Responsibility for saving for retirement has shifted from employers, through traditional pension plans, to individuals, through defined contribution plans and individual retirement accounts. The shift means consumers are now responsible for managing those accumulated savings throughout their retirement years. There are many questions to consider. What will be your expenses in retirement? What types of risks can be encountered? What strategies should be considered?

**EXPENSES**

A suggested first step is to identify which of your expenses are fixed and which are controllable. This can have a significant impact on how you evaluate the strategies and assess the risks discussed below.

**RISKS**

There are several risks to consider when developing a plan for managing your assets in retirement. Not all people will have equal exposure to these risks, yet it is important to keep these risks in mind when developing a retirement income strategy.

- **Longevity Risk** is the risk that you will outlive your savings and available income.
- **Entitlement Risk** is the risk that government programs such as Social Security or Medicare will not offer sufficient protection for retirement.
- **Excess Withdrawal Risk** is the risk of an individual drawing down assets too quickly and undermining their retirement income plan.
- **Market Risk** is the risk of losing invested wealth, temporarily or permanently, either because of a market downturn or poor return on investments.
- **Lifestyle Risk** is the risk of having insufficient income to maintain your current or expected standard of living during retirement.
- **Asset Allocation Risk** is the risk of either investing too conservatively or too aggressively and not adequately diversifying assets to sustain a portfolio across market cycles.
- **Sequence of Returns Risk** is the risk of receiving low or negative returns in early years of drawing down a retirement portfolio and increasing the potential of running out of money prematurely.
- **Inflation Risk** is the risk that rising costs will undermine the purchasing power of savings over time.
- **Medical Expense Risk** is the risk of paying for the growing costs of health care related services in retirement.
- **Tax Risk** is the risk of the impact of rising taxes and unforeseen tax consequences can have on a portfolio or on purchasing power.
- **Personal or Event Risk** is the risk unexpected changes to family circumstances (such as divorce, death, severe illness, adult child returning home) may undermine anticipated retirement plans.
- **Incapacity Risk** is the risk associated with deteriorating health. A retiree may not be able to execute sound judgment in managing their financial affairs.

To help address these various risks, talk with your financial professionals about doing a thorough assessment to manage these risks, to discover the potential issues and challenges you may encounter, and strategies.
There are several income producing strategies that can be used in combination with the underlying investments. There is no guarantee any of these strategies will be successful. Speak with a financial professional to determine which strategy best fits your goals and risk tolerance. Some of the most common retirement income strategies are:

- **Systematic Withdrawal Plan (SWP)** – regular payments from your investment account at either a variable or fixed amount until the account value is exhausted. The assets in this approach are invested in securities which carries market risks. Negative market returns early in a SWP can have severe negative impacts during later retirement years.

- **The Bucket Approach** – breaking up retirement into distinct time increments of three to ten years and choosing investments which have the potential to provide certain outcomes at different times throughout your retirement. Each bucket will employ different investments and risk mitigation techniques that are dependent on an individual’s investment time horizon and risk tolerance.

- **Risk-Adjusted Income Approach** – managing a broadly diversified portfolio to help optimize your total return within your individual risk characteristics. This approach allows for the potential for cash flow to be generated through dividends, interest, and/or periodic withdrawals of a percentage of assets.

- **Income Floor/Hybrid Approach** – distinguishing between your essential and non-essential needs in retirement, and creating a strategy to address both. Typically essential needs are covered through guaranteed income sources or lower risk investments.

- **Laddering Approach** – purchasing a portfolio of investment products with different maturity dates. As each maturity date arrives some or all of the proceeds can be reinvested into products with longer maturity dates. This approach provides liquidity and a stable income stream while managing reinvestment and market risks.

**Note:** This document is for educational purposes only. The information does not constitute financial, legal or tax advice. Please consult with your appropriate professional for matters pertaining to your personal situation.

**Note:** Guaranteed living benefits and guaranteed lifetime annuity payments are subject to the claims-paying ability of the issuer of the annuity contracts and do not relate to the investment performance of the underlying investment portfolios.

**Source:** Insured Retirement Institute.
July 29, 2013

Danielle Holland
Insured Retirement Institute
1101 New York Avenue, NW., Suite 825
Washington DC 20005

Reference: FR2013-0718-0479/H
Link Reference : FR2013-0523-0274

Org Id :91039

REVIEW LETTER

1. Managing Your Assets In Retirement
   Rules: FIN 2210, VARIABLE
   2 pages
   Fee: $125
   Total Fee: $125

Attention: Danielle Holland

The material submitted appears consistent with applicable standards. However, we have the following comment:

Please note that when used by FINRA member firms, the firm’s name must be clearly and prominently set forth pursuant to FINRA Rule 2210(d)(3)(A).

Reviewed by,

Joseph S. George
Supervisor
jws

*This year’s Advertising Regulation Conference will be held on October 10-11 in Washington, D.C. For more information and to register, please view our online brochure at [http://www.finra.org/conferences/adreg3](http://www.finra.org/conferences/adreg3).*

**NOTE:** This review is limited to the communication that was filed. We assume that the communication does not omit material facts, contain statements that are not factual, or offer opinions that do not have a reasonable basis. This communication may be described as
“Reviewed by FINRA” or “FINRA Reviewed”; however, there must be no statement or implication that this communication has been approved by FINRA.

Please send any communications related to filing reviews to this Department through the Advertising Regulation Electronic Filing (AREF) system or by facsimile or hard copy mail service. We request that you do not send documents or other communications via email.