



WILL A
RECESSION
ROB YOUR
RETIREMENT?

THREE THINGS
TO CHECK NOW



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When a recession hits, much more is at stake than stock market shares. During the Great Recession, December 2007 through June 2009, unemployment increased by 4.5 percentage points¹ and over 8.7 million jobs were lost.² When the COVID-19 recession began in late February 2020, the U.S. economy significantly shrank before it quickly rebounded. But the damage had already been done as businesses reduced their workforce or shut their doors and millions of employees received layoff notices.³

When economists start pointing to signs of a recession,⁴ it is natural to feel anxious. Retirees on a fixed income or those getting ready to begin retirement can feel especially vulnerable.

HERE'S THE GOOD NEWS:

While the economy is largely unpredictable, your retirement income doesn't have to be. By getting a clear picture of where your finances stand and creating a strategy that takes worst-case scenarios into account, you can feel confident about retirement — even in a recession.

This guide will look at three areas to address to help ensure you can weather a recession.



¹ U.S. Bureau of Labor Statistics. February 2012. "BLS Spotlight on Statistics: The Recession of 2007-2009." https://www.bls.gov/spotlight/2012/recession/pdf/recession_bls_spotlight.pdf. Accessed Oct. 18, 2021.

² Frank Nothaft, Molly Boesel and Sam Khater. CoreLogic. Feb. 2018. "Special Report: Evaluating the Housing Market Since the Great Recession." <https://www.corelogic.com/wp-content/uploads/sites/4/downloadable-docs/corelogic-peak-to-trough-final-030118.pdf>. Accessed Oct. 18, 2021.

³ Taylor Borden, Allana Akhtar, Joey Hadden and Debanjali Bose. Business Insider. Oct. 8, 2020. "The coronavirus outbreak has triggered unprecedented mass layoffs and furloughs. Here are the major companies that have announced they are downsizing their workforces." <https://www.businessinsider.com/coronavirus-layoffs-furloughs-hospitality-service-travel-unemployment-2020>. Accessed Oct. 19, 2021.

⁴ Investopedia. Oct. 12, 2021. "What Causes a Recession?" <https://www.investopedia.com/ask/answers/08/cause-of-recession.asp>. Accessed Oct. 19, 2021.

1. YOUR EXPENSES

Whether in a prosperous bull market or declining bear market, the list of things to prepare for in retirement is lengthy: rising health care costs,⁵ end-of-life expenses and a longer life⁶ often top the list.

Any financial professional will tell you that the earlier you can save, the better. But, as many families realize, sometimes building a nest egg takes a back seat to things like buying a home, paying for college or recovering from a job loss due to the global pandemic. In fact, a 2021 report from the Federal Reserve revealed that 25% of non-retired adults have no money saved for retirement.⁷ The financial repercussions from the COVID-19 pandemic will continue to evolve, heightening concerns for Americans' future economic well-being.⁸

⁵ Fidelity. Aug. 31, 2021. "How to plan for rising health care costs" <https://www.fidelity.com/viewpoints/personal-finance/plan-for-rising-health-care-costs>. Accessed Oct. 18, 2021.

⁶ Cory Steg. CNBC. July 17, 2021. "Researchers say the probability of living past 110 is on the rise - here's what you can do to get there." <https://www.cnbc.com/2021/07/17/study-living-past-110-is-becoming-more-likely-longevity-tips.html>. Accessed Oct. 18, 2021.

⁷ Federal Reserve. May 2021. "Economic Well-Being of U.S. Households in 2020." <https://www.federalreserve.gov/publications/files/2020-report-economic-well-being-us-households-202105.pdf>. Accessed Oct. 18, 2021.

⁸ Juliana Menasce Horowitz, Anna Brown and Rachel Minkin. Pew Research Center. March 5, 2021. "A Year Into the Pandemic, Long-Term Financial Impact Weighs Heavily on Many Americans." <https://www.pewresearch.org/social-trends/2021/03/05/a-year-into-the-pandemic-long-term-financial-impact-weighs-heavily-on-many-americans/>. Accessed Oct. 18, 2021.

What about you? Recessions often lead to job cuts. If you had to stop working earlier than planned, would you be in a tight spot?

