

# Consumer concerns have increased over financial retirement risks

By Casey Dowd | Published February 15, 2018 | [FOXBusiness](#)

The Society of Actuaries (SOA) recently released its ninth biennial [Risks and Process of Retirement Survey](#), which identified an overall increase in consumers' level of concern for their finances both prior to and during retirement in 2017.

The survey shows a significant number of retirees and pre-retirees reporting that they feel unprepared to navigate financial shocks and unexpected expenses. 61 percent of pre-retirees and 47 percent of retirees feel unprepared for expenses in retirement that could deplete their assets.

Anna Rappaport, fellow of the Society of Actuaries (SOA) and chair of the SOA's Committee on Post-Retirement Needs and Risks discussed with FOX Business how Americans can understand, prepare for and manage retirement risks in retirement.

Here is what you need to know.

Boomer: What steps can pre retirees and retirees take to deal with the financial risks they may face in retirement?

Rappaport: Pre-retirees and retirees alike face significant financial risks in retirement, most notably that they're preparing for an uncertain time period with finite financial resources. And while the new survey from the Society of Actuaries shows that consumers are taking steps to mitigate these risks by saving money, eliminating debt and cutting back on spending, there's still work to be done.

Many retirees have too short a planning horizon and do not consider longer-term issues including preparing for healthcare, long-term care, and inflation costs. These three categories consistently rank as Americans' top retirement financial concerns, and it's crucial to account for the costs during the retirement planning process. Long-term care is particularly challenging to plan for since most long-term care is not covered by Medicare, and the vast majority of retirees have not planned for this expense.

Another important step retirees can take is to prepare for unexpected events, such as major long-term care events, unplanned medical expenses, family members needing help and a variety of other expenses to ensure all financial bases are covered in retirement. The Society of Actuaries offers a discussion of shocks and unexpected expenses in an earlier report.

Additionally, pre-retirees and retirees can review another Society of Actuaries report that offers a comprehensive view of many retirement risks.

Boomer: Most Americans can expect to spend at least 20 years in retirement, how can they plan in advance to not outlive their assets.

Rappaport: Preparing for long-term issues is very important, however Society of Actuaries research shows that many retirees only focus on shorter-term expected expenses. Claiming Social Security later is one way to help as it increases monthly income during retirement, and that income is inflation protected. Buying an annuity is another way to use assets so that they are guaranteed for life. They can also be guaranteed for the life of a spouse. The Society of Actuaries offers decision briefs that provide information about Social Security claiming and about making resources last through life.

Boomer: What can couples do to ensure their financial resources last for the partner that lives the longest of the two?

Rappaport: There are a variety of ways that couples can work together to protect the longer-living partner. For example, if the higher earning partner claims Social Security later, that will help ensure financial resources for the longer-living spouse. Annuities, if used, should include a survivor benefit. Life insurance is another way to protect survivors. The couple may also wish to pay attention to the ownership of all assets, and include survivor protection in most or all of them. Finally, long-term care insurance can also help, because if one partner becomes seriously ill and needs a lot of care, that can mean that assets are used for that care, and there is little left for the survivor.

Boomer: What is the “Spend Safely in Retirement Strategy”?

Rappaport: The “Spend Safely in Retirement Strategy” is an approach to address the various financial challenge of retirement. It was identified as an optimal retirement income strategy by the Society of Actuaries and Stanford Center for Longevity. So what exactly, does the strategy entail? It recommends delaying Social Security benefits as long as possible – but no later than age 70 – which may be the only guaranteed lifetime income needed for many middle income workers. Another core component of the strategy is to invest any additional retirement savings in low-cost target date, balanced, or stock index funds, and use the IRS required minimum distribution to determine the annual withdrawal. This strategy produces a higher than expected average income, keeps pace with inflations and produces low measures of volatility, compared to other retirement income strategies.

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