

Episode #340 - You Earned It, Protect It!

Hi, thanks for tuning in to this week's episode of Money Script Monday. My name is Laurence Williams. Today we'll be discussing how you can protect a portion of your retirement savings from loss. Many of you watching have worked incredibly hard over your entire life to build up your assets and it's essential to protect and grow those savings as you enter into retirement.

However, many people's retirement savings are exposed to loss, especially with the potential of a looming recession. This concern was highlighted by a quarterly market perception study conducted in November of 2023, which found that 68% of Americans feel that it's important to have some of their retirement savings in a financial product that protects against market loss. However, losing value is only part of the problem.

The real issue can be the time required to recover from those losses. Let's take a look at the numbers. As you can see, based on this graph, which illustrates a portfolio loss of 10, 20, 30, 40, and even 50%, the rate of return and time that's necessary just to get back to even. Let's say you believe you can earn 8% on your portfolio moving forward. It will take almost a year and a half just to get back to even.

Looking at things less optimistically in terms of rate of return, it can take nearly the amount of time it takes to earn a bachelor's degree as it does to recover from some of these losses. If you were to lose even more than 30%, now we're getting in the territory of it taking up to decades just to get back to even.

Many pre-retirees and retirees often face the challenge of insufficient time to earn significant interest on their savings due to their age. Unlike younger individuals who can take advantage of long-term investment growth, retirees have a shorter time horizon to accumulate that interest.

This limited time frame restricts their ability to benefit from the compounding effects of investments, forcing them to rely on principle and immediate returns.

As a result, they may struggle to generate enough income from their savings to sustain their lifestyle during retirement, emphasizing the importance of careful financial planning and diversified income sources. For pre-retirees and retirees, there are three sources of protected income in retirement.

The 1st is Social Security. When you work, you pay into Social Security tax, and you earn credits to receive retirement income. You can check these benefits online at ssa.gov or reach out to your financial advisor to determine what your benefit amounts will be.

The second will be pensions. Pensions provide a guaranteed stream of income, but they're backed by your employer. If you have a pension plan, work with your employer to know all the options available to both you and your spouse.

The third and final option is fixed index annuities. With a fixed index annuity, you can secure a portion of your retirement assets as your principal and credit interest are protected against any downturns in the market. With an income rider, you can receive payments that will last your entire life for both you and your spouse, if applicable. With a fixed index annuity, you have the promise of not losing any of your principal with the potential to earn index interest based on positive changes in the market or a fixed interest rate determined by the financial institution.

Now, as we speak today, they're currently fixed index annuities offering anywhere from 10 to 47% bonuses on the money that you save into an annuity, which can potentially help you get your retirement back on track and protect your nest egg as you enjoy retirement. I encourage you to reach out to your financial professional who shared this video with you to

determine if a fixed index annuity is right for you. Thanks again for watching, and we'll see you next time.