

Financial Planning

What You Should Know About Longevity And Retirement Income

(NAPSA)—Many people know at least one person who has reached the milestone age of 100. According to the U.S. Census Bureau, in 1990 only 37,000 Americans reached age 100. That number had doubled to 74,000 by 2002. What's to be expected in the future? By 2050, the number of centenarians is expected to skyrocket to more than 1 million. At that time, the number of people who live to age 85 could be as many as 20 million.

It's no secret—Americans are living longer than ever. Advances in medicine and a focus on personal health have increased our longevity. This is, first and foremost, good news. But with increased longevity also comes a serious risk—outliving the money you have saved for retirement.

Studies show that most Americans are worried about what will happen when the company paychecks stop coming in.

The 2005 "Financial Retirement Fears Study" sponsored by the National Association for Variable Annuities reported that 95 percent of Americans have financial fears about retirement, and 42 percent are specifically worried that they will run out of money prematurely or they will have to downgrade their lifestyle.

Chances are, savings alone won't be enough to fully fund the average American's retirement. The fact is that most Americans won't be able to rely on dividends from stocks, bonds or mutual funds to live off. They simply won't have enough accumulated assets. That means that they will probably have to draw down their

principal throughout their retirement years. In this situation, knowing how much to withdraw each year becomes a challenge.

What about inflation? It can take another bite out of a retiree's income pool. An inflation rate of just 3 percent can erode \$100 to

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\$54 in 20 years. Most experts recommend that retirees withdraw no more than 4 percent of their savings each year in order to potentially outpace inflation and lower the risk of outliving their money.

In light of the heightened risk of outliving your savings, it has become apparent that Americans need to determine a plan to replace their working paycheck with a retirement paycheck. It used to be that employees were rewarded for their loyalty with guaranteed retirement income. But with the freezing of company pensions becoming commonplace, workers may not be able to rely simply on their employers to provide them with income during their retirement years. Instead, workers should develop a comprehensive plan, made up of several savings and income vehicles.

Variable annuities are becoming more popular as one important part of a retirement income plan.

In fact, the first quarter of 2006 showed record variable

annuity sales. This indicates that as baby boomers are beginning to retire, they are realizing the potential effects of outliving their savings. Unlike 401(k)s, which are savings plans, a variable annuity is an income vehicle that usually offers a guaranteed retirement income stream. This guaranteed stream of income becomes very reassuring to retirees looking ahead to a long retirement.

Variable annuities have other benefits as well. Owners can purchase a wide range of life insurance benefits to protect against retirement risks. Variable annuities also provide tax-deferred savings during the accumulation years, and they may allow owners a variety of options to access their money, depending on specifics of the annuity contract. "To many retiring baby boomers, variable annuities are viewed as a retirement income contract, offering a predictable income stream much like traditional pensions," explains Mike Buchholz, whose company, ING U.S. Financial Services, offers several kinds of variable annuities to consumers through brokers and financial advisors.

Retirement could now last 20 to even 40 years. Planning is more important than ever to ensure that retirement savings can be stretched not only across years, but potentially decades.

A plan that includes variable annuities as one component may be a smart choice that can make the difference between a golden and tarnished retirement.

For more information, visit www.navanet.org.