How a Sequence of Inflation Risk Might Affect Your Retirement

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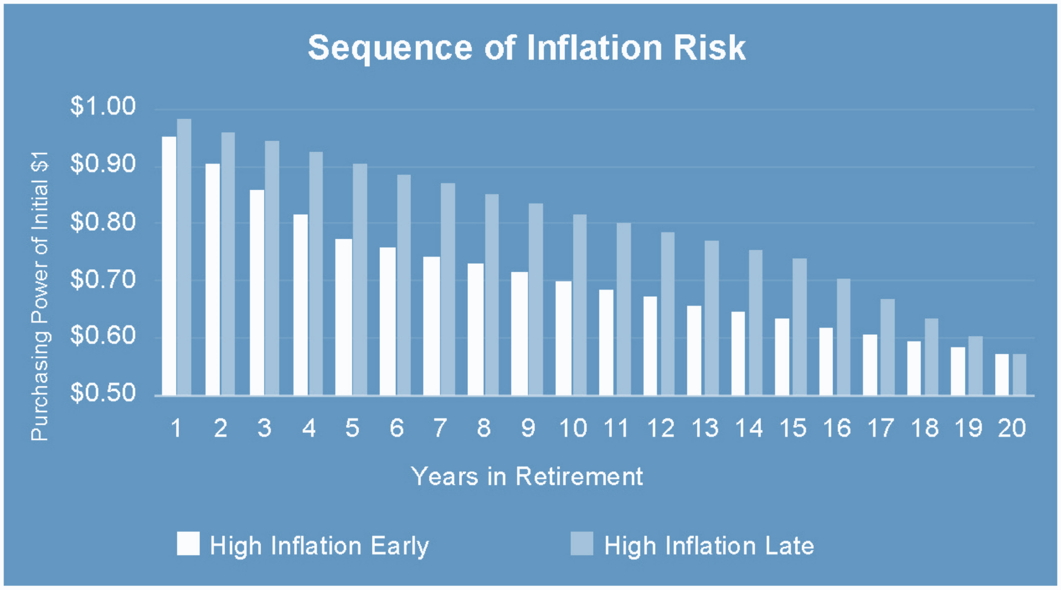
Did you know it is possible for two retirees to lose an identical amount of purchasing power over 20 years, yet one retiree will experience a significantly higher cost of spending because they experienced higher inflation earlier in retirement?

Although an income annuity protects against longevity risk, it is possible that a stable lifetime income guarantee will not allow a retiree to maintain a desired lifestyle if prices rise. Figure 1 shows how a retiree is most at risk of inflation if it occurs during the first few years of retirement as a result of sequence of inflation risk. Inflation risk can be addressed through the use of an annuity with a guaranteed minimum withdrawal benefit that rises as prices increase.

Figure 1: Change in Purchasing Power of an Early and Late Increase in Inflation*



*Source: Michael Finke, PhD, Author, ADV3267 Income Planning in Inflationary Time. The information provided is the sole opinion and judgement of the author. The information contained herein has been obtained and verified by the author and therefore believed to be reliable and accurate at the time of publishing.