RESOURCES

DANGER | **EXAMPLE**

1. LONGEVITY

No one knows exactly how long they will live. This makes planning difficult due to the fact that the length of time a retiree needs retirement income is unknown. Additionally, the longer they live, the longer they are exposed to other retirement risks.

Dave's 20-Year Retirement Plan

Year	Current Age	Life Expectancy	Plan Projection
1999	65	17 Years	3 Year Surplus
2016	82	7 Years	4 Year Deficit

2. INFLATION

Inflation is the silent thief. Over time, the cost of goods and services increases while most retirees live on a relatively fixed monthly income. This can dramatically decrease purchasing power.

Impact of Inflation on Cost of Goods

Years from Now	4% Inflation
0	$1,000
1	$1,040
10	$1,480
20	$2,191

3. EXCESS WITHDRAWAL

Supplementing longevity risk is the risk of withdrawing too much money. This can cause retirees to prematurely deplete their portfolio and reduce their ability to create future retirement income.

Maria and John read in the paper that the safe withdrawal rate in retirement is 8% and create a plan based on that number. In reality, they should be withdrawing at a much lower rate, most likely between 2-3%.