

Investment Insight

# 8 Tips to Stop Worrying About Running Out of Retirement Money

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## Key Takeaways

- Use these anchors to replace retirement uncertainty with a feeling of clarity and control over your financial plan.

## Summary

The greatest financial danger in retirement isn't always the stock market—it's the constant, nagging fear of running out of money. This anxiety causes many people to needlessly underspend and worry, even when their finances are sound.

Worry is the result of uncertainty. Peace of mind is the result of anchors—specific, actionable strategies that remove that uncertainty. You can build a multilayered safety net that turns fear into concrete control.

Here are eight ways to anchor your financial life and replace that worry with lasting security. Let's start with ways to replace vague anxiety with solid facts about your current and future spending landscape.

### 1. Realize Your Spending Baseline Is Sustainable

Worry often starts with the vague question, "Am I spending too much?" Retirees can stop this worry immediately by replacing that feeling with a fact.

**Anchor No. 1:** Confirm the exact dollar amount that represents a sustainable withdrawal rate for your portfolio.

Instead of operating on gut feeling, work with an advisor to determine your personal sustainable number (which often sits between 3% and 5%, depending on your situation). Once you know that your desired lifestyle is covered by a responsible withdrawal rate, you can stop guessing and start living confidently, knowing your capital is projected to last.

### 2. Realize You Have the Power to Adjust

Many retirees treat their spending plan like an all-or-nothing system. This rigidity creates panic during market downturns, when they feel powerless against portfolio declines.

**Anchor No. 2:** Know that you are in control and have the ultimate power to create your own destiny.

Adopt a dynamic spending strategy. This means you commit to slightly reducing discretionary spending (like deferring a big trip or renovation) in poor market years. By reducing your withdrawal rate by just 10% when your portfolio is down, you dramatically reduce the risk of permanent capital depletion, allowing the assets time to recover. Realizing you have this emergency brake provides immense control and reduces anxiety when the headlines turn negative.

### **3. Realize Your Spending Will Naturally Decline**

Retirees can reduce worry by recognizing that the high level of discretionary spending they need at age 65 will likely not be the same at age 85, especially once they have long-term care coverage (see anchor no. 7 below).

**Anchor No. 3:** Trust the natural decline in expenses over time.

Expenses for travel, hobbies, dining out, and maintaining multiple homes typically decrease as you age. Knowing that your major risk (long-term care) is insured, you can trust that your remaining costs will naturally ease over the next two decades. This means your money is working harder when you're younger and enjoying it most, and your needs will taper off as your capital naturally draws down.

The next steps create protective layers against the largest threats: market downturns and future tax hikes.

### **4. Create a Recession Buffer (the 'Antipanic' Fund)**

The greatest tactical threat to longevity is sequence-of-returns risk, or the risk of experiencing a large market crash early in retirement, forcing retirees to sell depressed assets to pay for basics such as groceries.

**Anchor No. 4:** Maintain a six- to 12-month cash cushion outside of the market.

This fund, often called a "recession buffer," should hold enough cash or cash equivalents to cover six to 12 months of portfolio withdrawals. This liquidity allows your growth assets (equities) to sit untouched and recover during a market downturn, preventing you from locking in losses. This separation between your living money and your long-term growth money is the most direct way to eliminate panic during volatility.

### **5. Buy Out the Risk of Surprise Taxes**

Future, unknown tax rates and large required minimum distributions from traditional retirement accounts are a major source of financial uncertainty.

**Anchor No. 5:** Eliminate the tax uncertainty by creating a tax-free bucket.

By using targeted Roth conversions—using up lower tax brackets to recharacterize traditional IRAs—you ensure a significant portion of your savings is shielded from all future tax increases. Having a large

tax-free account gives you maximum flexibility to control your taxable income every year, protecting you from future legislation and eliminating the anxiety of surprise tax bills.

Finally, here's how to establish a solid income floor and protect your life against worst-case scenarios.

## **6. Anchor Your Essentials With Guaranteed Income**

Retirement is worry-free when retirees' core, non-negotiable needs (housing, food, basic utilities) are covered by income sources that cannot be touched by market volatility.

**Anchor No. 6:** Maximize your guaranteed income floor.

Social Security is your primary source of inflation-adjusted, government-backed income. While claiming at full retirement age is a safe minimum, aiming to delay retirement until age 70 maximizes your lifetime benefit.

If a gap exists between your guaranteed income and your essential expenses, you can buy a single premium immediate annuity. This annuity converts a lump sum of savings into an unbreakable income stream throughout your lifetime, officially closing the gap and securing your basic lifestyle.

## **7. Buy Protection Against Catastrophic Care Costs**

Worrying about running out of money is often a subconscious fear of the most expensive risk: long-term care. This is the single largest threat to a lifetime of savings.

**Anchor No. 7:** Purchase long-term care insurance to take catastrophic risk off the table.

A quality long-term care policy protects your nest egg from being wiped out by nursing home or in-home care costs. Once that risk is contained, you no longer need to worry about a seven-figure expense appearing unexpectedly.

## **8. Use Home Equity as Your Ultimate Backstop**

Home equity serves as the ultimate psychological and financial parachute.

**Anchor No. 8:** Recognize that your home is a huge, flexible reserve.

Even if you intend to age in place, the equity in your home is your reserve for worst-case scenarios—such as severe market crashes or unforeseen emergencies—that requires no immediate action. In an extreme situation, accessing this capital through a reverse mortgage, a line of credit, or eventually downsizing and selling provides an unparalleled safety net, allowing you to invest your remaining liquid portfolio with more confidence.

You are now equipped with multiple strategies to build financial security. Which anchor will you work on first?

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