

## Will your retirement income go the distance?

Written by 'Layin' it on the line' By Lawrence Castillo Guest Columnist  
Friday, 29 April 2022 04:05

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Not having enough money saved to last them in their golden years. Industry expert Tom Hegna has written extensively about this fear in his books *“Don’t Worry, Retire Happy”* and *“Paychecks and Paychecks.”*

He states,

*“The number one risk retirees must take off the table is longevity risk because it is the multiplier of all the other risks.”*

Time and again, surveys show a top concern for pre-retirees is longevity risk. In one survey conducted for Allianz Life in 2017, 63% of respondents said they feared running out of money in retirement more than they feared death. In our younger years, we are looking to *accumulate* where the rate of return is important. However, the day we retire, all the rules change; we are now in the *distribution* phase.

For example, let’s say we are going to climb *Mount Everest*. Our goal would be to get to the top. Well, not necessarily; our ultimate goal would be to get back down the mountain safely. When we are climbing the mountain, we are younger and in the accumulation stage; however, we are now in the distribution phase when we start down.

Where do most climbers get killed? You guessed it, coming down the mountain. Why? There are many risks, unpredicted storms, avalanches, falling in a snow hole. It is the same with retirement. We have market risk, inflation risk, long-term care risk, deflation risk, the sequence of returns risk, rate risk, mortality risk, longevity risk, withdrawal rate risk, taxation risk, regulatory risk.

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But the number one risk we MUST take off the retirement mountain is Longevity Risk because it is a multiplier. If you live too long, all these risks multiply. How do we take longevity risks off the table? Stocks Bonds, mutual funds may not do it as they can have market risk on a downturn.

Your paycheck must be guaranteed, and your income immune from risk. One commonly used approach to guarantee lifetime income is an annuity; a lifetime income annuity, a deferred income annuity, or an income/withdrawal benefit rider from a fixed or variable annuity.

Many people say they hate annuities, but do they receive Social Security? Yes. The same is true of their workplace pension. These are nothing more than continuing, lifetime payments from a secure source. A lifetime income annuity offered by an insurance company offers the same security.

A white paper from the *Financial Research Corporation* talked about longevity, *"Planning to age 90 feels good because few people believe they will live to 90, however, 33% of healthy 65-year-old men, 44% of women, and 63% of married couples will have at least one spouse live beyond age 90. Simply put, a Financial Plan assuming age 90 will fail 63% of the time."*

Do you want to be in that 63%? We must take longevity off the table. Here is another quote from the FRC. *"Income annuities offer features others cannot- High cash flow, uncorrelated to market returns: retirement alpha in the form of mortality credits, which only life insurance companies can manufacture; longevity hedging and liquidity features."* Only Life Insurance Companies can offer annuities."

When we were younger, and the storybooks and the old movies would end, they lived happily ever after. Research shows retirees who have lifetime income that handles all their basic needs factoring in inflation, taxes, and Required Minimum Deposits (RMD), are happier and live longer.

Do you want fear and worry to be a factor during your retirement years? If your answer is no, then a guaranteed lifetime annuity is an obvious choice for financial freedom.

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Lawrence Castillo is a member of Syndicated Columnists, a national organization committed to a fully transparent approach to money management.

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