

Financia

The Fundamentals of Financial
Well-Being



Retirement Risks

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What is Financial Well-being?*



Having control over day-to-day, month-to-month finances



Having the capacity to absorb a financial shock



Being on track to meet financial goals



Having the financial freedom to make choices that allow one to enjoy life

*Consumer Financial Protection Bureau, Financial well-being: The goal of financial education., January 2015

Why is Addressing Retirement Risks so Critical?



In retirement, you'll likely:

- ✓ Be living on fixed income

- ✓ Have a finite amount of savings and assets

- ✓ Have only a short time to recover from financial setbacks

Agenda

01 Longevity

02 Inflation

03 Rate of Withdrawal

04 Asset Allocation

05 Health Care



Longevity

What is longevity risk?

The possibility of outliving your money.

Average length of retirement, retiring at age 65:*

Men

19.1

years

Women

21.7

years



* Social Security, 2022 Benefits Planner.

Longevity



The longer you live, the more you will need to have saved.

Longevity



Ideas to help protect against longevity risk:

- ✓ Create strategies that can provide income for life
.....
- ✓ Contribute more to retirement accounts
.....
- ✓ Delay collecting Social Security
.....
- ✓ Limit withdrawals from savings during retirement

Inflation

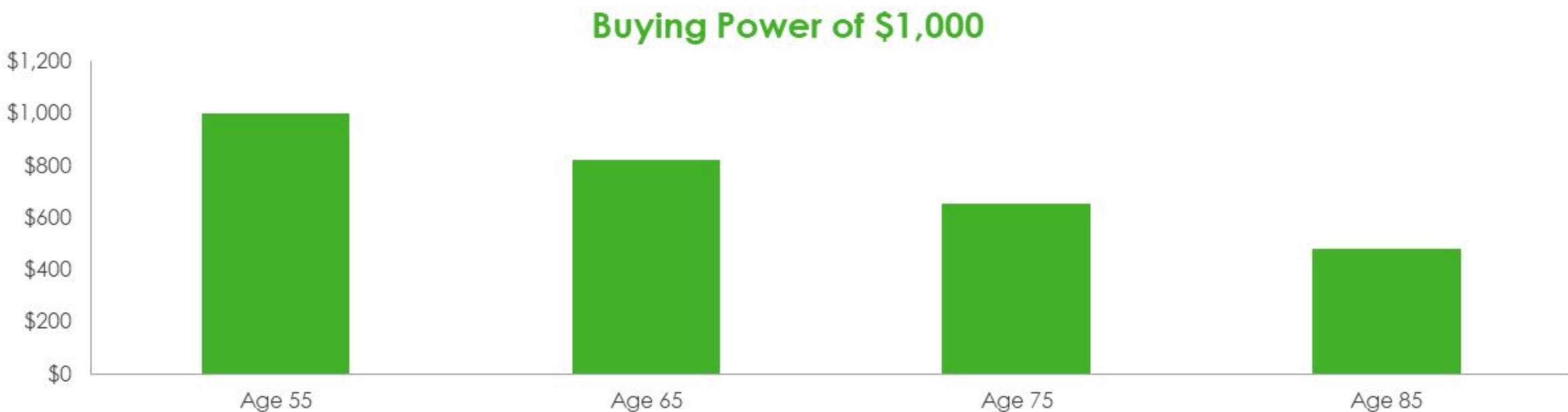


What is inflation risk?

The potential for reduced buying power during retirement.

Inflation

When inflation occurs, the buying power of your dollar decreases.



Assumption: 2% decrease in value of \$1,000 annually to represent effects of 2% rate of inflation compounded annually over a 30-year period.

Inflation

Ideas to help protect against inflation risk:



Consider strategies that can help your investments keep pace with current rate of inflation



Investigate products that may feature automatic cost-of-living adjustments (COLA)



Reduce spending each year, especially in areas that may be particularly affected by inflation



