

For the High Net Worth, Lifestyle might be the Bigger Risk Than Longevity

The Problem:

- Longevity risk – or the risk of outliving one’s financial assets, is often mentioned as among the biggest if not the most critical risks facing retirees.
- And while that may be true for many, a more immediate risk - lifestyle risk - faces those late stage pre-retirees who can be described as high net worth and high income, let’s say with between \$1 and 5 million in investable assets, and a solidly six figure income.
- The problem is, even five million dollars in assets may not produce the scale of sustainable cashflow that a high net worth individual is used to while working. Not even close in some cases.
- As a result, there may be a sizable gulf in the retirement lifestyle expectations of high-net-worth pre-retirees versus the reality of converting those assets to sustainable cashflow at retirement.
- High net worth pre-retirees who have no pension face two formidable challenges in having their lifestyle expectations met at retirement:
 - Will their investable assets reach the critical mass they require to produce initial cashflows they expect in early retirement? Will the markets deliver that mass?
 - Will the withdrawal method they use generate sufficient cashflow from those assets without being so high as to jeopardize the future sustainability of those assets?

Vulnerable Prospects:

- Those within 5-7 years of retirement who have an investable net worth of one to five million dollars, a substantial income from employment, and high expectations.
- Have no pension or other guaranteed source of income other than Social Security waiting for them.



Consider: A 60-year-old with a \$3 million dollar net worth and a \$250,000 income. Wants \$200,000 annual income in retirement. \$60,000 in total Social Security income is projected at full retirement age. **Challenge: Squeezing the other \$140,000 from accumulated assets.**

Why Act Now?

- Asset values remain high and expensive – taking some risk off the table now may make sense
- Now is the time to examine solutions that provide much higher and more sustainable cash flows than traditional withdrawal strategies

An annuity when framed properly can be a great solution. Contact me today!