

4 THINGS THAT CAN DERAIL RETIREMENT

How can you be sure your money will last through your retirement years? That's the million-dollar question these days—and for good reason. Many retirees are concerned about the future of their nest egg. There are certain challenges—tied to the unknown—that may put your retirement at risk.

To help you increase the likelihood of having the financial means to continue the lifestyle you want in retirement, here are a few key risk factors to keep in mind.

RISING HEALTH CARE COSTS

According to Fidelity Investments® 2020 Retiree Health Care Cost Estimate, a 65-year-old couple who retired in 2020 can expect to spend \$295,000¹ in health care and medical expenses throughout retirement, up from \$285,000 in 2019. For single retirees, the health care cost estimate is \$150,000 for women and \$135,000 for men.²

Retirement income planning is one way to address potential health care costs. Your advisor can help you determine a strategy for your changing medical situation and financial needs, including contingency funding for unexpected expenses. Strategies to address concerns such as major health issues and long-term care may require leveraging different types of insurance or investing in low-risk, low-return investments.

LIFE SPAN

While none of us can predict how long we will live, retirement may be longer than you think. In fact, as life spans increase, some individuals may spend more years in retirement than the time they spent working.

Many of us will live much longer than the “average” retiree, and most women live longer than men. About one out of every three 65-year-olds today will live until at least age 90—and one out of seven will live at least until age 95. Furthermore, married couples have at least a 50-50 chance that one spouse will live beyond age 90.³

It's understandable why many retirees are concerned about outliving their retirement assets and possibly becoming a burden on their loved ones. That's why, even in retirement, you should continue to adjust your financial plan for the long term.

WHAT RETIREMENT UNKNOWNNS WORRY PEOPLE THE MOST?²

RISING HEALTH CARE / LONG-TERM CARE COSTS (38%)

SOCIAL SECURITY BENEFITS (28%)

OUTLIVING ASSETS (24%)

ADJUSTING LIFESTYLE TO FIT A FIXED INCOME (18%)

INFLATION (10%)

HAVING TO DOWNSIZE HOME OR MOVE DUE TO HIGH COST OF LIVING (7%)

You may want to talk to your advisor and tax professional about strategies to help ensure your assets last through your retirement years. Keep in mind that receiving lump-sum payouts from pension plans or inheritances can raise concerns about the best way to invest the payouts and what, if any, tax implications may accompany them.⁴

MARKET VOLATILITY

Because you may be in retirement for 25 to 35 years, you need to consider the effect market volatility could have on your assets. It's likely the markets will fluctuate dramatically during this stage of your life, and you will need to factor market risk into your retirement plan.

Diversifying your portfolio—combining stocks with bonds and a variety of other types of investments—can help you manage the level of risk. Also, you might consider ways to adjust your spending during times of economic turmoil and market volatility. This can help curb withdrawals from your assets until the market recovers.

Make it a priority to review your investments with your advisor on a regular basis and adjust your positions accordingly based on your financial situation.

INFLATION

The longer amount of time you spend in retirement, the greater the risk that inflation—the rising cost of goods and services over time—can significantly affect your purchasing power. For example, if you withdraw \$5,000 every month from your retirement savings, after 10 years of 3% inflation, \$5,000 will have a purchasing power equivalent to \$3,800.

It's important to have a retirement planning strategy that helps you outpace inflation while keeping an eye on your risk tolerance.

REVIEW YOUR RETIREMENT PLANNING AND WITHDRAWAL STRATEGIES

A Commerce Trust advisor can address your concerns and help you answer important questions relating to factors that could derail your retirement:

- Do you have the financial means to live out your retirement dreams?
- Are you staying on track with your retirement plan?
- Does your retirement income adequately meet the demands and responsibilities of your current lifestyle?
- Is there a better approach for handling your cash flow and liquidity issues?
- How much can you withdraw annually and not outlive your money?
- How can you keep your investment portfolio working for you in retirement?
- How will you handle the ongoing effects of inflation and market volatility?

Don't let the excitement of your retirement lifestyle be overshadowed by various risk factors that could derail your dreams. We will listen and offer solutions tailored to help you achieve the retirement you want.

¹ How to take control of your retirement, <https://www.fidelity.com/viewpoints/retirement/planning-for-retirement>

² Source: 2019 Fidelity Investments® Retirement Mindset Study, https://www.fidelity.com/bin-public/060_www_fidelity_com/documents/press-release/healthcare-price-check-040219.pdf

³ Social Security Administration, Publication No. 05-10147, “When to Start Receiving Retirement Benefits,” January 2020, [ssa.gov](https://www.ssa.gov).

⁴ Consult your tax advisor

The opinions and other information in the commentary are provided as of February 25, 2021. This summary is intended to provide general information only, and may be of value to the reader and audience.

This material is not a recommendation of any particular investment strategy, is not based on any particular financial situation or need, and is not intended to replace the advice of a qualified attorney, tax advisor or investment professional. While Commerce may provide information or express opinions from time to time, such information or opinions are subject to change, are not offered as professional tax or legal advice, and may not be relied on as such.

Data contained herein from third-party providers is obtained from what are considered reliable sources. However, its accuracy, completeness or reliability cannot be guaranteed, and is subject to change.

Diversification does not guarantee a profit or protect against all risk

Commerce Trust Company is a division of Commerce Bank.



Commerce Trust Company

Wealth | Investments | Planning®

1-855-295-7821 | [commercetrustcompany.com](https://www.commercetrustcompany.com)

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Commerce Trust Company is a division of Commerce Bank.