# Reducing the Risk of Outliving Your Money

*What steps might help you sustain and grow your retirement savings?*

Provided by Edward Grondahl

**"What is your greatest retirement fear?"** If you ask retirees that question, "outliving my money" may likely be one of the top answers. Retirees and pre-retirees alike share this anxiety. In a 2014 Wells Fargo/Gallup survey of more than 1,000 investors, 46% of respondents cited that very fear; 42% of the respondents to that poll were making $90,000 a year or more.[1]

**Retirees face greater "longevity risk" today.** According to an analysis of Census Bureau data by the Center for Retirement Research at Boston College, the average retirement age in this country is 65 for men and 63 for women. Many of us will probably live into our eighties and nineties; indeed, many of our parents have already lived that long. In 2014 (the most recent year for which Census Bureau data is available), over 72,000 Americans were centenarians, representing a 44% increase since 2000.[2,3]

If your retirement lasts 20, 30, or even 40 years, how well do you think your retirement savings will hold up? What financial steps could you take in your retirement to prevent those savings from eroding? As you think ahead, consider the following possibilities and realities.

**Realize that Social Security benefits might shrink in the future.** Today, there are three workers funding Social Security for every retiree. By federal estimates, there will be only two workers funding Social Security for every retiree in 2030. That does not bode well for the health of the program, especially since nearly one-fifth of Americans will be 65 or older in 2030.[4]

Social Security's trust fund is projected to run dry by 2034, and it is quite possible Congress may intervene to rescue it before then. Still, the strain on Social Security will mount over the next 20 years as more and more baby boomers retire. With this in mind, there's no reason not to investigate other potential retirement income sources now.[3]

**Understand that you may need to work part-time in your sixties and seventies.** The income from part-time work can be an economic lifesaver for retirees. Suppose you walk away from your career with $500,000 in retirement savings. In your first year of retirement, you decide to withdraw 4% of that for income, or $20,000. At that withdrawal rate, not even adjusting for inflation, that money will be gone in 21 years. What if you worked part-time and earned $20,000-30,000 a year? If you can do that for five or ten years, you effectively give your retirement savings five or ten more years to last and grow.[3]

**Retire with health insurance and prepare adequately for out-of-pocket costs.** Financially speaking, this may be the most frustrating part of retirement. We can enroll in Medicare at age 65, but how do we handle the premiums for private health insurance if we retire before then? Striving to work until you are eligible for Medicare makes economic sense. So does building some kind of health care emergency fund for out-of-pocket costs. According to data from *Health Affairs,* those costs approached $16,000 a year in 2014 for Americans aged 65-84, and $35,000 a year for Americans aged 85 or older.[4]

**Many people may retire unaware of these financial factors.** With luck and a favorable investing climate, their retirement savings may last a long time. Luck is not a plan, however, and hope is not a strategy. Those who are retiring unaware of these factors may risk outliving their money.

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**Citations.**

1 - usatoday.com/story/money/personalfinance/2014/09/24/investors-fear-outliving-retirement-savings/16095591/ [9/24/14]
2 - thestreet.com/story/13468811/1/here-rsquo-s-how-to-make-your-money-last-in-retirement.html [2/23/16]
3 - marketwatch.com/story/so-whos-going-to-pay-for-you-to-live-to-be-100-2016-02-17/ [2/17/16]
4 - thinkadvisor.com/2016/02/22/6-ways-to-prevent-going-broke-in-retirement [2/22/16]