DW FINANCIAL GROUP

The Hidden Risks in Your Retirement Planning

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The Real Goal of Retirement Planning

For decades, you worked, saved, and invested. You did everything right.

But when the paychecks stop, the rules change completely.

During your working years, every down market was just a dip — you had time to recover. In retirement, every dollar you withdraw during a downturn is gone permanently. Every year of inflation quietly shrinks your purchasing power. Every tax bill you didn't plan for takes income right out of your pocket.

Most people focus on the number — their account balance. But what really matters is how long that balance can fund the life you want.

This booklet breaks down the six hidden risks that quietly undermine even well-funded retirements — and the questions you need to be asking right now.

Because peace of mind starts with knowing exactly where you stand.

Retirement Reality Check

10 Questions That Tell the Truth

Circle YES or NO — and answer honestly.

1. If the market fell 30% next year, would your lifestyle stay the same? YES / NO

2. Do you know what happens to your income if a crash hits in your first two years of retirement? YES / NO

3. Could you still withdraw comfortably if markets stayed flat for five years? YES / NO

4. Do you know what your tax bill looks like at age 73 when RMDs begin? YES / NO

5. If your spouse passed away first, do you know how much your taxes would increase? YES / NO

6. Has anyone tested whether your plan grows faster than inflation and taxes combined? YES / NO

7. Could your plan keep paying if one of you lived to 95 or 100? YES / NO

8. If your "safe" money renewed at half today's rate, would your income still cover your needs? YES / NO

9. Is any portion of your retirement income protected from market losses? YES / NO

10. Has anyone stress-tested your plan against all six retirement risks at once? YES / NO

If you circled NO more than once — keep reading. Every NO is a gap worth understanding.

Risk #1: Tax Risk

The Bill Nobody Warned You About

Most of the money in your IRA or 401(k) has never been taxed. The IRS is a silent partner in that account — and they collect their share the moment you start withdrawing.

For most retirees, taxes aren't a one-time event. They're an ongoing drain that grows over time — through RMDs, IRMAA surcharges, and the Widow's Penalty.

▶ Case Study: David & Carol
Both 70. $850,000 IRA. Felt comfortable. At 73, Required Minimum Distributions pushed their income high enough to trigger IRMAA — adding $3,200/year to their Medicare premiums. Their Social Security became 85% taxable. Then Carol passed away. David's filing status changed to Single — same income, higher tax rate. That's the Widow's Penalty. Three years. Three hits. Zero warning.

Ask Yourself:

➔ What percentage of your savings are in tax-deferred accounts?

➔ Have you projected your RMDs at 73, 76, and 80?

➔ What happens to your tax rate if your spouse passes first?

➔ Does any part of your plan produce tax-free income?

Risk #2: Market Downside Risk

When a Crash Hits — and You Can't Wait It Out

During your working years, you wait out market drops. Time is on your side.

In retirement, you don't have that luxury. When the market falls and you're withdrawing income at the same time, you're selling shares at a loss — and those shares never come back. The market may recover. Your portfolio may not.

► Case Study: The 2008 Lesson
$500,000 portfolio. $2,500/month needed. Market drops 37%. This retiree didn't just lose 37% — they kept withdrawing while the portfolio fell, locking in losses at the worst possible moment. By the time markets recovered in 2013, too many shares had been sold at the bottom to fully participate in the rebound. The recovery happened. Just not for their account.

Ask Yourself:

➝ How much of your income relies on portfolio withdrawals?

➝ Could you survive a 30% correction without being forced to sell?

➝ Do any of your assets have guaranteed income features?

➝ Is your income separated from your market exposure?

Risk #3: Sequence of Returns Risk

Same Returns. Completely Different Outcomes

Two people retire with $500,000. Same 6% average return. Same $2,500/month withdrawal. One runs out of money. The other finishes with $480,000. The only difference? When their losses hit.

► Case Study: Robert vs. Susan
Robert retires in a strong market. His first five years average +8%. Portfolio grows while he withdraws. Year 20: he still has over $480,000.

Susan retires into a downturn. Year 1: -19%. Year 2: -12%. She keeps withdrawing — she has no choice, those are her living expenses. By the time markets recover, she's sold too many shares at depressed prices to catch up.

Year 14: Susan's account is empty.

