

# The 20 Risks to Retirement

While not every investor faces the same risks in retirement, many encounter similar challenges that require careful preparation. To get retirement planning “right,” we must first understand what might go “wrong.”

## 1. Volatility (Decreasing Account Values)

Market volatility refers to the fluctuations in account values that occur daily, monthly, or yearly. These changes can place both financial and emotional pressure on retirees.

## 2. Renewal Rate Risk

The risk that when a fixed-rate investment matures, we may need to reinvest in an uncertain or unfavorable interest-rate environment.

## 3. Sequence of Returns Risk

The risk of experiencing poor investment performance or high inflation early in retirement while drawing from savings, which can significantly impact long-term financial security.

## 4. Overspending

Overspending early in retirement may lead to significant reductions in spending later. Determining a sustainable withdrawal rate over your expected lifetime is crucial.

## 5. Lack of Diversification

Different investments perform differently based on market conditions. A well-diversified portfolio should align with an investor's temperament, time horizon, and financial needs.

## 6. Inflation

Inflation—the rising cost of goods and services over time—reduces the purchasing power of money, impacting retirees' ability to maintain their standard of living.

## 7. Longevity Risk

Living longer increases exposure to all retirement risks. No matter which risk concerns you the most, longevity amplifies them.

## 8. Rising Cost of Healthcare

Healthcare remains one of the most significant expenses for retirees, driven by both increasing costs and longer lifespans.

## 9. Elder Abuse

The threat of physical, emotional, or financial abuse poses a serious risk to retirees, particularly those in vulnerable situations.

## 10. Running Out of Money (Not Saved Enough)

A top fear for retirees is depleting their savings. Running out of money could result in a reduced standard of living or loss of financial independence. Many retirees worry about reaching their “Magic Number.”

## 11. Claiming Social Security

Social Security is one of the pillars of retirement income. Claiming benefits at the right time is crucial, as decisions made early can have long-term financial consequences.

## 12. Loss of a Spouse

Losing a loved one in retirement can have both emotional and financial effects. Often, monthly income declines due to reduced pension benefits or Social Security payments.

## 13. Emotional Investing

Also known as investment timing, this refers to making investment decisions based on emotions rather than strategy. Many investors react to the market they just experienced rather than positioning for the future.

## 14. Debt

Retiring with debt reduces the discretionary income available in retirement, limiting financial flexibility.

## 15. Supporting Adult Children or Aging Parents

Providing financial assistance to family members can divert resources and reduce an individual's ability to save for their own retirement.

## 16. Long-Term Care

Studies estimate that 7 out of 10 seniors will require some form of long-term care in their later years.

## 17. Passing on Assets (Legacy Planning)

Estate planning is not just about how much wealth is passed on but how it is transferred. Many retirees are concerned about how their surviving spouse, family, or beneficiaries will manage their inheritance.

## 18. Unexpected Retirement

While most individuals plan to work until their mid-60s, studies show that many retire three to five years earlier than expected due to health issues, job loss, or other unforeseen circumstances.

## 19. Insufficient Rate of Return

Without a structured investment plan, retirees may fail to generate the necessary growth to sustain their lifestyle throughout retirement.

## 20. Claiming Medicare

Understanding Medicare is essential for securing healthcare in retirement. This includes knowing the costs, options, coverage limitations, and potential penalties for delayed enrollment.

