

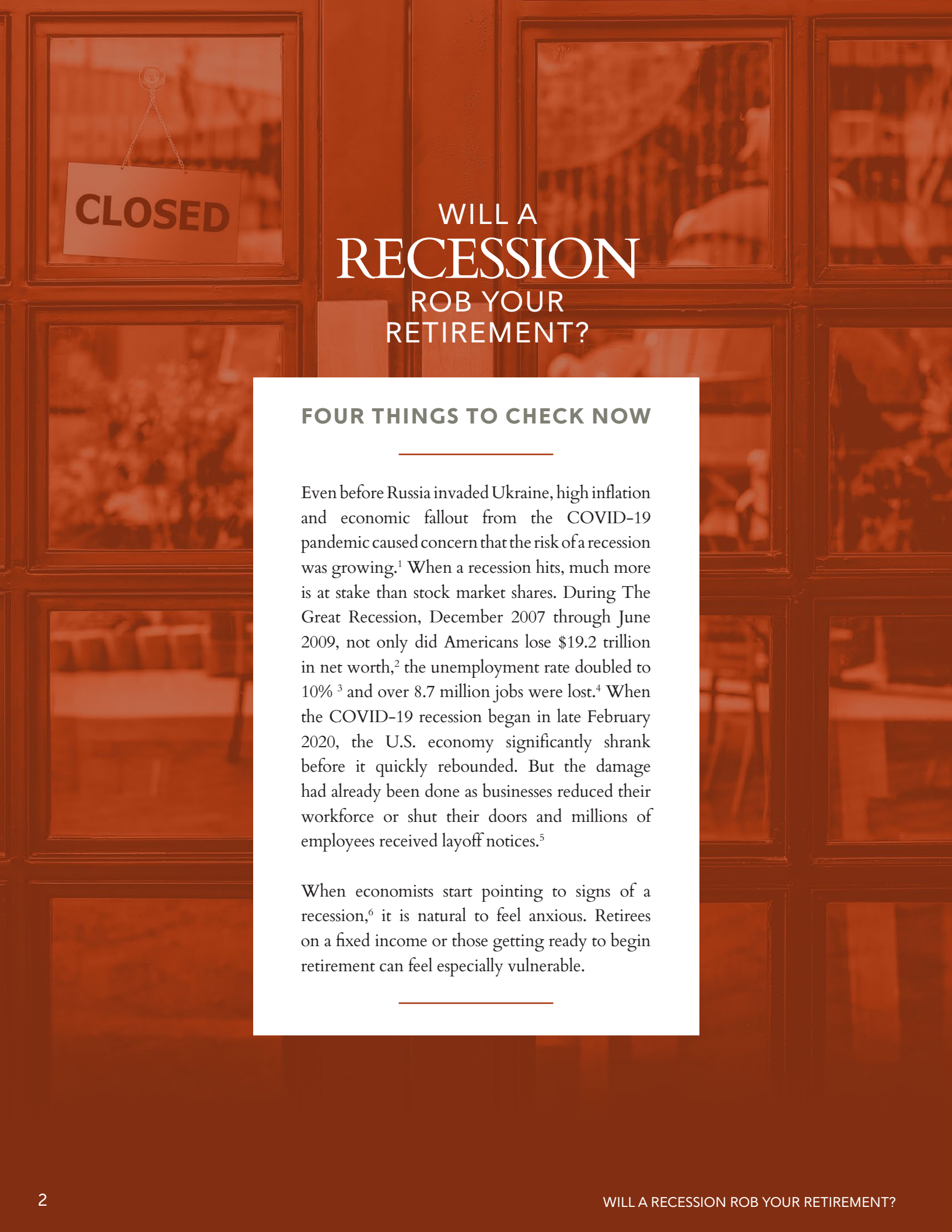


WILL A RECESSION ROB YOUR RETIREMENT?





FOUR THINGS TO CHECK NOW



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Even before Russia invaded Ukraine, high inflation and economic fallout from the COVID-19 pandemic caused concern that the risk of a recession was growing.[1] When a recession hits, much more is at stake than stock market shares. During The Great Recession, December 2007 through June 2009, not only did Americans lose $19.2 trillion in net worth,[2] the unemployment rate doubled to 10% [3] and over 8.7 million jobs were lost.[4] When the COVID-19 recession began in late February 2020, the U.S. economy significantly shrank before it quickly rebounded. But the damage had already been done as businesses reduced their workforce or shut their doors and millions of employees received layoff notices.[5]

When economists start pointing to signs of a recession,[6] it is natural to feel anxious. Retirees on a fixed income or those getting ready to begin retirement can feel especially vulnerable.

