



Now What? Retirement Readiness & Retirement Risk

Maryland Gerontological Association
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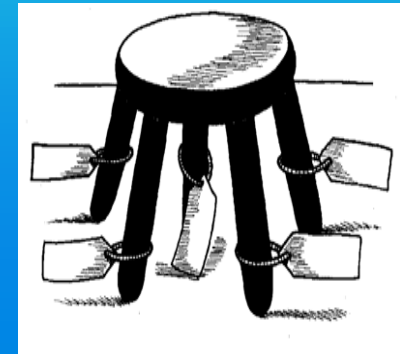
Women's Institute for a Secure Retirement

Traditional sources of retirement income

The ⁵~~3~~-legged stool

- Social Security
- Pensions
- Savings/investments
- Earnings from work
- SSI (Supplemental Security Income)

The original 3



Longevity Risks

- Inflation
- Outliving Assets (financial/investment risks)
- Death of a spouse
- Unexpected healthcare needs and costs – experts project staggering amounts needed.
- Loss of ability to live independently – long term care needs
- Many older women end up in poverty for the first time in their lives

Longevity Planning

- People need to take control at the earliest possible age.
- Women need more income and they vastly underestimate how much they will need.
- Women need to shift their thinking and recognize what the reality of old age is in the 21st Century.
- The biggest risk for women is outliving savings and that they won't know until it's too late.

Why women need more retirement income

- Live longer
- More likely to have chronic illness and need long-term institutional care
- More likely to be single and not remarry
- Hewitt study recommended 130% of preretirement income

1 out of 4 women living alone who are 65+ live below the poverty level

How far off is retirement?

SHORT	MEDIUM	LONG
- 3 years	3 – 10 years	10+ years
<ul style="list-style-type: none"> •Safety and liquidity •Can sell with little/no loss 	<ul style="list-style-type: none"> •Modest growth •Move to liquid as goal nears 	<ul style="list-style-type: none"> •You can afford more risk
<ul style="list-style-type: none"> •CDs •Treasury Bills •Money Market funds 	<ul style="list-style-type: none"> •Stocks •Bonds •CDs •Treasury Bills 	<ul style="list-style-type: none"> • Subtract your age from 100 for stock target <p>Example: Age 45 = 55% in stocks</p>



#2. How much will you need?

How much will you need?

- 100% of pre-retirement income
- Social Security statement estimate
- Pension? Contact employer

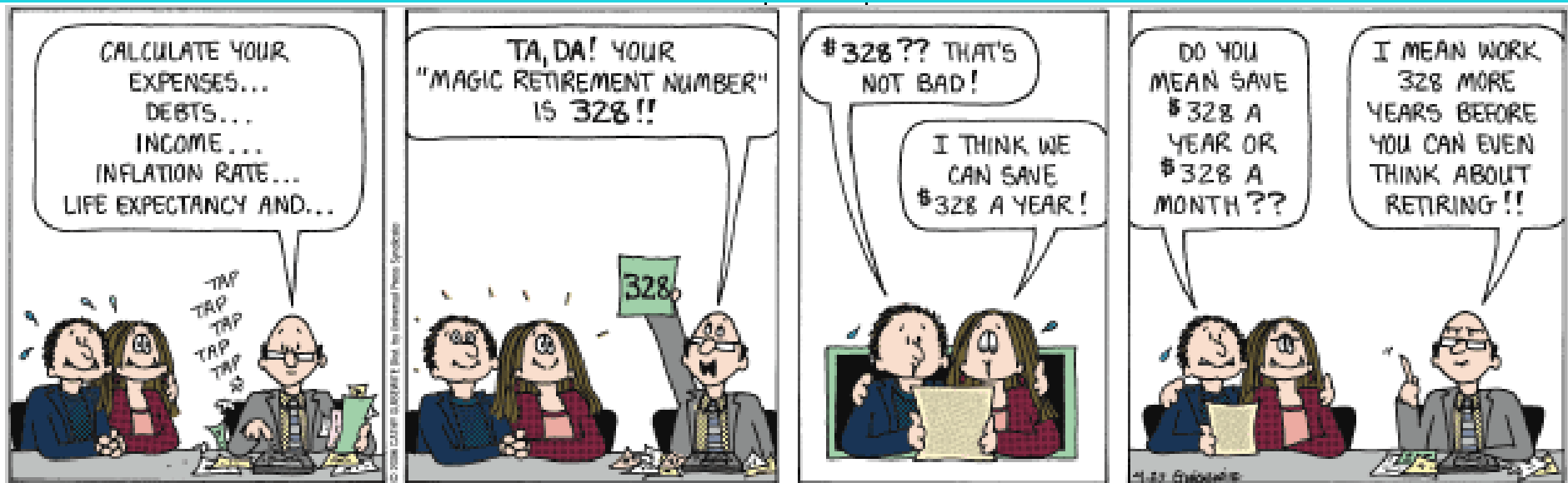
Pre-retirement income	\$50,000/year
— Social Security	— \$16,000/year
— Pension	— \$0
<hr/> What your savings needs to produce	<hr/> \$34,000/year