Same average return. Same withdrawals. Same starting balance.
Susan ran out of money. Robert didn't.
That is sequence of returns risk.

Ask Yourself:

➔ Is your income exposed to market swings in your first 5–10 years of retirement?

➔ Do you have a protected income floor that doesn't depend on market performance?

Risk #4: Inflation Risk

The Slow, Silent Erosion of Everything You've Built

At 3% average inflation, what costs $1.00 today costs $1.81 in 20 years and $2.43 in 30. A $5,000/month lifestyle today could require over $12,000/month by your mid-nineties.

Inflation doesn't feel like a crisis. It feels like inconvenience — until 15 years in, when your fixed income no longer covers your real life.

► Case Study: Margaret's Story

Retired at 67 with $80,000/year — pension, Social Security, CD interest. More than enough at the time. By 82, inflation had quietly cut her purchasing power so that same $80,000 felt like $55,000. Her income hadn't moved. Her costs had. She had to drain savings she'd planned to leave her children — not because of a market crash, but simply because time passed.

Note: Healthcare costs historically rise faster than general inflation. This is often the most underestimated line item in retirement.

Ask Yourself:

→ Does your plan include income sources that can grow over time?

→ What do your expenses look like at 80, 85, or 90?

→ What happens if inflation stays above 3.5% for the next decade?

Risk #5: Interest Rate & Renewal Risk

"Safe" Money That Isn't As Safe As You Think

CDs, treasuries, money market accounts — they protect your principal. But when they mature, they renew at whatever rate the market offers that day. If rates have fallen, your income falls with them — even though your balance stayed the same.

From 2010 to 2021, retirees watching their CD rates drop near zero learned this the hard way. A CD earning 5% in 2007 renewed at under 1% a decade later. That's a 75–80% income cut from a "safe" investment.

► Case Study: Robert & June
$400,000 in CDs at 4% = $16,000/year in income.
CDs matured. Rates had dropped. Renewed at 1.8%.
New income: $7,200/year.
Same $400,000. Nearly $9,000 less per year.
No bad decisions. The environment simply changed.

True safety protects both principal AND income stability. Safety on paper isn't enough if your income gets cut in half at renewal.

Ask Yourself:

→ What happens to your income when your fixed-rate products mature?

→ Do you have income sources not tied to prevailing interest rates?

Risk #6: Longevity Risk

The Risk That Multiplies All the Others

Longevity doesn't just mean living long. It means facing every other risk — more market cycles, more inflation, more interest rate resets, more taxes — for longer than you planned.

Retire at 65, live to 85 — roughly 5 major market corrections.
Live to 90 — add two more.
Reach 95 — potentially 8 full bear markets in retirement.

According to Social Security data, a 65-year-old couple has a 50% chance one spouse lives past 93. A plan built for 20 years may fail at year 27.

► Case Study: Eleanor's Plan
Retired at 66. Plan designed to last 25 years. By 88 she was still sharp, still active — and still needed income. But her projections never accounted for 30 years of retirement. Combined with modest inflation and unexpected healthcare costs, her assets were significantly depleted. She didn't run out because she didn't save enough. She ran out because she didn't plan long enough.

Ask Yourself:

→ What does your income look like at 85, 90, or 95?

→ Are your assets designed to outlive you — or will you outlive them?
→ Do you have any guaranteed lifetime income that cannot be outlived?

Test Your Retirement Plan

No one plans to fail — but most people never stress-test their plan.

Ask your plan these six questions:

➔ If markets fall 30%, how much of your income disappears?
➔ If RMDs push you into a higher tax bracket, are you ready?
➔ If inflation runs at 4% for a decade, can your income keep pace?
➔ If your spouse passes away first, what happens to your taxes?
➔ If rates reset lower, will your "safe" money still work?
➔ If you live to 95 or 100, will your income still be there?

Testing your plan isn't about fear. It's about confidence.

When your plan has been evaluated against real-world scenarios — not just optimistic averages — you can retire with clarity that most people never find.

Retirees with even one guaranteed income stream report meaningfully higher financial confidence than those relying solely on portfolio withdrawals. It's not about having more. It's about knowing it's there.

📅 Schedule Your Retirement Risk Review
Schedule A Call with Dora Here

Or Txt Me at 908-738-9836

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