



EDUCATION

Can You Retire Your Retirement Risk?

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Michael Doshier
Vice President, Retirement Marketing,
Franklin Templeton Investments

Many (if not most) people think about retirement in terms of saving for the day they leave the workforce and won't be collecting a paycheck any longer. The prospect of outliving one's savings is therefore a top source of stress, along with being able to pay escalating health care costs. Perhaps more individuals should plot a strategy to generate income in retirement, says Michael Doshier, vice president, retirement marketing at Franklin Templeton Investments. And no, he doesn't mean spending your senior years flipping burgers or bagging groceries.

What comes to mind when you think about retirement? Traveling? Spending time with friends and family? Engaging in your favorite hobby? While Social Security can help, it often isn't enough to cover day-to-day living expenses, let alone to enjoy these and other activities. For those who have not saved enough or invested wisely, retirement can bring a lot of stress. But it doesn't have to be that way. Let's look at the roots of some of today's retirement income anxiety, and what can be done to help alleviate it.

Addressing Retirement Anxiety

Traditional defined benefit (DB) pension plans—which promise to generate a secure source of income in retirement—provided many individuals with reliable retirement income for decades. But they are going the way of the dinosaurs. In 1979, 28% of private sector workers participating in one type of retirement plan had a DB plan.¹ By 2014, a mere 2% of private-sector workers participated in a DB plan.²

Of course, the reason DB plans have been disappearing is that private employers have been shifting to defined contribution (DC) plans. These self-directed investment vehicles have provided many individuals with a healthy retirement nest egg. Millennials in particular have embraced them, being the first generation to fully benefit from the sweeping reforms of employer-sponsored plans under the Pension Protection Act of 2006.

Nonetheless, the fear of falling short remains a point of anxiety for many individuals, particularly those who don't have access to these plans, who haven't managed to save enough or who have made poor investment decisions.

Each year Franklin Templeton surveys individuals' thoughts about retirement in our "[Retirement Income Strategies and Expectations \(RISE\) Survey](#)." In the 2018 survey, running out of money was cited as the top concern of respondents across all age groups.³ Health issues came in second.⁴

A majority of respondents (52%) also expressed concern about how they will manage income in retirement, even those planning to retire in just a few years. More than half of workers surveyed expressed concern about managing retirement income to meet expenses, and more than a third of those within five years of retirement did not have a strategy to recreate a paycheck.⁵

Meanwhile, one in three workers within five years of retirement said they wanted help from their employer in choosing an investment strategy that generates income. So where do we go from here?

Forming an Alliance

Finding a way to generate [income for what's next](#) in retirement isn't impossible. It just takes a bit of strategic thinking.

A nonprofit group called the [Alliance for Lifetime Income](#) ("Alliance") aims to address retirement income angst. The group is comprised of 24 life insurers and asset managers (including Franklin Templeton Investments) whose promise is stated as "helping Americans address the risk of outliving their retirement income."⁶

According to the Alliance, nearly half (48%) of US households with individuals aged 45 to 72 with \$75,000 to \$1.99 million in investable assets are approaching their retirement years "unprotected," without what it calls "protected monthly income" other than Social Security.⁷

The Alliance highlights monthly income planning as one of the most important steps in creating the retirement lifestyle you want. In particular, it says annuities can help grow your initial assets while seeking to offer protected monthly income for the rest of your life that can fill a critical gap in your retirement funds.

While annuities can provide that missing piece of the retirement income equation, they may not be right for everyone. The Alliance's [website](#) has a quiz you can take to find out if they may be right for you.

The Importance of Planning

As the wise Ben Franklin once said, "failing to plan is planning to fail."

According to our [RISE survey](#), when individuals were asked what they would do if they had insufficient income to retire, the top response was "I'll work longer."⁸ Yet, nearly 4 in 10 individuals who said they retired prior to age 65 said they did so due to circumstances beyond their control.⁹

Meanwhile, individuals who had a written retirement plan reported less stress (54%) than those without a plan (71%). Furthermore, of those with a plan, 84% said they had a strategy to generate income that could last 30 years or more, and 86% said they know how they would pay for medical expenses in retirement.

We see three steps to retirement confidence, no matter which investment vehicle or plan you choose to get you there.

1. Know your situation: Identify your concerns and set individual goals.
2. Work with a financial advisor: Professional Advice makes a difference.
3. Write your plan down: Having a plan in your head may not be enough. Write it down and revisit and adjust as needed.

For more information about the Alliance for Lifetime Income, visit www.AllianceForLifetimeIncome.org.

For financial advisors who are interested in resources and ideas for your clients, please contact us at (800) 342-5236 or visit us at www.franklintempleton.com/whatsnext.

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[1.](#) Source: Employee Benefit Research Institute website, “FAQs About Benefits—Retirement Issues.”

[2.](#) Ibid.

[3.](#) The 2018 Franklin Templeton Retirement Income Strategies and Expectations (RISE) survey was conducted online among a sample of 2,002 adults comprising 1,002 men and 1,000 women 18 years of age or older. The survey was administered between January 17 and 25, 2018, by ORC International’s Online CARAVAN[®], which is not affiliated with Franklin Templeton Investments. Data is weighted to gender, age, geographic region, education and race. The custom-designed weighting program assigns a weighting factor to the data based on current population statistics from the US Census Bureau.

[4.](#) Ibid.

[5.](#) Ibid.

[6.](#) Source: Alliance for Lifetime Income website.

[7.](#) Source: Ibid.

[8.](#) 2018 Franklin Templeton Retirement Income Strategies and Expectations (RISE) survey.

[9.](#) Ibid.