

SIX RISKS TO BE PREPARED FOR IN RETIREMENT

Long-Term Care Costs and Rising Healthcare Costs Top the List



Provided By: Melinda Wilke, Northwestern Mutual

As baby boomers approach retirement, many may find themselves in different economic circumstances than what they planned for. Recent economic events have taught us the downside of risk, yet careful planning can help soften the impact. Northwestern Mutual says that your retirement plan can stay on track if you focus on these six key risks.

Health Care Risk. Rising medical and prescription drug costs, fewer employer-sponsored retiree benefits and limitations of Medicare are all impacting income and retirement savings. According to Medicare.gov, estimated health care costs for a 65-year-old range from \$3,000 for someone in excellent health to \$10,000 for someone in poor health, including premiums, deductibles and co-pays but not including long-term care, vision or dental expenses.

Inflation and Taxes: With inflation reducing purchasing power and taxes impacting liquidation strategies, less money will be available to spend or invest in retirement planning.

Longevity Risk: Americans are living longer and the possibility exists that they could outlive their resources. There is a 10 percent chance that a 65-year old male will live to 97 years of age and a 1 percent chance the same male will live to 105 years of age. Yet, the “average” life expectancy is only 85 years, meaning half of the population will die before that age and the other half is expected to live longer.

Legacy Risk: Many Americans want to leave a legacy, making an impact beyond their lifetime by leaving a financial gift to a loved one or a charity. It is necessary to balance this desire with the need to fund an individual’s retirement.

Long-term Care Risk: The cost of care for an unexpected event, or long-term illness not covered by private insurance or Medicare is requiring more Americans to prematurely deplete their assets. A 2009 LIMRA (Life Insurance Marketing and Research Association) survey of pre-retirees and retirees aged 55 to 75 found that health care and long-term care expenses together account for between 12 and 15 percent of retirement expenses, depending on the household income.

Market Risk: Participating in the stock market can give an individual’s retirement savings and income the potential to keep pace with inflation.

However, volatility in investment markets can significantly affect retirement income and savings.

RESOURCES FOR RETIREMENT PLANNING

Northwestern Mutual has a range of online resources to help individuals think about and plan retirement needs: Retirement Savings Calculator at <http://www.nmretirementsavingscalculator.com/> can be used to show how contributions can affect an individual’s ability to fund their retirement. Cost of Care Calculator at http://media.nmfn.com/tnetwork/LTC_Calc to help better understand the potential cost of long-term care services. Lifespan Calculator at <http://media.nmfn.com/tnetwork/lifespan> to estimate out how many years an individual may live past retirement.

<https://www.medicare.gov/find-a-plan/questions/home.aspx>, accessed August 22, 2011

2 “Retirement Income Trade-offs, Implications for Product Development,” LIMRA, 2009

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