

Assets Aren't Everything: the Retirement Risk Dilemma

Introduction – Boomer Profile

The U.S. Census Bureau estimates that 7,918 baby boomers turn 60 each day – almost 330 an hour. One out of nine boomers will live into their late 90s. Today's boomers envision a retirement vastly different than that of their parents. Many retirees plan to forgo the rocking chair and, instead, pursue a new vocation, start a new business, care for grandchildren or serve on a handful of corporate or non-profit boards. They want a comfortable standard of living in retirement, are optimistic about this next phase of life and are not “retiring” in the traditional sense of the word.

The financial services industry – the mutual fund industry, in particular – has for decades tried to impress on consumers the importance of saving for retirement. Many consumers believe they can lean on a 401(k) plan, pension plan, individual retirement account, social security or savings. But few of America's 79 million boomers are truly financially prepared for the retirement phase of their lives. Most devote little time to thinking about how long those retirement assets will need to last and how they'll handle the uncertainties that can undermine even the best pre-retirement “How much will I need?” projections.

What if there are unforeseen medical bills? What if elderly parents are in need of around-the-clock care – can they afford it? College tuition bills loom – it's all covered, right? For boomers transitioning into retirement, the focus will need to change from asset accumulation to asset protection, income generation and risk management. It will be necessary to use those sources of retirement savings to help provide their monthly income and safety net.

Risky Business

Question: What percent of pre-retirees (age 55-70) have created some kind of plan to convert assets into income?

Answer: 26 percent¹

Numerous reports suggest that boomers have a median total retirement savings in the range of \$40,000 - \$50,000² - a half-boiled nest egg, given that the average retiree has 18 years of retirement ahead of him/her. Trying to stretch those savings across their anticipated life expectancy will be a daunting challenge for most of today's pre- or new retirees, who have been accustomed to steady paychecks and corporate benefits for the past 45 years or so. There are countless, obvious retirement risks, such as longevity, inflation, market volatility and healthcare costs. One of the greatest retirement risks, however, is trying to self-insure.

¹ LIMRA, *Retirement Planning, is it Happening?*, 2006

² Advising Boomers, “Who are the Boomers?” Janet Aschkenasy, 2005

A Path to Retirement

As baby boomers are redefining what retirement means, SecurePathSM by Transamerica, a service of Transamerica Retirement Management, Inc., is taking a different approach to retirement transition planning. The company has a deep understanding of the life-planning and retirement issues facing baby boomers *and how they think*.

SecurePath by Transamerica focuses on the challenge of managing assets *through retirement*, rather than accumulating assets *up to retirement*. Before developing a retirement plan, retirees must understand how retirement risks can eat into the savings that they've spent a lifetime building. With an appropriate mix of investments, insurance and guaranteed income vehicles, retirement nest eggs can be fashioned according to individual financial goals and objectives.

SecurePath by Transamerica has established three offerings to help boomers prepare for this transition - retirement transition education, one-on-one retirement transition guidance and financial strategies for retirement. Financial Advisors (Registered Representatives and Investment Advisor Representatives with InterSecurities, Inc.) staff the St. Paul-based SecurePath Answer Center to provide answers based on the consumer's personal financial goals. Products and services can include a financial planning process, one-on-one advice, IRAs, brokerage account access, long-term care insurance and annuities – essentially a one-stop shop for retirement finance management.

Conclusion – Protecting the Third Age of Life

Throughout their lifetime, consumers maintain a comfort level by insuring the items they love most, such as their family, their health, their homes and their cars. When facing retirement, boomers should consider the many different ways they may be able to help manage the risks that can affect their hard-earned savings. That's something that decades of consumer education on how to maximize your retirement savings has not adequately addressed and one of the fundamental lessons that Transamerica Retirement Management, Inc., by way of SecurePathSM by Transamerica, wants to drive home.

All investments, including variable annuities, involve risk. Investments are subject to market fluctuation and possible loss of principal. Consider an investment's risks, charges and expenses before investing. The prospectus contains this and other information.

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