my debt paid off." After this response, I say, "You are crazy! When you retire, you don't start sitting in the rocking chair on your front porch right away. You travel, see grandkids, and take one cruise a year for at least the next eight years or so. After all ofthat, then you sit in the rocker. Well, that's not true either, because after you are done traveling, you cut down on traveling to start saving. Once you start saving, you start worrying about health care costs. I have seen health care costs break a man's piggy bank and leave nothing for the remaining spouse. It's time to start thinking about long-term care and home health care costs."

Is there an alternative to paying for long-term care?

The mainstream thinking today is, "If I don't use it, I don't want to lose it." People sit down with me every day to do a financial checkup, and over half of them don't have home health care or long-term care policies. At a certain point in life, it is too expensive and/or your health has gotten worse, so finding coverage can be a major challenge. Guess what? There are annuities in the market that not only provide you a pension/income stream for life, but also double your income for five years when you need to start dishing out funds for long-term care or home health care expenses. This way, hopefully you won't have to start digging into your other assets to pay for your care and you can leave something to the surviving spouse or to your children. I know that you're thinking at this point - that I'm a "mad woman" - but it's true. I have one client who has a long-term care policy, and he put a small part of his retirement savings totaling $200,000 into one of these products. Based on the assumption that he will need it in 10 years, the $200,000 would pay him $50,000 annually for five years. After five years, the annuity would pay $25,000 for the remainder of his and his wife's life, in the case that she lives 10 to 20 years longer than him. This is a no-brainer folks. You might be wondering why he would buy this type of policy if he had a long-term care policy. In many cases, long-term care policies don't cover all of your care. You usually have to come out-of-pocket somewhere, especially if the agent who sold it to you did not set it up correctly, which was the case for my client. On the other side of the spectrum, if he passes away and does not use it, his beneficiary will get a nice lump sum death benefit that has compounded over all of these years. I call it the miracle of compounding, and not enough retirees have this in their portfolios.

The "out of sight and out of mind" thinking is the way of the past. Don't let that way of thinking cripple your retirement and legacy. If you want to protect your financial health, give The NFiC Group a call, ask some questions, and schedule a free financial checkup. The worst thing that could happen is that I fatten you up with some of our warm, homemade Otis Spunkmeyer cookies when you leave. For information on six reasons to consider inflation protection while in retirement, go to NfiCGroup.com and click on the Fortune magazine logo, or call our office at **352-368-3680.**

About the Author:

Charisse Rivers is the Founder and President of the NFIC Group located in Ocala, FL. She has been a recognized radio host for Safe Money and has extensive knowledge, experience and expertise in all areas of income planning and asset protection. Her experience and skill set allows her to provide a comprehensive plan that meets each client's individual goals and objectives. She is a well-respected member of the community, wife of a local Fire Fighter/EMT, and mother of a four year-old daughter.

Visit **www.nficgroup.com** to learn more about Charisse and her practice.