Take Steps To Prepare For A Long Retirement

How long will you live? Of course, your longevity is somewhat unpredictable. But it may be a good idea to plan for a long life — and the financial issues that go along with it.

It's reasonable to think you've got a long way to go. In fact, 72% of retirees now think they will live longer than their parents, according to a recent survey from Age Wave and Edward Jones. Their optimism may be justified: A 65-year-old woman can expect to live almost 20 more years, while a 65-year-old man can anticipate about 17 more years, according to the Centers for Disease Control. And these figures are just averages — if you're healthy at 65, you could spend two or even three more decades as a retiree.

To help maintain the resources necessary to pay for these years, you may need to take several steps, such as the following:

• *Seek income and growth from your investments.* Once you're retired, you'll probably need to rely more heavily on your investment portfolio to help pay for your cost of living. That means you will need a mix of investments that provide income — to supplement your Social Security and any pensions you might have — and growth — to help keep you ahead of inflation. You might also consider specific investments designed for longevity, such as a fixed annuity, which can provide you with a regular income stream you can't outlive.

• *Establish a reasonable withdrawal rate.* You'll need to establish and maintain a reasonable withdrawal rate — the percentage of your portfolio you take out each year. As a general rule, many people start out in retirement by designating a 4% annual withdrawal rate, but your individual figure will depend on a variety of factors, such as your age, the size of your portfolio, other sources of income and so on. And keeping an emergency fund on the side can help you with unforeseen costs that could otherwise cause you to withdraw more than you'd like. Unsurprisingly, the goal with choosing the appropriate withdrawal rate and monitoring it throughout retirement is so you don't outlive your portfolio.

• *Consider adding some earned income.* Once you've formally retired from your career, you might consider working part time or doing some consulting. The added income can improve your cash flow and take some of the pressure off your investment portfolio. Keep in mind that your income level in retirement will determine what tax rate you pay on your Social Security benefits. If you take Social Security early and are earning above a certain amount, your benefits could be temporarily reduced.

• *Don't underestimate health care costs.* Even with Medicare or Medicare Advantage, your out-of-pocket health care costs can be considerable. Upon first retiring, it's often a good idea to budget between $4,500 to $6,500 per person annually, though depending on your health, prescriptions and supplemental insurance, your costs could certainly be higher or lower than this range. And these figures don't include the costs of long-term care, which can be enormous and aren't typically covered by Medicare. To help protect yourself — and your family — from long-term care expenses, you may want to work with a financial professional, who could recommend insurance strategies or other techniques.

A long life can certainly be rewarding — and even more so when you're prepared for it.

This article was written by Edward Jones for use by your local Edward Jones Financial Advisor.

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