

Safe Money Advisory

The Dangers of Investing for a Lifetime Income

**Houston, Texas
For Immediate Release**

Many retirees live on income from their portfolio of stocks, bonds, mutual funds and other market-related securities. On October 09, 2007, the market [as measured by the DJIA] peaked at 14164.53 and then started a dramatic decline until March 09, 2009, when a trough of 6547.05 was reached. This 53.8% shrinkage played havoc with retirees' portfolios and forced many back to work or slimmed down their lifestyles. If you had \$500,000 at the peak and were withdrawing \$25,000 [5%] annually to support retirement, the same withdrawal of dollars at the trough amounted to 10.82%. This alarming acceleration of the "burn rate" is why Congress suspended the required withdrawals from IRA accounts in 2009. Events of the Great Recession punctuate the dangers of investing for income. Let's look at some details and a solution some retirees are using.

Not only did portfolio values fall, but so did dividend and interest income from these portfolios. The credit crunch left many companies strapped for cash, and they drastically reduced their dividends. The S&P 500 companies cut dividends by over \$40 billion in 2008 and by another \$50 billion in the first half of 2009. Retirees counting on dividend income from stocks and mutual funds suffered a major setback. While dividend income may have served some retirees well in the past, the risks of relying on stock dividends are now apparent and certainly not suitable for everyone.



What about fixed rates, either from bank deposits or bonds? Bank rates are at historical lows and those relying on interest income from CDs have suffered severely. Income from fixed rate bonds and income [bond] mutual funds is now less dependable as companies have defaulted and variable rates forced coupon yields drastically lower. Given the current level of domestic and global uncertainty, no one can reliably forecast the future level of interest rates and assess the creditworthiness of bond issuers. The flight to the security of Treasury bonds has been especially traumatic since these rates are currently hovering near zero. Retirees living on interest income from bank CDs and bonds have fared no better than those with portfolios of securities.

There remains, however, one reliable way to assure a future income for retirement that you cannot outlive. This reliable source has been around for centuries and has withstood the ravages of natural disasters, failures of government, wars, depressions and financial meltdowns. When you have risks you cannot shoulder on your own – like the possibility of outliving your money, the diagnosis of a critical illness or losing your home to fire, wind or flood – where do you turn?

The insurance industry specializes in managing catastrophic events by pooling risks of a large number of people. Those not suffering losses help pay for the misfortune of those who do, and the insurance company profits by managing the risk. You can now insure the fear of outliving your money [longevity risk] by entrusting an insurance company with some or all of your retirement money in exchange for the guarantee of a lifetime income. The more money you transfer to your longevity insurance policy, the higher your guaranteed income-for-life will be. This solution removes the danger and uncertainty of investing for income. While this is a relatively new coverage offered by insurance companies, it is rapidly finding favor with retirees fearful of outliving their money. By combining your SS benefits with a guaranteed lifetime income from an insurance company, you can lock-up lifetime retirement paychecks you cannot outlive. If you're tired of low rates, high risks, uncertainties and worries of outliving your money, this could be the perfect solution for you – find out by discussing the suitability with your financial advisor.

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