Rate of Withdrawal



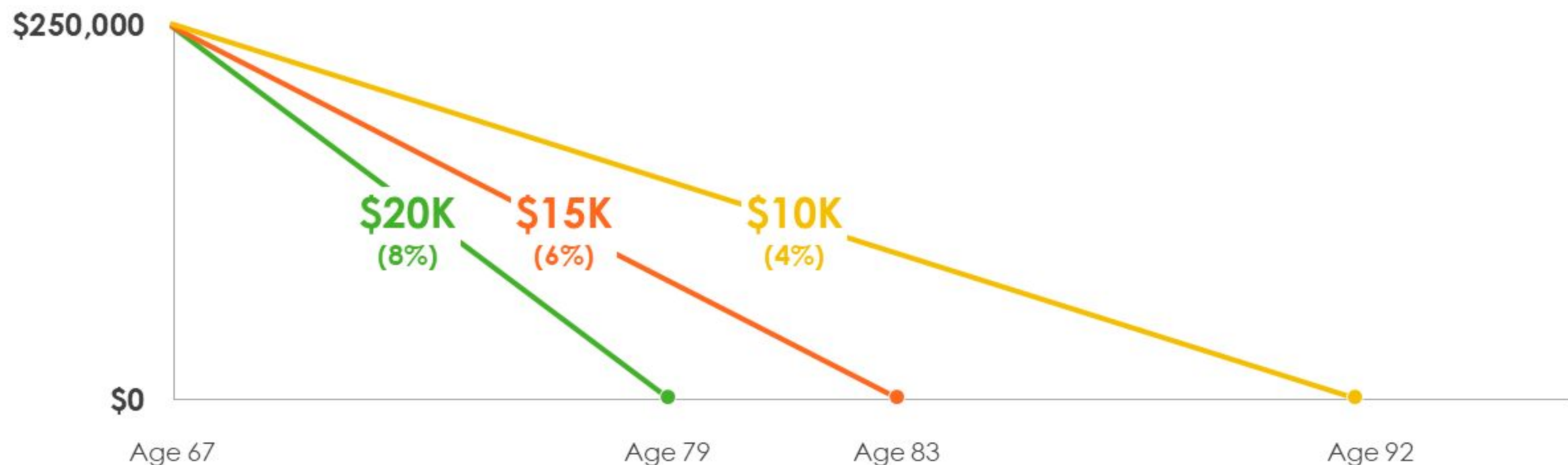
What is rate of withdrawal risk?

- ✓ An unsupportable rate of withdrawal
- ✓ Compounding issues associated with poor market returns



Rate of Withdrawal

Withdrawing too much from savings each year can leave you with limited funds later in life.



*Chart assumes no investment growth in account value.

Rate of Withdrawal

The effect of "sequence of returns" on savings

Age	Hypothetical Net Return	Withdrawal	Balance	Age	Hypothetical Net Return	Withdrawal	Balance
65			\$500,000	81	6.90%	31,159	172,390
66	-35.61%	\$20,000	301,941	82	4.34%	32,094	147,782
67	2.16%	20,600	287,855	83	27.82%	33,057	155,835
68	11.65%	21,218	300,168	84	-9.24%	34,049	107,385
69	5.55%	21,855	294,974	85	30.65%	35,070	105,227
70	8.44%	22,510	297,372	86	7.57%	36,122	77,069
71	21.94%	23,185	339,432	87	3.85%	37,206	42,831
72	-21.27%	23,881	243,342	88	17.59%	38,322	12,041
73	-10.02%	24,597	194,358	89	26.74%	\$15,261	\$0
74	-11.82%	25,335	146,057	90	0.81%		
75	18.49%	26,095	146,973	91	18.58%		
76	25.95%	26,878	158,240	92	12.71%		
77	32.30%	27,685	181,662	93	-9.98%		
78	18.73%	28,515	187,177	94	28.91%		
79	35.20%	29,371	223,698	95	9.34%		
80	-1.36%	30,252	190,404				

Portfolio 1: Early Market Loss

- ✓ This is a hypothetical example used for illustrative purposes only, assuming an initial balance of \$500,000. The hypothetical illustration does not consider the impact of taxes, which would reduce all values. Table assumes a 4% rate of withdrawal beginning in year 1, with a 3% annual increase of the net withdrawal amount to account for inflation and reinvestment of all interest and dividends. Actual S&P 500® historical data from 1/2/1979 to 1/2/2009 has been used in this graph.
- ✓ The S&P 500 index is a list of securities often used as a measure of U.S. stock market performance. Indices are unmanaged, and are not available for direct investment. Past performance is not indicative of future results.

Rate of Withdrawal

The effect of “sequence of returns” on savings

Age	Hypothetical Net Return	Withdrawal	Balance	Age	Hypothetical Net Return	Withdrawal	Balance
65			\$500,000	81	-1.36%	31,159	1,554,011
66	9.34%	\$20,000	526,676	82	35.20%	32,094	2,068,973
67	28.91%	20,600	658,362	83	18.73%	33,057	2,423,493
68	-9.98%	21,218	571,472	84	32.30%	34,049	3,172,152
69	12.71%	21,855	622,251	85	25.95%	35,070	3,960,376
70	18.58%	22,510	715,339	86	18.49%	36,122	4,656,671
71	0.81%	23,185	697,953	87	-11.82%	37,206	4,069,229
72	26.74%	23,881	860,705	88	-10.02%	38,322	3,623,118
73	17.59%	24,597	987,477	89	-21.27%	39,472	2,812,878
74	3.85%	25,335	1,000,166	90	21.94%	40,656	3,389,395
75	7.57%	26,095	1,049,765	91	8.44%	41,876	3,633,720
76	30.65%	26,878	1,344,630	92	5.55%	43,132	3,792,274
77	-9.24%	27,685	1,192,684	93	11.65%	44,426	4,189,602
78	27.82%	28,515	1,495,943	94	2.16%	45,759	4,234,225
79	4.34%	29,371	1,531,535	95	-35.61%	\$47,131	\$2,679,209
80	6.90%	30,252	1,607,026				

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✓ The S&P 500 index is a list of securities often used as a measure of U.S. stock market performance. Indices are unmanaged, and are not available for direct investment. Past performance is not indicative of future results.