CHECK

YOUR CURRENT AND FUTURE EXPENSES

Calculate what you spent last month on:

Mortgage/rent: _____
Home/rental insurance: _____
Utilities (water, electricity, gas): _____
Auto (payments, insurance, fuel): _____
Food (groceries and dining out): _____
Other: _____

TOTAL: _____

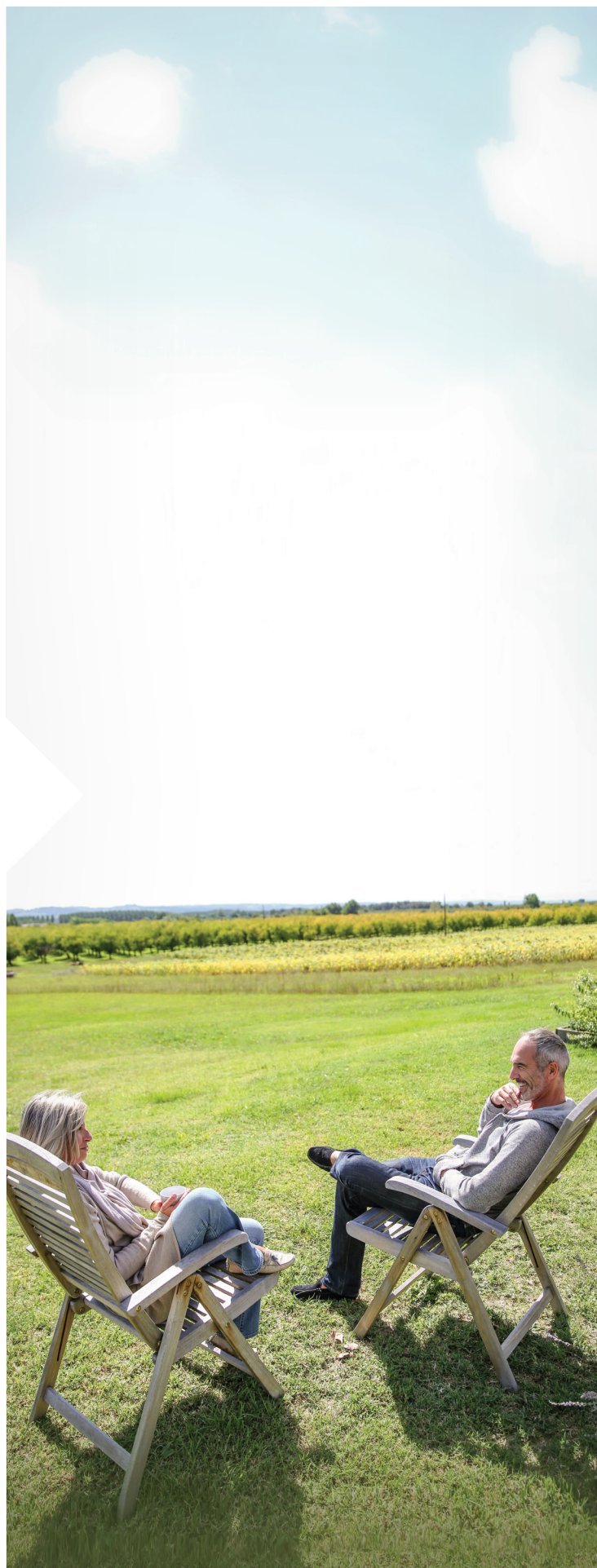
Based on a recent study, a 65-year-old couple retiring in 2021 can anticipate spending on average \$300,000 in health care and medical expenses throughout their retirement, excluding long-term care.⁹ (That would be approximately \$1,000 per month over a 25-year retirement or \$1,250 per month over a 20-year retirement.) You may also wish to factor in health care expenses that could arise at the end of your retirement years. Add an amount that you feel reflects how much you can anticipate spending per month on health care.

TOTAL: _____

Add these two totals together and multiply by 12 to get your approximate annual expenses in retirement.

TOTAL: _____

Of course, these expenses don't include the things you may *want* to do in retirement, things like traveling, hobbies and family visits. These things not only make life more fulfilling, research also shows participating in the activities you enjoy is good for your health.¹⁰ So, as you consider your expenses, remember to take your dreams into account.



⁹ Fidelity. Aug. 31, 2021. "How to plan for rising health care costs." <https://www.fidelity.com/viewpoints/personal-finance/plan-for-rising-health-care-costs>. Accessed Oct. 18, 2021.

