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New Retirement Realities Make Planning a Challenge

By John D. Doak, Oklahoma Insurance Commissioner

Retirement is something many of us look forward to, but are we properly prepared for the challenges that could threaten our retirement future? This is National Retirement Planning Week®, and it's time we all take a good look at our preparations for retirement.

By developing a plan today, Oklahomans will be better prepared to overcome many of the obstacles on the road to retirement. One possible obstacle is that people today are living longer. That means we have to make sure we don't outlive our savings. For an average 65-year-old couple there is a 50 percent chance at least one spouse will live until age 92, and a 25 percent chance one spouse will live until age 97. Without proper planning, that couple will almost certainly run out of money too soon.

To help you prepare for the uncertainties of retirement, here is the Retirement Realities Checklist developed by the Insured Retired Institute (IRI):

- ✓ **Determine your Sources of Guaranteed Income**
For decades, retirees have relied on Social Security and pension plans for retirement. In recent years, Social Security has become more unstable, and many companies no longer offer pensions. According to the IRI, at the current rate of benefit payments, Social Security will be exhausted by 2033. It may be smart for you to consider other sources of guaranteed income like annuities. To learn more about annuities, go to www.oid.ok.gov.

- ✓ **Determine your Sources of Non-Guaranteed Income**
Non-guaranteed income includes stocks, mutual funds, bonds, commodities, inheritances and payments from company savings plans like a 401(k). Interest, dividends and other gains help grow your overall retirement investment portfolio, but they don't offer guarantees on principal or earnings. Knowing the sources of

non-guaranteed retirement income can help your advisor construct a plan that also offers income protection to help preserve some of these gains.

✓ Prepare for **Longevity Risk**

None of us know how long we will live. Some investments may not have funds available for as long as needed. Look into supplementing your retirement investment portfolio with a guaranteed income product.

✓ Prepare for **Market Uncertainties**

The Great Recession had a major impact on everyday living expenses and retirement savings. Nearly one-half of Baby Boomers found it more difficult to pay for essential items like food, gas, and medication. And 20 percent made premature withdrawals from their retirement savings accounts. Although no one knows if and when a market downturn will occur again, the ups and downs of the financial markets must be considered when saving for retirement. Some investments are more susceptible to market swings than others, and you should determine how much risk you want to take with your nest egg.

✓ Prepare for **Inflation**

Inflation can easily take away from the value of your savings over time. According to the Bureau of Labor Statistics, the inflation-adjusted equivalent of \$100 in 1991 is \$172 in 2015. Although a yearly cost-of-living increase of three percent doesn't seem like a lot, it can add up considerably over a retirement period that lasts several decades.

✓ Prepare for **Health Care and Long-Term Care Costs**

While Medicare provides medical insurance to most Americans over 65, it does not provide complete coverage. According to the IRI, out-of-pocket medical expenses for people covered by Medicare are expected to exceed \$4,300 per person and \$8,600 per couple per year—and these costs are expected to rise. Long-term health care costs also need to be considered. Medicare does not generally cover home health care costs. Nursing home costs are generally covered by Medicaid after you spend down your assets. Therefore, preparation for these contingencies is key. Long-term care insurance is one way of covering these costs, although premiums and benefits vary widely.

Retirement is not a point in time or a destination. It can be a decades-long period where many factors can impact your savings and expenses. Work with an advisor to come up with the best retirement plan for you, and get ready to enjoy your future.

For more information about National Retirement Planning Week®, go to www.RetireOnYourTerms.org. For insurance information, contact the Oklahoma Insurance Department at 1-800-522-0071 or visit our website at www.ok.gov/oid.

About the Oklahoma Insurance Department

The Oklahoma Insurance Department, an agency of the State of Oklahoma, is responsible for the education and protection of the insurance-buying public and for oversight of the insurance industry in the state.

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