



**FINANCIAL DYNAMICS
& ASSOCIATES, INC.**



WILL YOUR MONEY LAST AS LONG AS YOU DO?

**WHY A RETIREMENT INCOME ANALYSIS
MATTERS FOR YOUR FUTURE**

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When your parents retired, they probably counted on substantial outside income to fund their golden years, including Social Security benefits and a corporate pension plan that also may have provided health benefits to retirees. While Social Security remains a crucial part of a retirement plan, pensions are dwindling and becoming a part of the American landscape of the past.

Instead, the responsibility for funding retirement is moving to the individual. Although there is a wide range of excellent ways to save—including 401(k)s, IRAs, annuities and more—many individuals find themselves questioning if they will ever be able to retire.

The key to a confident retirement today is twofold: **KNOWLEDGE AND ACTION**. Knowledge begins with a clear understanding of your financial picture, knowing where you're starting from and identifying your unique retirement goals. It's also important to grasp the challenges you might face during retirement. Action is taking steps to put you on the path toward your goals and overcoming the challenges that threaten to derail them.

Let's face it: the days of relying on Social Security and pensions to fund retirement are disappearing. As financial professionals, it's our job to provide a strategy that helps ensure your hard-earned money doesn't follow suit. Read on for a basic understanding of the financial challenges you may face down the road. Then, act on that knowledge by meeting with us for a retirement income analysis.

FOREVER YOUNG

Americans are living longer. On average, men who have reached age 65 can expect to live until age 84.3, while females who have reached age 65 live an average of 86.7 years. About 25 percent of today's 65-year-olds will live past age 90 and 10 percent will pass age 95.¹

We can thank a variety of factors for our increasing longevity. Advancements in medical technology, knowledge about fitness and nutrition, and access to vaccines and medicines have all played a role in adding years to our lives. Older Americans are also putting more life in those years; more retirees enjoy active lifestyles than ever before, counting travel, exercise, gardening and other physical activities among their hobbies.²

Longer lives means a need for income that will cover the additional years. While many retirees have eliminated some of the costs from their working years, living an active lifestyle often creates new expenses to add to the budget.

Women, especially, face challenges in creating income that spans retirement. Women are more likely to live alone in their later years.³ Despite an increased presence in the workforce, the average woman working full time still earns 80.5 percent of the income earned by her male counterpart.⁴

Studies show women are also more likely to take time off to provide caregiving roles to children, aging parents or disabled family members. Since Social Security benefits are calculated based on working years and salary, many women have reduced benefits.

How long will you live and how much money will you need to live comfortably until you pass away? If you knew the exact answers, planning for lifelong income would be a much more straightforward process. Instead, a solid retirement income plan must address a variety of possible scenarios, with the goal of striking a balance between maximizing annual income and ensuring you won't run out of money in your golden years.

Through a retirement income analysis, a financial professional can help you consider strategies for maintaining finances during retirement. The objective of this analysis is to explore methods for taking distributions from retirement accounts, potentially reduce tax liabilities and to determine how much income you'll need every month in retirement to help ensure your money doesn't run out after you stop working.

AVERAGE LIFE EXPECTANCIES SINCE 1960⁵

YEAR*	MALE	FEMALE
2015	83.0	85.6
2010	82.7	85.3
2000	81.0	84.0
1990	80.1	83.9
1980	79.1	83.3
1970	78.1	82.0
1960	77.8	80.8

*Average expectancy for individuals who have reached age 65 in the indicated year.

“ The secret to living well and longer is: eat half, walk double, laugh triple and love without measure. ”
—Tibetan Proverb

DOCTOR, DOCTOR, GIMME THE NEWS

Living longer doesn't necessarily mean we're living better. Chronic disease affects approximately 80 percent of older adults,⁶ and for many people, health care is one of the largest expenses in retirement.⁷

Consider this: An average retired couple age 65 in 2018 may need approximately \$280,000 to cover health care expenses in retirement.⁸ That number includes things like insurance premiums, out-of-pocket expenses and prescriptions, but excludes long-term care.

Those who wait until age 65 to retire may have access to extended health care benefits through their employer, while people who retire at age 62 will need to cover insurance premiums out of pocket until they are eligible for Medicare at age 65. These are important factors to consider as you approach retirement.

When building a retirement income plan, a financial professional will ask questions that may provide clues to your health care needs during retirement. Do you have an existing medical condition that requires extensive treatment or an array of prescriptions? What is your family history for health and longevity? These factors will all be considered and put into play in your financial plan.