How many years will you need it?

- Consider family history, your health, and life expectancy tables
- Add 10 years to hedge against longevity risks:
 - Inflation
 - Outliving savings
 - Death of a spouse
 - Unexpected healthcare needs
 - Loss of ability to live independently
 - Poverty



Do the Math!



Investment risk

- The appropriate level of risk for you depends on:
 - Your age
 - Your investment goal
 - Whether you can sleep at night



Why some risk is good for you

- For your money to make money over time, you need to take at least some risk
- If you don't, you may never meet your long-term financial goals
- Risk is something you can manage!



Current market

- Current recession has hit everyone hard
- Those with long time horizons can more easily make up losses
- To protect against “systemic risk” like a recession:
 - Maintain a long-term outlook
 - Include stock funds that tend not to fall (like utilities)
 - Include investments not related to the stock market in your strategy



Feeling less comfortable?



Is your risk level too high to let you sleep?

- Rethink your plan
- Recognize that “safe” investments still carry risk
- Consider alternatives to your retirement vision



Haven't made a plan yet?

Start one today!



How to spread risk

- Asset allocation
 - Spread your money across asset classes
 - Stocks, bonds, cash
- Diversification
 - Spread your money across multiple investments
 - Mutual funds vs. single stocks



Research before you invest

- Ask for a prospectus
 - Review fund's investment goals and risks
 - Look at the fund's track record
 - Compare fees and expense
 - Free calculator at www.sec.gov/investor/tools.shtml
 - Think about how it would affect the diversification of your portfolio



Additional resources

- For more information on investing wisely, go to:
 - www.finra.org/investors
 - www.sec.gov/investor
 - www.choosetosave.org



INCREASE CASH FLOW IN RETIREMENT



Option 1: Spend less time there

- Retire later
 - More time to sock away money
 - Less time to support yourself financially
 - Higher Social Security benefits (to age 70)
- Consider part-time options in retirement
 - Consulting opportunities?



Option 2: Increase Social Security Benefits

- May was born in 1950 (now 59)
- She currently earns \$50,000/year

May's retirement age	May's monthly Social Security benefit
62 (early retirement)	\$1,157
66 (normal retirement)	\$1,620
70 (latest --benefits increase dramatically)	\$2,834

How to Not Run Out Of Money

Immediate annuities

- A way to protect against outliving your money
- Guaranteed income for life
- Purchased with a lump sum of money



How annuities work

- Buy from an insurance company
- Benefit amount depends on:
 - How much money you have to purchase one
 - Age, gender
 - Income option you select
 - Interest rates at the time of purchase



Finally! Get help if you need it

- Don't be afraid to ask for help!
- Find free tax or financial advice
- You can find information and links to other resources at **www.wiserwomen.org**