HERE'S THE GOOD NEWS:

While the economy is largely unpredictable, your retirement income doesn't have to be. By getting a clear picture of where your finances stand and creating a plan that takes worst-case scenarios into account, you can feel confident about retirement — even in a recession.

This guide will look at four areas to address to help ensure you can weather a drop in the market.

[1] Jeff Sommer. New York Times. March 17, 2022. "Inflation vs. Recession: The Fed Is Walking A Tightrope." https://www.nytimes.com/2022/03/17/business/federal-reserve-inflation-recession.html. Accessed May 3, 2022.
[2] Anne Field. Business Insider. July 8, 2021. "What caused the Great Recession? Understanding the key factors that led to one of the worst economic downturns in US history." https://www.businessinsider.com/what-caused-the-great-recession. Accessed May 3, 2022.
[3] U.S. Bureau of Labor Statistics. February 2012. "BLS Spotlight on Statistics: The Recession of 2007-2009." https://www.bls.gov/spotlight/2012/recession/pdf/recession_bls_spotlight.pdf. Accessed May 3, 2022.
[4] Center on Budget and Policy Priorities. June 6, 2019. "Chart Book: The Legacy of the Great Recession." https://www.cbpp.org/research/economy/the-legacy-of-the-great-recession. Accessed May 3, 2022.
[5] Taylor Borden, Allana Akhtar, Joey Hadden and Debanjali Bose. Business Insider. Oct. 8, 2020. "The coronavirus outbreak has triggered unprecedented mass layoffs and furloughs. Here are the major companies that have announced they are downsizing their workforces." https://www.businessinsider.com/coronavirus-layoffs-furloughs-hospitality-service-travel-unemployment-2020. Accessed May 3, 2022.
[6] Investopedia. Oct. 12, 2021. "What Causes a Recession?" https://www.investopedia.com/ask/answers/08/cause-of-recession.asp. Accessed May 3, 2022.



1

1.
YOUR EXPENSES

Whether in a prosperous bull market or declining bear market, the list of things to prepare for in retirement is lengthy: rising health care costs,[7] end-of-life expenses and a longer life[8] often top the list.

You'll also want to factor inflation into your retirement plan in case the costs of everyday items, travel and other expenses continue to rise. Inflation erodes the value of savings and will continue to do so after you retire. Recently, higher costs for everything from gasoline to agricultural products have trickled down to consumers, helping push inflation to a 40-year high.[9] The financial repercussions from high inflation, political unrest and the COVID-19 pandemic will continue to evolve, heightening concerns for Americans' future economic well-being.[10]

[7] Fidelity. Aug. 31, 2021. "How to plan for rising health care costs." https://www.fidelity.com/viewpoints/personal-finance/plan-for-rising-health-care-costs. Accessed May 3, 2022.
[8] Cory Stieg. CNBC. July 17, 2021. "Researchers say the probability of living past 110 is on the rise – here's what you can do to get there." https://www.cnbc.com/2021/07/17/study-living-past-110-is-becoming-more-likely-longevity-tips.html. Accessed May 3, 2022.
[9] Scott Horsley. NPR. March 10, 2022. "Inflation hits another 40-year high. The war in Ukraine could make it worse." https://www.npr.org/2022/03/10/1085448058/inflation-40-year-high-gas-prices-energy-russia-ukraine. Accessed May 3, 2022.
[10] Holly Ellyatt. CNBC.com. April 21, 2022. "From soaring food prices to social unrest, the fallout from the Russia-Ukraine war could be immense." https://www.cnbc.com/2022/04/21/from-food-to-inflation-the-russia-ukraine-war-has-a-global-impact.html. Accessed May 3, 2022.

What about you? Recessions often lead to job cuts. If you had to stop working earlier than planned, would you be in a tight spot?

CHECK

YOUR CURRENT AND FUTURE EXPENSES

Calculate what you spent last month on:

Mortgage/rent: _____

Home/rental insurance: _____

Utilities (water, electricity, gas): _____

Auto (payments, insurance, fuel): _____

Food (groceries and dining out): _____

Other: _____

TOTAL: _____

Based on a recent study, a 65-year-old couple retiring in 2021 can anticipate spending on average $300,000 in health care and medical expenses throughout their retirement, excluding long-term care.[11] (That would be approximately $1,000 per month over a 25-year retirement or $1,250 per month over a 20-year retirement.) You may also wish to factor in health care expenses that could arise at the end of your retirement years. Add an amount that you feel reflects how much you can anticipate spending per month on health care.

