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STRETCHING YOUR SAVINGS: HOW TO BETTER PREPARE FOR FINANCIAL SECURITY IN EXTENDED RETIREMENT

FEATURE

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People are living longer and will need their retirement savings to last for more years than they may anticipate – a very important point for many investors of all ages when working with an advisor to determine how much to save for retirement.

It's also a factor in how to invest those savings, whether it is before or during retirement. Moreover, as people live longer, medical costs in retirement are rising – and not all of those costs are covered by Medicare – at the same time that Social Security provides a smaller portion of retirement income needs. With that in mind, investors of all ages need to plan more thoughtfully for retirement. What solutions should you consider to address these challenges and plan for a comfortable retirement?

First, let's discuss life expectancy. According to data from the United Nations, the life expectancy in the U.S. at birth increased to 79.1 years in 2023 from 75.6 years in 1993 and 70.1 years in 1963. The UN projects that life expectancy in 2043 will be 82.4 years. By contrast, the life expectancy at birth in 1951 (the earliest year data was available) was 68.3 years.

This means that you may want to consider making your retirement plans accordingly: many retirees run the risk of outliving their portfolios. And the shorter life expectancy in prior years explains why Social Security, established decades ago, is having funding problems today, when benefits must now stretch over a longer period of time.

Next, note that the decision of when to start taking Social Security benefits isn't all that simple. Yes, assuming you are younger than age 62 now, you will likely receive greater benefits waiting until age 67 instead of claiming benefits earlier. But, at the same time, waiting until you are 67 instead of 62 means that you will forgo five years of benefit payments.

Plus, you will also need to factor in items such as your health and estimates of your life expectancy, for example. Instead of focusing on Social Security benefits for determining when to retire, consider instead any financial benefits of working longer to contribute more to savings (and allowing those

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> I believe successful wealth management is the result of an ongoing collaboration between investor and advisor, built upon trust and maintained according to the highest standards of integrity and expertise.

Brian D. Holmes, MS, CFP®, CMFC, AIF®, *President & CEO*

ABOUT SEIA

Signature Estate & Investment Advisors, LLC® (SEIA) is a Registered Investment Advisor firm offering Investment Supervision and Financial Planning Services tailored to align the unique needs of affluent individuals and corporations. Fundamental experience and professionalism enable the financial advisors, with SEIA's research and support staff, to design a financial plan or investment portfolio to align the client's goals.

The Barron's Top 100 RIA Firms 2023 was awarded in September 2023 and based on an evaluation process conducted by Barron's, an American weekly magazine/newspaper published by Dow Jones & Company from June 2022-June 2023. RIA firms apply for this award. SEIA also paid post award fees for licensing rights and to obtain article reprints. This ranking is given by Barron's (a Dow Jones company) and is based on assets, revenue, and quality of practice. Qualitative factors such as the advisor's experience, advanced degrees and industry designations, size, shape and diversity of the team, charitable and philanthropic work, and compliance records are also considered. SEIA was ranked #25 out of 100. Third-party rankings and recognitions are no guarantee of future investment success and do not ensure that a client or prospective client will experience a higher level of performance or results. These ratings should not be construed as an endorsement of the advisor by any client nor are they representative of any one client's evaluation.

SEIA VETERAN NAMED SENIOR PARTNER

Please join us in congratulating David Johnson, who was recently named a Senior Partner for his continued dedication and commitment to the SEIA firm.

Working out of our Tysons, VA office, David and his team focus on helping corporate executives, business owners and multigenerational families address complex wealth challenges and comprehensively plan for the future—from effectively managing risk and complex compensation packages to implementing retirement, tax and estate planning strategies/solutions.

In addition to being named to the Forbes list of Best-in-State Wealth Advisors for 2022 & 2023, David's insights are frequently sought out by CNBC, Investment News and other media outlets. He also devotes considerable time to pursuing philanthropic efforts—including serving on George Mason University's financial advisory board and supporting Northern Virginia's Second Story charity both financially and through teaching basic budgeting and financial literacy to youths and young mothers experiencing homelessness.

David has been an integral part of the SEIA organization for the past 28 years. And we consider ourselves incredibly fortunate to have him as one of the emerging leaders who will help continue shaping and evolving SEIA for years to come.

The Forbes ranking of Best-In-State Wealth Advisors for 2022 and 2023, developed by SHOOK Research, was awarded in April of 2022 and 2023, respectively, and based on an evaluation process conducted by SHOOK Research in partnership with Forbes during the periods 6/30/20 - 6/30/21 and 6/30/21 - 6/30/22, respectively. SEIA paid post award fees for licensing rights. Neither Forbes nor SHOOK receive a fee in exchange for rankings. The ranking is based on an algorithm of qualitative criteria, mostly gained through telephone, virtual and in-person due diligence interviews, and quantitative data such as revenue trends and assets under management. The algorithm additionally weighs factors such as service models, compliance records and industry experience, and focuses on those that encompass best practices in their approach to working with clients. Advisors that are considered have a minimum of seven years experience. Portfolio performance is not a criterion due to varying client objectives and lack of audited data. Third-party rankings and recognitions are no guarantee of future investment success and do not ensure that a client or prospective client will experience a higher level of performance or results. These ratings should not be construed as an endorsement of the advisor by any client nor are they representative of any one client's evaluation.

