



Managing the Risk of Outliving Your Money



“What is your greatest retirement fear?” If you ask some pre-retirees this question, “outliving my money” may be one of the top answers. In fact, 45% of workers say they fear outliving their savings and investments.¹

Retirees face greater “longevity risk” today. The Census Bureau says that Americans typically retire around age 62 for women and 65 for men. Social Security projects that today’s 63-year-olds will live into their mid-eighties, on average. This is a mean life expectancy, so while some of these seniors may pass away earlier, others may live past 90 or 100.^{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 try and prevent those savings from eroding? As you think ahead, consider the following possibilities and realities.

How will Social Security work in the future? For decades, Social Security took in more dollars per year than it paid out. That ongoing surplus – also known as the Social Security Trust Fund – may face funding challenges as early as 2034. Congress may act to address this financing issue before then, but the worry is that future retirees could get slightly less back from Social Security than they put in. It’s critical that pre-retirees estimate the amount of Social Security benefits they are expected to generate in the future.⁴

Preparing for out-of-pocket health care costs. You can enroll in Medicare at age 65, but how do you handle the premiums for private health insurance if you retire before then? Striving to work until you are eligible for Medicare makes economic sense and so does setting aside money to pay for health care costs. A healthy couple retiring at age 65 can expect to pay nearly \$315,000 to cover health care expenses in retirement.⁵

Luck is not a plan, and hope is not a strategy. Those who are retiring unaware of these factors may risk outliving their money. Creating a strategy may help you better prepare for retirement.



FOOTNOTES

¹. *TransamericaCenter.org, 2023*

². *Forbes.com, October 13, 2022*

³. *SSA.gov, 2023*

⁴. *AARP.org, March 31, 2023*

⁵. *Fidelity.com, 2023*



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