HEALTH CARE TOTAL: _____

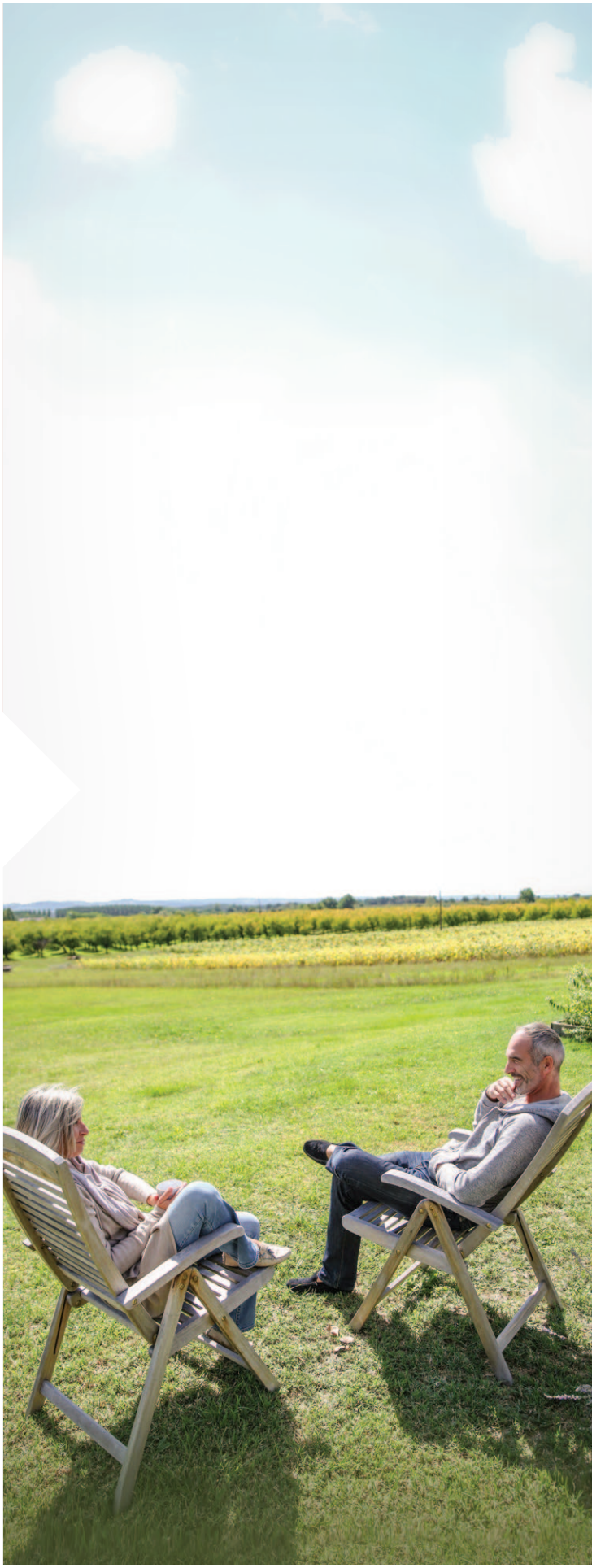
Add these two totals together and multiply by 12 to get your approximate annual expenses in retirement.

ANNUAL TOTAL: _____

Of course, these expenses don't include the things you may *want* to do in retirement, things like traveling, hobbies and family visits. These things not only make life more fulfilling, but research also shows participating in the activities you enjoy is good for your health.[12] So, as you consider your expenses, remember to take your dreams into account.

[11] Fidelity. Aug. 31, 2021. "How to plan for rising health care costs." https://www.fidelity.com/viewpoints/personal-finance/plan-for-rising-health-care-costs. Accessed May 3, 2022.

[12] Samaritan Health Services. Feb. 1, 2021. "Hobbies Are Good for You & Your Health." https://www.samhealth.org/about-samaritan/news-search/2021/02/01/hobbies-are-good-for-you-and-your-health. Accessed May 3, 2022.





