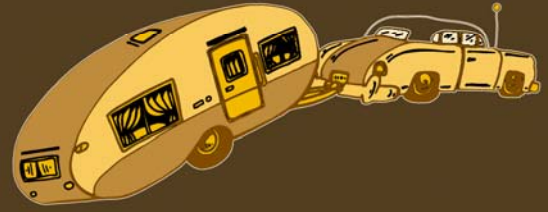


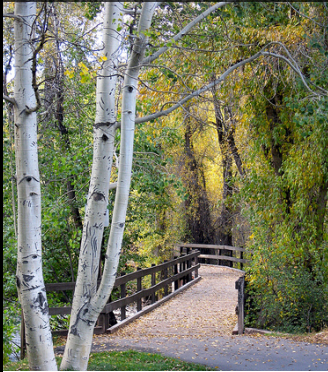
# Retirement Rambler

**SOUTHWEST**  
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**Rio Grande Trail  
Aspen, Colorado**

The most accessible and popular of all the trails in the Aspen area, the Rio Grande Trail follows the old Denver and Rio Grande Railroad bed along the Roaring Fork River. Starting just behind the Post Office, the trail offers glimpses of several luxury back yards and pockets of dense forest. An occasional bench provides the perfect perch to absorb the river's serenity.

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## Risks in Retirement

As you enter the "retirement-spending" phase of the life cycle, i.e., that period when you begin to make withdrawals from the retirement nest egg to cover your living expenses, there are five potential risks that must be considered. These risks include:

1. **Longevity risk**—the risk of living longer than anticipated
2. **Inflation risk** - the risk that inflation will erode your purchasing power
3. **Asset allocation risk** - the risk that your portfolio may be invested too "aggressively" or too "conservatively", leading to early exhaustion
4. **Withdrawal rate risk**—the risk that the selected rate of withdrawal from the nest egg will result in

your outliving your assets

5. **Healthcare risk**—the risk that your healthcare and long term care costs are more than expected, thus eroding your asset pool.

Over the course of the next few issues of the *Retirement Rambler*, we will examine each of these risks. Today, we start with longevity risk.

So how long are you (and your spouse) going to live? Consider the statistics in Table A below. A male age 65 has at least a 50% chance of surviving to age 85 and a one in four chance of making it to age 92. For a couple, both age 65, there's a 50% chance that there will be at least one survivor at age 92. That's a 50%

chance of at least one survivor after 27 years of retirement!

There is a tendency for retirees to substantially underestimate the number of years they will likely need retirement income. Such a miscalculation can lead to a false sense of security and disastrous results.

There are two additional factors that only compound this longevity problem. The first is that medical science continues to improve our chance of living longer, healthier lives. With medical advances, we may well see life expectancies continue to increase.

The second factor is that many folks do not wait to age 65 to retire and begin dipping into the nest egg. According to the Social Security Administration, more benefit recipients apply for retirement at age 62 than at any other age. In fact, only 33% of males remain in the workforce at age 65.

All these factors combined mean that the nest egg may have to be stretched over a period of 40 years which requires some real planning.

**Table A: Survival Probabilities**

	50% Chance of Survival to Age:	25% Chance of Survival to Age:
Male, Age 65	85	92
Female, Age 65	88	94
Couple, Both Age 65 (at least one survivor)	92	97

Source: Annuity Table 2000 Mortality: Society of Actuaries