RETIREMENT: PLANNING FOR A LONG LIFE IS ESSENTIAL

On my mother's 100th birthday, I asked her: "Wow, you are 100 years old. How does that feel?" She gave a rather astute answer: "Well, I've lived a lot longer than I thought I would."

Isn't that the real concern for many retirees? It is not necessarily that a retiree will live to 100; most will not. But many may live longer than they think they will. If their retirement income plans do not factor this in, retirees may have compromised lifestyles in their later years. Their retirement "paychecks" may not cover the lifestyles they want.

A key factor for retirement income planning success is: Will essential expenses be covered by lifetime income? Lifetime income helps manage retirement risks, which in turn helps the sustainability of the retirement-income portfolio.

What are essential expenses?

Essential expenses are those expenses that must be covered every month or year. Common essential expenses are property and other taxes, utilities, Medicare premiums, food, and similar costs. Each retiree can decide what is essential, and more than one list includes "essential" items like vacation or golf. The key is that these are expenses that the retiree must cover, or feel they must cover, regardless of current available cash flow.

Additional retiree expenses are usually considered discretionary. These expenses are a choice and can be adjusted downward (or upward) as needed. Often, these include travel, leisure activities, and making gifts to children or grandchildren.

How might lifetime income help manage retirement risks?

Lifetime income can provide consistent income regardless of various risks. Many retirement risks are outside of the retiree's control: Market volatility, inflation, and sequence of returns are common risks over which a retiree has little, or no, influence. However, these risks can have a significant effect on long-term portfolio sustainability. As an example, if retirement begins with several years of market decline, then the retiree accepts a much lower "paycheck" or potentially depletes his/her assets. A lifetime income plan can provide cash flow that covers these essentials.

Or, consider inflation. In the early retirement years, inflation is not likely to be a factor. But as the years pass and the cost of lifestyle increases, either the retiree reduces his/her lifestyle or will likely deplete assets more rapidly. A lifetime payment may allow the remaining portfolio to be better managed for growth.

Longevity is a major risk. While most clients have thoughts on how long they might live, they do not tend to pick a likely "expiration date," much less agree to stick to that date. This means planning for a longer life without compromising current lifestyle.

The good news: Lifetime income provides a check for life—even when life turns out to be longer than the retiree thought it would be!

Additional Resources and Links

Financial Tools and Calculators

Retirement Income Translator

Protected Income – Alliance for Lifetime Income

Create Lifetime Income

You Can Create Income that Never Runs Out

For additional information, please contact
the Retirement Strategies Group at (800) 722-2333, ext. 3939,
or email RSG@PacificLife.com.
PacificLife.com

This material is provided for informational purposes only and should not be construed as investment, tax, or legal advice. Information is based on current laws, which are subject to change at any time. Clients should consult with their accounting or tax professionals for guidance regarding their specific financial situations.

This material is educational and intended for an audience with financial services knowledge.

PACIFIC LIFE

THE OFFICIAL SPONSOR
OF RETIREMENT®