2

2.
YOUR ASSETS

Where does your nest egg live? If you're like many, your assets are spread out in things like 401(k)s, mutual funds and company stock options. All of those assets are tied to the market, so, during a recession, they could significantly decrease in value. On average, the stock market loses 13.7% [13] in a correction and 32.5% in a bear market.[14]

CHECK

THE ASSETS YOU'VE ACCUMULATED

Take inventory of your accounts:

Employer benefit plan (401(k), pension, 403(b), etc.): _____

IRA: _____

Stock options: _____

Mutual funds: _____

Bonds: _____

Other: _____

TOTAL: _____

Now consider the expenses you calculated in Section 1. Would you have enough income to meet those expenses if you lost your job? Could you support your lifestyle if you and your spouse lived to age 80, 90 or beyond? (According to the Social Security Administration, the average 65-year-old man can expect to live to age 84, while the average 65-year-old woman can expect to live to age 86½.[15] One in three 65-year-olds will live to age 90 and one in seven to at least 95.[16])

[13] Miranda Marquit and Benjamin Curry. Forbes Advisor. March 7, 2022. "Market Correction: What Is A Correction?" https://www.forbes.com/advisor/investing/what-is-market-correction/. Accessed May 3, 2022.
[14] Kat Tretina and Benjamin Curry. Forbes Advisor. Feb. 24, 2022. "Bear Market and Bull Market: What's the Difference?" https://www.forbes.com/advisor/investing/bear-market-vs-bull-market/. Accessed May 3, 2022.
[15] Social Social Security Administration. "Retirement Benefits: What is your life expectancy?" https://www.ssa.gov/benefits/retirement/planner/otherthings.html. Accessed May 3, 2022.
[16] Social Security Administration. 2022. "When to Start Receiving Retirement Benefits." https://www.ssa.gov/pubs/EN-05-10147.pdf. Accessed May 3, 2022.





3

3.
YOUR RISK TOLERANCE

While investing in the market is a risk, it is an effective way to grow assets — particularly for pre-retirees who got a late start to their savings. But how much of your savings *should* be invested in the market?

Calculating your risk tolerance, the degree of variability in investment returns you are willing to withstand, can help you decide. Many factors go into determining your risk tolerance, and a financial professional has access to tools that can pinpoint the exact amount of risk that's appropriate for you. But you can get a rough idea of how much risk should be in your portfolio by asking yourself a few questions.

CHECK

HOW MUCH RISK SHOULD YOU TAKE ON?

How much would you feel comfortable losing if your investments had a bad year (or series of years)?

How soon do you want to retire?
(The closer you are, the less risk you want to take on.)

No matter what your risk tolerance is today, it likely will change in the future, and you'll need to rebalance your portfolio (or adjust the amount of investments you have compared to reliable income sources). Reallocating your money often requires reading the fine print. For instance, those in or nearing retirement may want to take funds from their 401(k), which is directly tied to the stock market, to a lower-risk financial product. However, because 401(k)s are tax-deferred, moving them to another type of account could cost you in taxes. A licensed financial professional can work with your tax professional to help ensure your assets are moved as tax efficiently as possible while staying within your risk tolerance.





4

4.
AN INCOME GAP

Could the total assets you calculated in Section 2 cover your expenses from Section 1 if you and your spouse lived into your 80s or 90s? If you came up short, you have an income gap.

By taking action sooner rather than later, it is certainly possible to build up your nest egg to where you need it to be before you retire. But if you're anticipating a recession, especially in the time leading up to your retirement or during the early years of your retirement, you may be hesitant to rely too heavily on the stock market.

If you're racing to build up your retirement savings but wary of investing a large chunk of your assets in the stock market, there are other options for a portion of your retirement assets. Financial products, like annuities, allow you to create income with less reliance on the stock market.

Annuities are designed to meet long-term needs for retirement income. When you purchase an annuity, you're buying a contract from an insurance company. In exchange for the premium you pay, you receive certain fixed and/or variable interest crediting options that compound interest-tax-deferred until withdrawn.

When you're ready to receive income, an annuity offers a variety of guaranteed payout options.

If you want the potential to earn interest on your premiums – to help catch up on your savings – a fixed index annuity (FIA) could be worth exploring. An FIA combines the benefit of tax deferral with the potential for interest based on positive changes of an external index, or a measurement of the stock market, without actual participation in the market.

So, how does it work? The insurance company uses a crediting method to track the performance of the index during a specified time period. At the end of each time period, the company calculates the indexed interest. If the result is positive, the annuity is credited interest up to a predetermined amount. If the result is negative, nothing happens and the annuity's value doesn't decline.

A qualified financial professional, particularly one who is independent and has access to a wide selection of annuities, can help you find an FIA that can help you create a source of income for as long as you live, even in a recession.

