

5 Things Everyone Should Know About Retirement Income

1) 4% Rule No Longer Works

The experts at Morningstar now say:

2.8% withdrawal rate, adjusted for 3% inflation, can provide a 90% success in achieving their retirement goal.

<http://corporate.morningstar.com/ib/documents/MethodologyDocuments>

[OptimalWithdrawalStrategyRetirementIncomePortfolios.pdf](#)

With interest rates at historic lows, it is vital to review the level of income you currently receive to protect your future income needs.

2) Inflation is Real

Inflation Is Part of the Federal Reserve's Monetary Policy

A January 25, 2012 press release from the Board of Governors of the Federal Reserve stated:

"The Committee judges that inflation at the rate of 2 percent, as measured by the annual change in the price index for personal consumption expenditures, is most consistent over the longer run with the Federal Reserve's statutory mandate. Communicating this inflation goal clearly to the public helps keep longer-term inflation expectations firmly anchored."

<http://www.federalreserve.gov/newsevents/press/monetary/20120125c.htm>

A level income that never changes over time may not meet your needs in the future.

3) Sequence of Returns Can Be a Killer

Five years of positive market returns and five years of negative returns will have the same outcome if you reverse the numbers. However, if there is income being withdrawn, the results can be devastating. Planning when to take income could be the most important decision of your retirement.

http://www.ifid.ca/pdf_newsletters/PFA_2006FEB_sequencing.pdf

Taking income during a negative market correction could devastate your retirement nest egg.

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4) Plan for Longevity

Thanks to a number of factors, people are living longer. In 1935 average life expectancy was 61.7 years today's average life expectancy is 78.7 years. Those statics are based on life expectancy at birth. What if you're already 65? Did you know a 65 year old male today has an average life expectancy 83? 65 year old females today have it even better with an average life expectancy of 85? Planning for the long term is a crucial part of retirement planning.

<http://www.census.gov/compendia/statab/2012/tables/12s0104.pdf>

Retirement is a 20- to 30-year marathon, not a 5-year sprint.

5) Adding An Annuity to Your Portfolio Can Lead to Greater Success

By integrating an annuity to a portfolio can yield a 23% higher chance of maintaining retirement distributions than using a traditional 50% equity 50% bond allocation.

<http://www.fpanet.org/journal/CurrentIssue/TableofContents/AchievingSustainableRetirementWithdrawals/>

Any one of these pitfalls can jeopardize your ability to retire the way you expect. While they may not make you rich, our solutions can help maintain your wealth.

Call me today to schedule an exploratory consultation.

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