

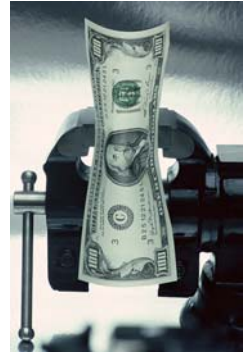
Safe Money Advisory

Stress Testing Your Retirement Plans

**For Immediate Release
Houston, Texas**

Auto companies test cars by crashing them into concrete barriers, driving at high speed in extreme temperatures and deliberately trying to break them. They analyze the results and engineer around weak parts and problems. Testing in extreme conditions improves performance and adds to safety. This same principle applies to retirement plans.

Retirement plans are stress tested by analyzing what occurs when the unexpected happens. This exposes the weak and faulty parts. If such testing had preceded the 2000-02 and 2007-09 market meltdowns, many of the retirement minded would have avoided huge market losses. While the stock market was not expected to nosedive by over 50%, it did: not just once but twice in the same decade. What's more, it might happen again. If you haven't already, stress test your retirement plans for a large market decline. If results say you can't retire, or stay retired, as planned, faulty parts should be replaced.



Unexpected market declines are but one thing that can go wrong with retirement plans. What would happen if taxes doubled? This may not seem likely, but substantially higher taxes are one way to address government deficits. History shows that budget imbalances caused by war and depression have been addressed by higher taxes – on everyone, not just the rich. Of the available remedies – lower expenditures, higher taxes, default or some combination – higher taxes are most likely. How will your Social Security be affected? Will taxes on dividends and investments be raised? What would higher capital gains taxes do to your retirement? Can you benefit by using tax deferred places to keep your money? Does converting qualified retirement money to a tax-free Roth IRA make sense for you? Is your estate tax-proof, or will it mostly go to the government? Another dollar for taxes is one less dollar for retirement or for your beneficiaries. There are many ways to protect yourself from higher future taxes, but they will not find you. You must seek them out and alter your retirement and estate plans to capture them.

Have you thought of what would happen if prices spiraled upward? Remember, it's not how much money you have but how much your money will buy. Your retirement income is not assured to rise in lockstep with inflation; thus, your standard of living is likely to fall in inflationary times. The likely result of outsized deficits, a bigger government and ballooning entitlement programs is a silent tax – inflation. Your retirement plans must be stress tested for inflation. At a mere 5.7%, annual inflation [less than historical medical care cost increases] prices will double every 12.5 years. For a 65 year old couple, one of them is expected to be alive at age 90. Under these conditions, \$1 in early retirement income would erode to twenty-five cents in late retirement income.

How about interest rates? If they stay low, how will you fare? If they spike to double digit, is that good or bad? How would your plan stand up to a loss of Social Security? At older ages, the likelihood of major illness rises; thus, has your plan been stress tested for a long-term illness? What would be the impact of the loss of your spouse? If you're among the 50% of retirees that will need convalescent care, can your current retirement plans handle it? To thoroughly stress test your retirement plans, you must assess the results when several things go wrong simultaneously – for example, the market nosedives, inflation spirals upward and your spouse suffers an expensive illness. The recommended way to determine these simultaneous shocks is to work with a financial advisor.

We've only scratched the surface of the worries about retirement, but I'm sure you get the picture. To stress test a retirement plan, you must first have a plan. The best way to prepare and then stress test your plan is to work with a professional financial advisor. While the need for help is obvious, far too many either do not plan or attempt to plan without professional help. Remember, retirement is the largest purchase you'll ever make, you can't borrow money to pay for it, you'll have one chance to get it right and getting it wrong could be catastrophic. Be smart, get professional help when planning your retirement and then stress test them annually.

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