Rate of Withdrawal



Ideas to help protect against rate of withdrawal risk:



Limit withdrawals from savings in years following market downturns

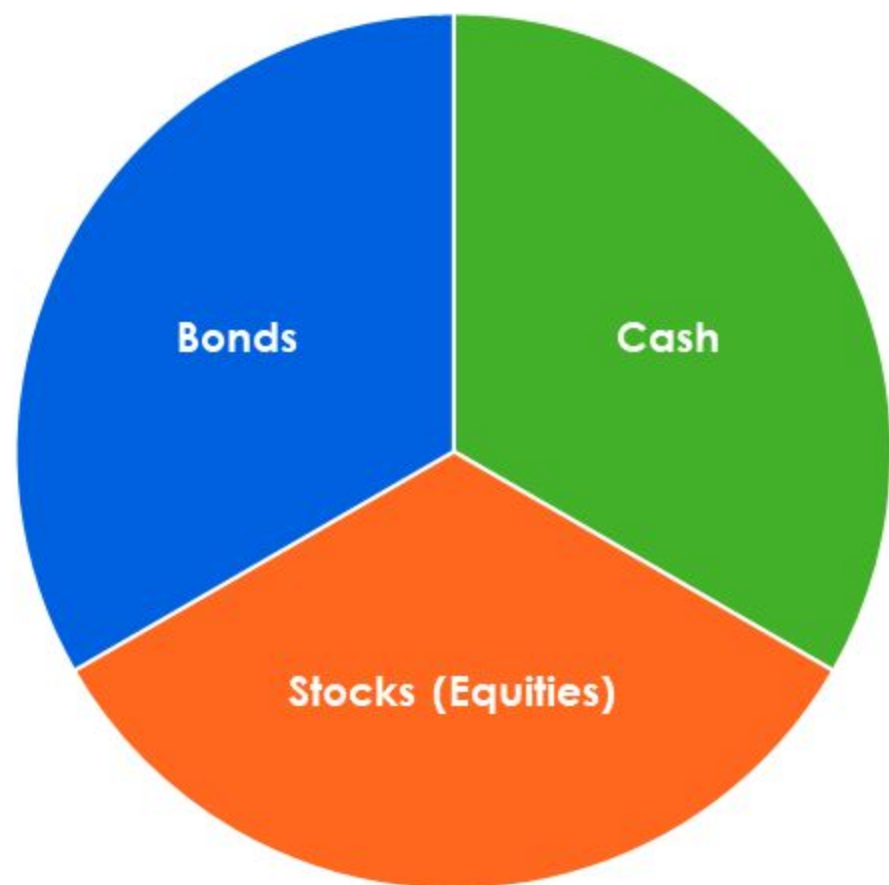


Seek investment opportunities that limit impact of negative market returns



Have additional sources of predictable income; rely less on withdrawals to cover regular expenses

Asset Allocation



What is asset allocation risk?

An unbalanced investment portfolio that can suffer negative effects of market downturns.

Asset allocation does not guarantee a profit or protect against loss in declining markets. There is no guarantee that a diversified portfolio will outperform a non-diversified portfolio, or that diversification among asset classes will reduce risk.

Asset Allocation

Ideas to help protect against asset allocation risk:



Different investments react to market fluctuations differently.



Diversification can potentially help lower your investment risk.



Asset allocation and diversification does not assure a profit and does not protect against loss in a declining market.

Health Care

There are two main types of health care risks:



Acute

Health conditions that come on suddenly and may require urgent medical care



Chronic

Health conditions that may require long-term assistance from qualified professionals

Health Care



What are some chronic health care conditions?



