

# A STRATEGY TO CONSIDER WHEN CLIENTS ARE UNDERSPENDING IN RETIREMENT

Michael Finke, PhD and CFP®, shows how protected income can help even anxious retirees feel comfortable spending their retirement savings and enjoy retirement.

When it comes to saving and spending without pensions, many of today's retirees base their financial plans around their fears of outliving their funds. While it's important to be cautious, too much anxiety can lead clients toward emotional decision-making—to the detriment of their overall satisfaction in retirement.

How can retirees in a post-pension world plan for expenses, emergency savings, and potential legacies without risking their own enjoyment and fulfillment?

## Imagine Retirement Savings as a Loaf of Bread

Finke outlines a new way of thinking about retirement savings in this recent white paper, [A Protected Approach to Retirement Spending](#). He paints retirement savings as a loaf of bread with slices set aside for both emergency and legacy planning. The remaining portion must be strategically divided to last the rest of retirees lives—a challenging proposition when retirees don't know exactly how long their retirements will be. If they try to slice the smallest portions possible, clients run the risk of underspending and living an unsatisfying retirement. If they opt to spend more earlier, they could overspend and end up needing to dramatically cut costs later in life—or outlive their savings altogether.

Rather than using guesswork to divide retirement funds, Finke suggests a protected approach. By setting aside a small portion of their bread loaf (retirement savings) in a financial product that provides lifelong income, clients can hedge for unpredictable markets, help mitigate the risk of outliving their funds, and plan to create the retirement lifestyles they want. And create a bread supply that won't run out.

## Retirement Spending with Satisfaction in Mind

Typical strategies for meeting retirement spending goals include:

- **Investing in more conservative assets such as bonds**—These conservative investments would yield a modest income with minimal risk of losing investors' principal. However, those comparably modest returns likely will not be enough to cover inflation on their own, affecting investors' abilities to spend later in life.
- **Creating a balanced portfolio**—Clients could expect a more competitive return to account for inflation, but retiring into a low or negative sequence of returns could cause them to run out of savings even earlier than expected. Sequence of returns risk—possibly resulting in low or negative returns early in retirement—is a reality those who opt for equity exposure must accept.

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Both options, while useful in their own ways, force clients to carry at least some risk of outliving their retirement funds. Finke's solution is to integrate the higher returns of a balanced portfolio with the security of conservative investments by working with an insurance company to guarantee a minimum lifetime income. Clients would pay a premium for this optional benefit, but they would have a source of retirement income that is protected for life.

Finke concludes by reiterating that the value of insurance is designed to protect against longevity and sequence of returns risk. Reducing these risks by adding income protection provides a strategy for clients who are focused on a comfortable lifestyle without the risk that by living well today, they might ultimately sacrifice spending in the future.

## [Additional Resources and Links](#)

[Retirement Income Strategies](#)

[A Protected Approach to Retirement Spending](#)

[Build Your Practice with the "Lifetime Income Conversation"](#)

[Retirement Income Translator Tool](#)

Asking if clients are spending enough to enjoy the retirements they envisioned is a wonderful way to build relationships and add real value to their lives while creating new opportunities to strengthen your business.

You will find the full white paper below in "Additional Resources and Links" for your review.

## [Next Steps](#)

Some clients may benefit from adding protected income to their retirement portfolios. This may be a great time to review their plans and discuss the value protected income can have for them. Share with them the analogy of creating a bread supply to enjoy in retirement. Start the annuity conversation today!

For more information about retirement planning,  
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