CHECK

YOUR INCOME GAP

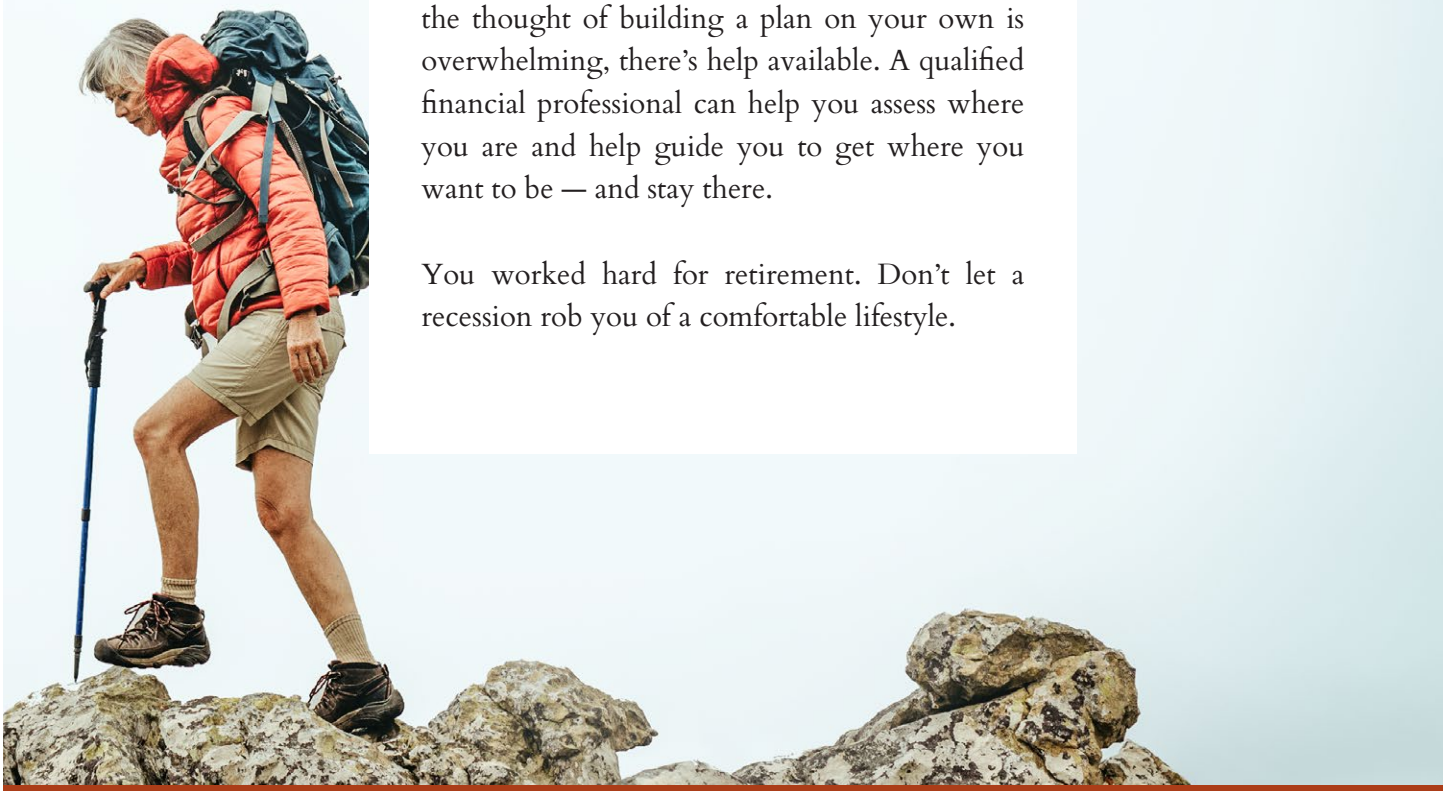
Total assets - [Annual expenses x 20*] = _____

*Average length of retirement, in years[17]

DON'T LET THE MARKET DICTATE YOUR LIFESTYLE

You don't need a bull market to guarantee a great retirement. One of the keys to a comfortable lifestyle in any economy is planning ahead. If the thought of building a plan on your own is overwhelming, there's help available. A qualified financial professional can help you assess where you are and help guide you to get where you want to be — and stay there.

You worked hard for retirement. Don't let a recession rob you of a comfortable lifestyle.



[17] Samuel Stebbins. USA Today. Feb. 11, 2021. "Retirement costs: Estimating what it costs to retire comfortably in every state." https://www.usatoday.com/story/money/2021/02/11/retirement-costs-comfortable-in-every-state-life-expectancy/115432956/. Accessed May 3, 2022.

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