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Common Retirement Risks, and How to Actually Manage Them

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As you approach retirement, the game changes. It's no longer just about growing your wealth, but it's also about making sure that it lasts, regardless of what life (or the markets) throw at you.

Three risks tend to matter more than anything else during this period: living longer than expected, poor market timing early in retirement, and rising healthcare costs. The good news is that each of these can be managed with practical, realistic strategies.

1. LONGEVITY RISK: OUTLIVING YOUR MONEY

One of the biggest financial challenges in retirement is also one of the easiest to underestimate: how long you'll live.

If you retire in your mid-60s, your savings may need to last 25–30 years or more. That's a long time to fund your lifestyle without a paycheck.

How can you manage this? Start with a sustainable withdrawal rate. A common rule of thumb is withdrawing around 4% of your portfolio annually, though many retirees today aim for a slightly more conservative 3.5%–4%, depending on market conditions and flexibility.

Next, build reliable income streams that cover your essential expenses. This might include Social Security or a pension. A key strategy here is delaying Social Security benefits if you can, as waiting until age 70 can significantly increase your monthly guaranteed lifetime income. Of course, not everyone can do this, so working with your advisor on timing is essential.

It's also important to stay flexible with spending. Retirement isn't static. In strong market years, you can afford to spend a bit more. In weaker years, pulling back even slightly can extend the life of your portfolio.

Finally, don't get overly conservative. While it may feel safer to move everything into cash or bonds, you still need

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exposure to stocks to keep up with inflation and maintain long-term growth.

2. SEQUENCE-OF-RETURN RISK: BAD TIMING AT THE WORST MOMENT

This is one of the most overlooked risks, and one of the most damaging.

If the market drops early in your retirement while you're withdrawing money, it can permanently reduce your portfolio's ability to recover. Even if markets bounce back later, the damage may already be done.

A simple but powerful strategy to mitigate this is to maintain a cash buffer. This allows you to cover your needs without selling investments during a downturn.

Think about your money in different time horizons:

- Short-term (cash for immediate expenses)
- Medium-term (bonds for the next several years)
- Long-term (stocks for growth)

This structure helps you avoid selling stocks when prices are down.

Another key is flexible withdrawals. Instead of taking the same amount every year no matter what, adjust based on market performance. After a bad year, reduce withdrawals slightly. After strong years, you can return to normal or even increase spending.

Some retirees also use guardrails, i.e. predefined rules that trigger spending changes. For example, if your portfolio drops by a certain percentage, you temporarily cut back spending. This adds discipline without requiring constant decision-making.

3. HEALTHCARE AND LONG-TERM COSTS

Healthcare is one of the largest. and most unpredictable, expenses in retirement.

While Medicare provides medical coverage, it does not cover custodial care (e.g. help with bathing, dressing, moving, feeding and toileting). Long before you need custodial care, you should be considering your housing options and managing your health with diet and exercise as this extends your health span and may mitigate the need for custodial care down the road.

To prepare for this risk, you must first understand where Medicare falls short. Everyone needs a supplemental plan through Medigap along with prescription drug coverage (Part D) OR a Medicare Advantage Plan (which covers Part A, B, C and D).

It is also wise to set aside a dedicated healthcare fund in your long-range planning for out-of-pocket expenses. Hearing, vision and dental expenses are not covered by Medicare.

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For long-term care, planning ahead is critical. Your options generally include long-term care insurance (more affordable if purchased earlier) or self-funding (if you have sufficient assets).

If you're still working and eligible, a Health Savings Account (HSA) is one of the most effective tools available. It offers triple tax advantages: tax-deductible contributions, tax-free growth, and tax-free withdrawals for qualified medical expenses.

BRINGING IT ALL TOGETHER

A strong retirement plan doesn't rely on a single strategy—it combines several layers of protection.

At its core, a resilient plan includes:

- **Stable income** to cover essential expenses
- **Flexible withdrawals** to adapt to market conditions
- **Growth investments** to support a long retirement
- **Dedicated healthcare planning** to handle unexpected costs

Retirement isn't just about reaching a number. It's about building a system that can hold up over decades. The more intentional you are about managing these risks, the more confidence you'll have in your ability to enjoy the years ahead.

IMPORTANT DISCLOSURES:

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