¹⁰ Samaritan Health Services. Feb. 1, 2021. "Hobbies Are Good for You & Your Health." <https://www.samhealth.org/about-samaritan/news-search/2021/02/01/hobbies-are-good-for-you-and-your-health>. Accessed Oct. 18, 2021.



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2. YOUR ASSETS

Where does your nest egg live? If you're like many, your assets are spread out in things like 401(k)s, mutual funds, insurance policies, CDs, savings accounts and company stock options. Planning for retirement means knowing what you have to work with, so it's important to take the time to sort through all of the pieces of what will eventually become your retirement income.

CHECK

THE ASSETS YOU'VE ACCUMULATED

Take inventory of your accounts:

Employer benefit plan (401(k),
pension, 403(b), etc.): _____

IRA: _____

Stock options: _____

Mutual funds: _____

Bonds: _____

Savings account(s): _____

Checking account(s): _____

Insurance policies: _____

Other: _____

TOTAL: _____

Now consider the expenses you calculated in Section 1. Would you have enough income to meet those expenses if you lost your job? Could you support your lifestyle if you and your spouse lived to age 80, 90 or beyond? (According to the Social Security Administration, the average 65-year-old man can expect to live to age 84, while the average 65-year-old woman can expect to live to age 86 ½.¹¹ One in three 65-year-olds will live to age 90 and one in seven to at least 95.¹²)

¹¹ Social Security Administration. "Retirement & Survivors Benefits: Life Expectancy Calculator." <https://www.ssa.gov/OACT/population/longevity.html>. Accessed Oct. 18, 2021.

¹² Social Security Administration. 2021. "When to Start Receiving Retirement Benefits." <https://www.ssa.gov/pubs/EN-05-10147.pdf>. Accessed Oct. 18, 2021.





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3. AN INCOME GAP

Could the total assets you calculated in Section 2 cover your expenses from Section 1 if you and your spouse lived into your 80s or 90s? If you came up short, you have an income gap.

By taking action sooner rather than later, it is certainly possible to build up your nest egg to where you need it to be before you retire. But if you're anticipating a recession, especially in the time leading up to your retirement or during the early years of your retirement, you may be hesitant to use the stock market to grow your savings.

If you're racing to build up your retirement savings but wary of the chance of losing money to the market, there are other options for a portion of your retirement assets. Financial products, like annuities, allow you to create income with less reliance on the stock market.

Annuities are designed to meet long-term needs for retirement income. When you purchase an annuity, you're buying a contract from an insurance company. In exchange for the premium you pay, you receive certain fixed and/or variable interest crediting options that compound interest-tax-deferred until withdrawn.

When you're ready to receive income, an annuity offers a variety of guaranteed payout options.

If you want the potential to earn interest on your premiums – to help catch up on your savings – a fixed index annuity (FIA) could be worth exploring. An FIA combines the benefit of tax deferral with the potential for interest based on positive changes of an external index, or a measurement of the stock market, without actual participation in the market.

So, how does it work? The insurance company uses a crediting method to track the performance of the index during a specified time period. At the end of each time period, the company calculates the indexed interest. If the result is positive, the annuity is credited interest up to a predetermined amount. If the result is negative, nothing happens and the annuity's value doesn't decline.

A qualified financial professional, particularly one who is independent and has access to a wide selection of annuities, can help you find an FIA that can help you create a source of income for as long as you live, even in a recession.

CHECK

YOUR INCOME GAP

Total assets - [Annual expenses x 20*] = _____

*Average length of retirement, in years¹³

DON'T LET THE MARKET DICTATE YOUR LIFESTYLE

You don't need a bull market to guarantee a great retirement. One of the keys to a comfortable lifestyle in any economy is planning ahead. If the thought of building a retirement income strategy on your own is overwhelming, there's help available. A qualified financial professional can help you assess where you are and help guide you to get where you want to be — and stay there.

You worked hard for retirement. Don't let a recession rob you of a comfortable lifestyle.



¹³ Samuel Stebbins. USA Today. Feb. 11, 2021. "Retirement costs: Estimating what it costs to retire comfortably in every state." <https://www.usatoday.com/story/money/2021/02/11/retirement-costs-comfortable-in-every-state-life-expectancy/115432956/>. Accessed Oct. 18, 2021.