Stroke



Dementia,
Alzheimer's



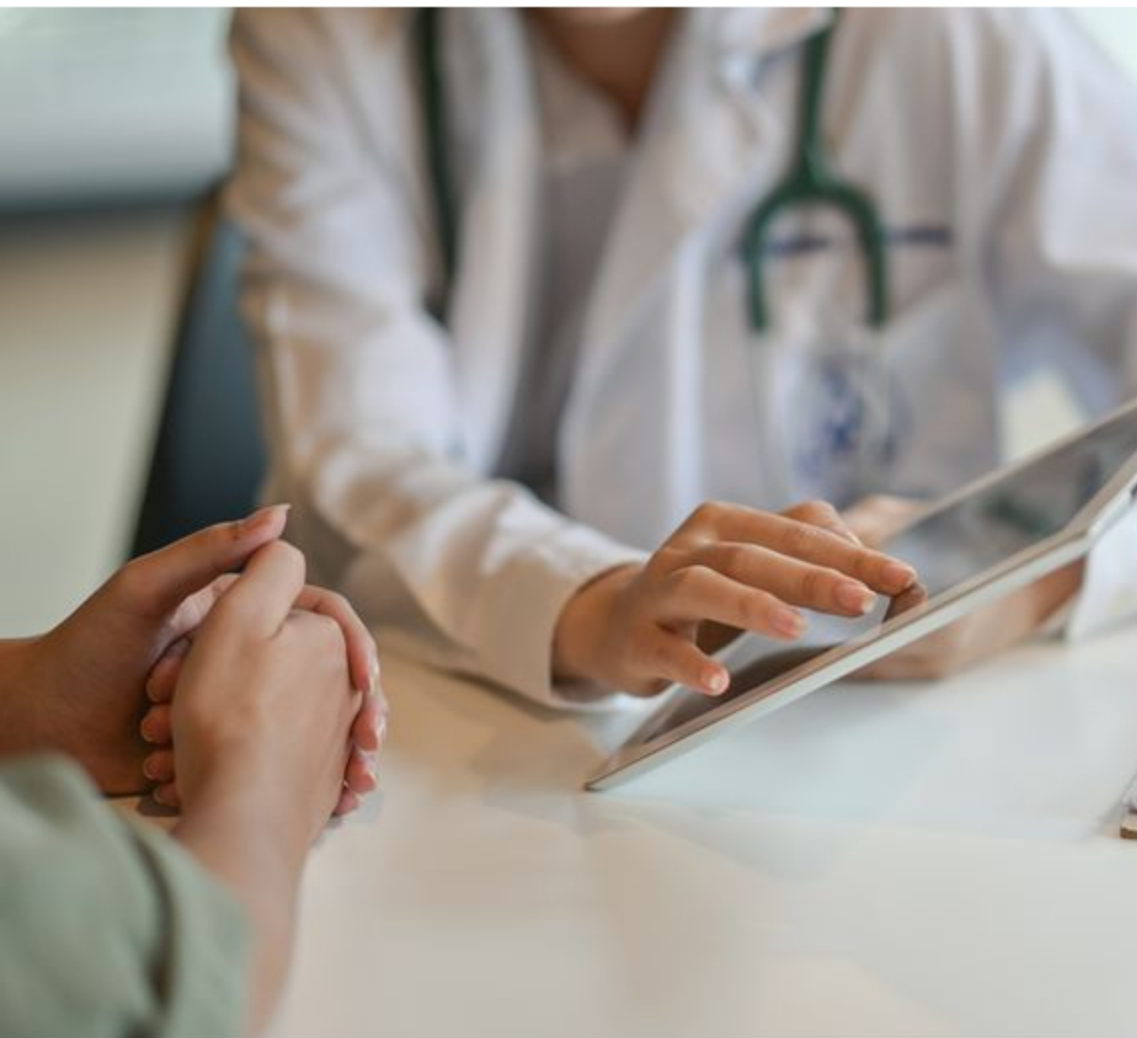
Injury



Nervous system
disorders

Any condition that makes it difficult to manage **activities of daily living** without assistance.

Health Care



What is chronic health care risk?

Depending on care required, costs associated with assistive care can exceed monthly retirement budgets.

Health Care

Potential costs of a chronic health care need:

\$7,908

MEDIAN MONTHLY
Nursing Home cost
(semi-private room)

\$5,148

MEDIAN MONTHLY
Home Health
Aide cost

\$4,500

MEDIAN MONTHLY
Assisted Living
Facility cost

\$1,690

MEDIAN MONTHLY
Adult Day
Health Care cost

Source: Genworth Cost of Care Survey 2021, conducted by CareScout®, June 2019. Identified costs represent the monthly median costs nationally.

Health Care

Ideas to help protect against health care risks:

Acute care

- ✔ Private health insurance
- ✔ Medicare and/or Medicaid
- ✔ Health Savings Accounts

Chronic Care

- ✔ Certain types of individual insurance
- ✔ Medicaid
- ✔ “Hands-on” support from family & loved ones
- ✔ Asset protection strategies



Review

Consider risks you may face in retirement and how each can be interrelated with others.

- ✓ Longevity
- ✓ Inflation
- ✓ Rate of withdrawal
- ✓ Asset allocation
- ✓ Health care



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