Protect the Nest

A four point plan for making your savings last

Like most investors, you may be concerned about outliving your money. To sustain your savings during retirement, consider strategies that may help address the following four money-diminishing factors:

1. Longer life expectancies

In May 2016, scientists attended a Harvard conference to discuss a groundbreaking new idea — fabricating a human genome from scratch. Using a gene-editing technology called CRISPR[1], scientists believe they may be able to eliminate inherited diseases and even slow the aging process. If you are under 30, you may be part of the first generation in history that could be promised immortality.

While this technology may seem like Hollywood science fiction, it points out a very real fact: We are likely to live longer, and may need our money to last longer than we ever thought. This is particularly true for women, who tend to earn less than men and are more likely to struggle financially after retirement.[2]

Investing for long-term growth remains imperative, which is why stock funds — whose returns historically have outpaced those of all major asset classes — deserve a place in most portfolios.

[1] Clustered regularly interspaced short palindromic repeats. Source: "Will We Be the Last Generation to Die?" Boston Globe, July 11, 2016.

[2] "Shortchanged in Retirement: Continuing Challenges to Women's Financial Future," National Institute on Retirement Security, March 2016.

2. Inflation

Inflation is the rate at which the buying power of a dollar erodes each year. To maintain a reasonable standard of living over time, your investments may need to match or outpace inflation. That's another reason to buy stocks. They historically have produced the highest returns (but also the most risk) of all major asset classes.[3]

[3] Past performance is no guarantee of future results. All investing involves risk, including loss of principal.

3. Market returns

Over time, investing generates stable rates of return: Common stocks have returned about 11% a year, on average with dividends reinvested, since 1926; bonds have earned about 5.5%.[4] But both stocks and bonds have had many years producing lower, even negative, returns. Within shorter time frames, however, returns can be choppy, and you may need to build some uncertainty into your return expectations.

[4] http://www.bankrate.com/finance/retirement/stocks-bonds-and-mutual-funds-1.aspx

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[5] This hypothetical illustration is intended to illustrate the concept of investment compounding and is not predictive of any investment return.

The Rule of 72

To determine how many years it will take to double your money, choose a rate of return and divide it into 72.[5]

Rate of Return	Rule of 72 (Years)
6%	12 Years
8%	9 Years
10%	7.2 Years
12%	6 Years

4. Health care costs

Likely your biggest expense as you age, health care is estimated to cost a healthy 65-year-old couple $266,600 in Medicare premiums alone, according to one study.[6] This doesn't include out-of-pocket expenses or long-term care, dental or vision insurance. Earmarking a large chunk of your nest egg for health care expenses may make sense.

A savings plan that takes these four factors into account can give you greater confidence that your savings can last well into your retirement years.

[6] *Health View Services, 2015 Retirement Health Care Costs Data Report, December 2015.*

[7] *Jason Zweig, "Sorry, You're Just Going to Have to Save More Money," The Wall Street Journal, July 13, 2016. Returns include the effects of inflation. Past performance does not predict future results; http://blogs.wsj.com/moneybeat/2016/07/13/sorry-youre-just-going-to-have-to-save-more-money%E2%80%8B/.*