DID YOU KNOW?

In 1960, the average person spent only \$146 annually on health care.

In 2016, that number was \$10,345. Adjusted for inflation, that means **costs are nine times higher than they were in 1960.**⁹



Health care is the only civil system where new technology makes prices go up instead of down.



—Jaen Tallinn

Know the Stats About Long-Term Care¹³

15 MILLION

Americans expected to need long-term care by 2050

52.3%

Americans age 65 who will have a long-term care need during their lifetime

2 YEARS

Average time individuals age 65 or older will need long-term care services

.88 YEARS AND 1.44 YEARS

Average duration of nursing-home stay for men vs. women

\$30 BILLION

Amount spent on long-term care in the U.S. in 1980

\$225 BILLION

Amount spent on long-term care in the U.S. in 2015

TAKE GOOD CARE OF MY BABY

Longer lives also bring about an increasing need for long-term care. On average, 52.3 percent of Americans turning 65 will need long-term care at some point. Of those, 46.7 percent of men will have a need, compared to 57.5 percent of women.¹⁰

According to Genworth's 2017 Cost of Care Survey, median costs can range from approximately \$45,000 to \$97,455 per year.¹¹ Factors affecting the cost include geographic location, type of care needed and length of stay. For most retirees, this is a substantial cost that could impact their financial stability.

Medicare doesn't provide benefits for longterm care; while Medicaid does pay for longterm care, it requires "spending down" assets before it will provide any coverage.¹² Waiting to purchase personal long-term care coverage can be expensive, as rates increase with age.

Your financial advisor can assist you in structuring a long-term care strategy that accounts for your unique needs. The planning conducted in a retirement income analysis can provide you with more choices and options you might not have considered, increasing the likelihood your funds will last as long as you do.



The future depends on what we do in the present.



—Mahatma Gandhi

I WANNA HOLD YOUR HAND

Many Americans require care that may not qualify for long-term care facilities or in-home services. As a result, more individuals are finding themselves in the role of primary caregiver, both in the years leading up to and during retirement.

It's estimated that 34 percent of caregivers are 65 years or older.¹⁴ In some cases, they are caring for an aging spouse, and in others they are providing for a disabled child. The number of grandparents raising grandchildren has also increased dramatically. More than 2.7 million grandparents have primary custody of their grandchildren, an increase of more than 7 percent from 2009.¹⁵

Caregivers often find it rewarding to take responsibility for loved ones, but it can also take a toll on the caregiver's financial and physical well-being. Tending to a chronically ill or disabled loved one may mean additional expenses that place a financial burden on the household. Many caregivers spend more than 20 hours a week providing care for ill loved ones,¹⁶ making it difficult to work outside the home. Taking in extended family may also mean postponing retirement or returning to the workforce to provide for the additional people in the household.

A solid financial plan is flexible and adaptable to life as it happens. After laying the initial groundwork in a retirement income analysis, your financial advisor should meet with you regularly to review the plan and adjust to any life events as they happen, no matter the circumstances.

Caregiving by the Numbers¹⁷

75%

Number of caregivers who
are female

34%

Number of caregivers
age 65+

47%

Number of care recipients
age 75+

43.5 MILLION

Total number of caregivers who provide unpaid
care to an adult or child

15.7 MILLION

Individuals who are caring for someone with
Alzheimer's disease or other dementia



No act of kindness, no matter how small, is ever wasted.

—Aesop



WHAT NOW, WHAT NEXT, WHERE TO?

You've done it: you've worked hard and saved for your retirement. But now you have questions. How do I make sure the money lasts? How do I cover all my expenses? Will my taxes increase? Will I have anything left to leave to my loved ones?

Today's retirees are facing unique challenges related to longer lives, increasing health care costs, greater need for long-term care and growing demand to care for loved ones. Understanding the options and navigating the obstacles resulting from these challenges can be overwhelming for many individuals.

An experienced financial advisor can help devise a plan that addresses your questions and "what-ifs" about retirement. He or she will work with you to find solutions that fit your unique circumstances, moving you along the path to the retirement you envisioned.

The journey to retirement is a long one. You should start today to help ensure you'll have enough income tomorrow. Call now to schedule your personalized retirement income analysis and get answers for questions about your retirement. It's your retirement—make it a great one!

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Office: 13537 Waterford Place, Midlothian, VA 23112

Phone: 804.777.9999

Website: www.financialandestateplanning.com

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