



ARBOR
— FINANCIAL ADVISORS —

5 THINGS TO CONSIDER BEFORE RETIREMENT

FOR MORE INFORMATION: (773) 377-9282



THINGS EVERYONE SHOULD KNOW **ABOUT RETIREMENT INCOME**

1 The 4% Rule May Not Work

There is no hard and fast way to create reliable income in retirement, and opinions vary greatly. The 4% rule basically says that after you have a certain amount of money put away, you can safely withdraw 4% of it every year to live on. Some advisors now say 5% works, or 2%, and some have a completely different methodology for calculating withdrawals. Other advisors have developed alternative strategies which may hedge against stock market risk.

<https://www.investopedia.com/terms/f/four-percent-rule.asp>

2 Inflation Is Real

Inflation is something that should be addressed in every individual's retirement plan because it can take a big bite out of your income's buying power over time. As an example, a gallon of milk that cost only \$1.32 in 1970 cost \$2.90 in 2018. The Consumer Price Index (CPI) in the United States is used to calculate the inflation rate, but keep in mind that there are several versions of that index, such as chained, unchained, etc. Economists say that certain indexes don't calculate inflation accurately. The Federal Reserve wants the inflation rate to stay at the 2% level, and that rate is one of their target factors when determining policy.

<https://www.tasteofhome.com/article/heres-the-price-of-milk-the-year-you-were-born/>
<https://www.thebalance.com/what-is-an-inflation-index-357609>
https://www.federalreserve.gov/faqs/economy_14400.htm



3 Sequence of Returns Can Be a Problem

No one can predict if, or when, a stock market correction will occur, but timing is everything. Mathematically, if the stock market goes down at the beginning of someone's retirement, they are more likely to run out of money than someone who experiences a bull market at the beginning of their retirement, even if they start out with the exact same amount of money. It's called "sequence" or "sequence of returns" risk, and experienced retirement advisors will start addressing this with you from the moment they create your retirement plan.

<https://www.investopedia.com/terms/s/sequence-risk.asp>

4 You Must Plan for Longevity

The Social Security website says, "When you are deciding when to start receiving retirement benefits, one important factor to take into consideration is how long you might live. A man reaching age 65 today can expect to live, on average, until age 84. A woman turning age 65 today can expect to live, on average, until age 86.5. About one out of every three 65-year-olds today will live past age 90, and about one out of seven will live past age 95." Your retirement income plan must take into account that you may live a very long time.

<https://www.ssa.gov/planners/lifeexpectancy.html>

5 Adding Annuities to Your Portfolio May Help

Because neither longevity nor future stock market performance can be predicted, annuities may help augment and protect your income in retirement. Certain types of annuities, such as fixed indexed annuities, for example, offer guarantees backed by the claims-paying ability of the insurance carrier along with the potential for growth, as well as lifetime retirement income. You should work with a financial advisor who can recommend a balanced portfolio to provide the right amount of income, safety and liquidity for your needs.



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