

Defusing the top four retirement risks with a fixed indexed annuity



Volatile markets, low interest rates and longer life expectancies are forcing people to re-evaluate the ways they save for retirement.

In response, consumers are seeking out financial solutions that offer growth potential as well as protection from downside market risk. According to a recent study, 47 percent of workers report that the total value of their household's savings and investments, excluding the value of their primary home and any defined benefit plans, is less than \$25,000.¹ Insufficient savings is one of several factors contributing to a growing retirement income gap for pre-retirees.

Now more than ever, being armed with a strategy that considers each phase of the retirement journey can help you leverage more of your hard-earned dollars to create a "retirement paycheck" you can count on for the rest of your life.

Throughout the accumulation (savings) and income phases of retirement planning, four common risks come into play. A plan that deals with each of these risks is important for a financially secure retirement.

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It's essential to adapt to the changing landscape and consider risks during each phase of retirement.



Inflation risk

It's obvious to everyone that things don't cost what they used to. From everyday products to cars and houses, inflation drives up the cost of goods and services.

If you retired in 1997, your income today would have to be 50 percent higher just to maintain your lifestyle. For example, \$20.00 in 1997 has the same buying power as \$30.00 in 2017.² Inflation can be a serious risk – and the longer you are retired, the greater its impact.

Accumulation phase – Inflation is an important consideration when determining the amount of savings you will need to achieve your retirement goals. Some may try to delay retirement and continue to work past their planned retirement date, but research shows that 48% of retirees end up retiring sooner than planned due to health problems, disability, company changes, or caring for a family member.³

Income phase – If inflation outpaces your retirement income, you may be forced to adjust your standard of living to make sure you don't deplete your assets too quickly.

Market volatility risk

Anyone who has had money in the stock market has probably experienced a pretty rocky ride. The S&P 500[®] has lost roughly half its value twice in the past 20 years, yet grew roughly 170% over that same period.⁴ Boom or bust, no one can predict what the market will do or how the financial landscape will change.

Accumulation phase – If your sights are set on a financially secure retirement, you may want to limit your exposure to volatile markets. Consider opting for solutions that offer guarantees and protection from downside market risk.

Income phase – When people retire, their tolerance for risk generally decreases. While volatile markets swing both ways, you may not want to ride this roller coaster with your retirement nest egg. Taking money needed for retirement expenses from a retirement account when the market is down can impact your ability to recover when it moves back up.

Interest rate risk



Low interest rates can reduce retirement income by lowering growth rates for retirement assets. In low interest rate environments, conservative strategies focused on asset protection may not provide adequate growth. As a result, assets can be exhausted earlier than expected.

Accumulation phase - Just like inflation, low interest rates during your working years may require you to either postpone retirement and save more now or decrease income later.

Income phase - If interest rates are less than your target rate of return, you may need to find additional sources of income, or adjust your standard of living in order to avoid running out of money.

Longevity risk



People are living longer in retirement than at any point in history. In fact, one out of four 65-year olds today will live past age 90, and one out of 10 will live past age 95.⁵ Generally speaking, the longer you live, the greater the risk you'll run out of money in retirement.

Accumulation phase - Not knowing how long you might live makes it difficult to determine just how much you'll need to save in order to reach your retirement goals. Many people underestimate how long they will live, putting strain on personal savings and increasing the likelihood of outliving their assets.

Income phase - Not long ago it was an accepted rule of thumb that retirees could withdraw up to 4 percent of their nest eggs annually without running out of money. Now, many experts recommend a withdrawal rate of just 2.8 percent.⁶ A solution that provides guaranteed lifetime income that may provide the additional income you need.

A viable solution

In these ever-changing times, creating sustainable retirement income is more important than ever. It's essential to adapt to the changing landscape and consider these risks during each phase of retirement in order to ensure peace of mind and maintain your standard of living. While flexibility and constant re-evaluation are key throughout the retirement planning process, one product you may want to consider is a fixed indexed annuity.

A fixed indexed annuity can help mitigate some of the effects of risks that impact a financially secure retirement. Fixed indexed annuities provide the potential for growth with protection from loss due to market downturns. An optional income rider may help you keep pace with inflation while creating a guaranteed lifetime income you will never outlive.

It's important to plan ahead, understand the risks and evaluate often.

Athene offers a variety of fixed indexed annuities and optional income riders that focus on accumulation, income or both. Contact your financial professional today and consider incorporating an Athene fixed indexed annuity into your overall strategy.



¹Employee Benefit Research Institute 2017 Retirement Confidence Survey. March 2017. Page 12, <https://www.ebri.org/pdf/surveys/rcs/2017/IB.431.Mar17.RCS17..21Mar17.pdf>

²BureauofLaborStatistics Website, CPI Inflation Calculator.
http://www.bls.gov/data/inflation_calculator.htm

³Employee Benefit Research Institute 2017 Retirement Confidence Survey. March 2017. Page 20, <https://www.ebri.org/pdf/surveys/rcs/2017/IB.431.Mar17.RCS17..21Mar17.pdf>

⁴S&P 500®, finance.yahoo.com, accessed 07/01/17, time periods 03/20/2000 - 09/30/2002 and 10/08/2007 - 03/02/2009,
<http://finance.yahoo.com/q/hp?s=%5EGSPC+Historical+Prices>

⁵Social Security Website. Calculators: Life Expectancy Home Page,
<http://www.socialsecurity.gov/planners/lifeexpectancy.htm>

⁶Daria, Mercado, "The magic withdrawal number in a low-interest-rate retirement? You'll be surprised," Investment News, February 2013. <http://www.investmentnews.com/article/20130207/FREE/130209947>

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Guarantees provided by annuities are subject to the financial strength of the issuing insurance company. Guaranteed lifetime income is available through annuitization or the purchase of an optional income rider for a charge.

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