How to Protect Your Retirement Lifestyle from Curveballs

Benjamin Voigt CFP®, RICP®,CLU®

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By Benjamin Voigt CFP®, CLU®, RICP®

Retirement is not the end. It's the beginning of a new chapter in life. It's also the time to keep assessing and adjusting a plan that has helped you get to today.

Just like your life was not stagnant getting to this point, life will continue to bring change. You may go back to work. Market conditions may cause investments to perform differently. Health issues can change your priorities. The rules of financial planning shift in retirement and may seem more complex.

Be prepared for five curveballs that could jeopardize a sound, secure and stable retirement.

Curveball #1 – Longevity Risk

Those of us who are fortunate and live a long life have additional financial concerns because the longer one lives, the more financial matters may change, and the more decisions may have to be made. In short, longevity magnifies all the other risks.

Curveball #2 – Healthcare Risks

Medical Expenses

Medical expenses can be a huge drain on retirement funds even if one has what seems like ample health insurance. A retiree age 65 now may need as much as $280,000 or more for out of pocket expenses not covered by Medicare. "How to plan for rising health care costs" (04/01/2019) Fidelity Viewpoints

Long-term care

Even difficult scenarios need to be considered. You should consider what might happen if you can't care for your spouse or yourself and need daily assistance. The majority of long-term care is not covered by Medicare. Medicare.Gov "Long- term care coverage"

Curveball #3 – Employment Risk

Forced Retirement
You should consider whether you may be a candidate for some form of forced retirement which can be caused by a multitude of factors, none of which you have control over.

Re-employment
If you experience a forced retirement, finding a new job is sometimes problematic, particularly at the same level of remuneration.

Employer continuity
All situations can change, and the financial world is rife with stories of companies that seemed invincible one week and were in real trouble the next. Companies can be sold, acquired or they can undergo vast internal or external changes that are not always foreseeable.

Curveball #4 - Investment and Public Policy Risk

Market Risk
As is well known, the possibility of taking losses in the capital markets is real and continuous, and you must always balance spending with prudence.

Interest rate and reinvestment
If interest rates rise, the value of your debt holdings goes down. If interest rates drop, the value goes up. As the debt matures, however, you are limited to the new lower rates, and that may impact your overall financial situation.

Liquidity risk
Assets you cannot sell quickly may be a threat to financial peace of mind during your retirement. You should assess your need for liquidity, and make sure your assets aren’t a liquidity risk.

Sequence of returns
No one knows how the market will perform during the first decade of your retirement. It could have a much bigger impact than you might expect when you are in the withdrawal phase.

Inflation risk
In recent years inflation hasn't been the concern it's been in past decades, but many experts today warn about inflation which can--in a very short time--have a deleterious effect on what seemed like a sound and stable retirement situation.

Excess withdrawals risk
This may seem obvious, but the amount of effect from this risk is difficult to predict. It may now be commonly thought that 4% is a safe withdrawal rate, but if there's a market meltdown, a 4% withdrawal rate may need to increase or even double. This is a dynamic risk, and you should consider multiple factors such as time horizon, market returns and discretionary spending when considering an overall strategy.

Government Laws
Corporations spend billions taking sides on legislative issues that could affect their businesses. Retirees can get caught in the crosshairs of tax and financial laws that could materially impact a plan.

Curveball #5 – Family Risk

Death of a spouse
No one likes to think about it, but the death of a spouse--whether sudden or expected--can wreak havoc with the life of the surviving spouse. It's impossible to prepare for the impact of that kind of loss, of course, but if the financial impact has been considered and has been planned for, the transition to a new life can be a little smoother.

Unexpected financial responsibility
Stuff happens. Sudden change in a close relative's situation can have an impact on a person in or nearing retirement. Natural disasters, sudden serious illnesses, or dramatic life changes may change a retiree's imperatives.

Avoid Getting Beat by a Curveball

Preparedness is everything in financial planning, and while not every eventuality can be foreseen, it is important to have a properly credentialed financial advisor with designations such as CFP®, RICP®, and CRC®. We not only help you prepare for your future, we will coach you to win in retirement.