Thank You

From the SEIA family to yours may your thanksgiving be full of peace, love and joy.

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savings to grow) vs. the lifestyle benefits you may experience of retiring earlier. This personal decision compares completely different variables, and it is impossible to have any blanket "right" answer for everyone.

Next to consider are what pre-retirees think they will do after retiring, vs. what actual retirees report having done. This data is from the Employee Benefits Research Institute (EBRI). For instance, workers may intend for a gradual transition to retirement and to work for pay in retirement, but this doesn't match the experience of most retirees.

Instead, the EBRI survey showed that 4 in 10 workers expect to gradually transition into retirement. However, only 17% of retirees reported having a gradual transition, while 73% said that their retirement was a full stop. In addition, 70% of workers think they will work for pay in retirement, while only 27% of retirees reported doing so. And 36% of retirees say their overall spending and expenses are higher than expected, including housing and travel expenses.

Thus, perhaps being a bit more circumspect as to income and outlays in retirement may be in order.

So, with this in mind, what might you consider as part of your overall retirement planning? The first is determining what you might expect from investment returns – and thus, what you might expect to withdraw from your savings in retirement.

First, for planning purposes, the Social Security Administration notes that the life expectancy at age 62 for a male is an additional 19 years and another 22 years for females. In other words, a 62 year old man may, statistically speaking, expect to live to age 81 and a woman to age 84. Continual improvements in health care may very well extend life expectancy beyond these points. That may mean one's savings must cover more years than was the case years ago.

Next, investment returns over the long term are likely to be less than historical averages were, given that the drivers of returns have decelerated: the economy is growing slower than it had in decades past, as the labor force is growing more slowly as the population ages, while productivity gains are lower now than before the introduction of the internet and other technologies going back to the 1980s. Growth of the labor force plus productivity gains are the long-term drivers of economic growth (and thus, stock market returns), and the peak effects of those trends may have already been felt. So, looking at popular data sets with historical returns going back to, say, the 1920s is not likely to be instructive in estimating returns in decades to come.

Living longer in an era of potentially lower investment returns may mean you need to withdraw a smaller portion of your assets every year in retirement. Larger withdrawals can result in a retiree living longer than their portfolio assets do. In order to avoid outliving your money, you might consider adopting different approaches to incorporate in your overall portfolio.

One of them is annuities, such as a fixed annuity that can provide for payment of income at a fixed interest rate over a pre-determined period, such as your life expectancy or a set number of years, or other possible iterations. Some variable annuities, which may include investments in stocks, bonds, and other asset classes, may also feature ways to provide a more predictable income stream in retirement.

Our industry has evolved and for the first time we can now offer predictable income vehicles inside your managed investment portfolio. It provides the benefits of a predictable income stream with the ease of use of a managed investment portfolio. This allows you to transfer risk to an insurance company without moving assets.

For more information, please speak to your SEIA advisor to learn more about planning for retirement, investing your portfolio, including traditional annuities, or predictable income solutions within a managed investment account to better plan for longevity and generating retirement income that you won't outlive. We know that retirement planning is one of the most important issues investors must face, and we stand ready to help you achieve success on your journey.

SIGNATURE FUND *for* GIVING

Brightening a Beacon of Hope

The mandate of the SEIA Signature Fund for Giving is to help empower nonprofits which focus on important children's causes and by supporting the local youth who will be tomorrow's leaders and innovators. As part of that effort, we are proud to once again be able to step up and make a major contribution as the 2023 Title Sponsor for Second Story's annual 'Beacon of Hope' fundraiser.

For more than 50 years, Second Story has been transforming the lives of at-risk youths and their families across Northern Virginia by providing a safe haven and opportunities to grow and thrive. From a short-term place to stay for youth in crisis, to long-term housing and life skills support, individual and family counseling, and assistance with basic needs—the organization is committed to helping youth achieve their goals and work toward self-sufficiency; ultimately breaking the cycle of homelessness, abuse, and poverty.

Since 2017, our Tyson's office team has taken a hands-on, active role in supporting the work of this invaluable local organization—both financially and through investing their personal time to help educate teens and young mothers on the importance of financial literacy.

We're thrilled and honored to continue our association with the wonderful work going on every day at Second Story.

L to R: Tom West, Lisa Windsor, David Johnson, and Kyle Smith

If you have any questions regarding our fund or how to participate, we invite you to contact Hayley Wood Bates at 310-712-2323 or hwood@seia.com.