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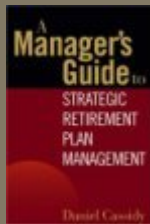
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Client Profile



Since its founding, in 1959, Instrumentation Laboratory has led the rapidly evolving markets of clinical diagnostic systems for blood gas/electrolytes analysis, hemostasis and clinical chemistry. IL's renowned medical technology is used every day in hundreds of hospitals and laboratories around the globe. It is IL's focus on its customers - and on the patients whose lives are touched by its products - that is guiding the company into the next century.

For more information, please visit www.ilww.com.

Upcoming Presentation

Dan will be speaking at the NEEBC Connection Series: "21st Century Retirement" on March 14th at the Massachusetts Medical Society in Waltham, MA. This will be the first of three sessions in the series, which is designed for benefits professionals seeking in-depth knowledge of benefits-related topics and issues.

Topics to be discussed include:

- Series Overview
- What is Retirement Today?
- Retirement Income
- Case Studies

For more information, please [click here](#).

Article Included in SOA Syllabus

Dan's article, "Equities in DB Plans - Is the Traditional 60/40 Mix a Dinosaur?" is included in the syllabus for the Society of Actuaries Retirement Company/Sponsor Perspective course. The article was originally published in the September 2005 issue of *Employee Benefit Plan Review*.

To read the article in PDF format, please [click here](#).

Series on Risks Facing Retirees at Distribution - Longevity Risk

In last month's article, we discussed inflation risk and how it can be compared to a sailor in a leaky boat. A retiree has to keep bailing just to keep up. This month, we'll focus on longevity risk - the risk of out-living one's assets.

General Overview

As far as risks go, this is a good one to face - you're alive!! However, the ramifications of out-living one's assets are not pleasant at all. The poverty statistics for elderly (10% according to the National Bureau of Economic Research) should be a wake up call to those who believe retirement will take care of itself.

Longevity risk is the opposite of mortality risk - risk of dying. Interestingly, workers - from entry level to high-earners - are very comfortable buying life insurance to protect against premature death. It is not unusual to have two or three times annual pay as the coverage amount - even more for people with children. They can identify with the risk and so willingly purchase life insurance either through a group program at work or on their own.

Resources

For those who like statistics, contemplate this:

- Average Future Lifetime for person age 65 = 18 years (i.e. roughly 50% chance of living at least 18 years)
- Married retirees age 65 - 2/3 will have at least one spouse live to age 85

For a comprehensive study on the public's misperceptions about retirement security, [click here](#).

Sinking Sailor

Using our analogy of the sailor in the leaking boat, longevity risk can be expressed as the ever-present question on the sailor's mind - "How much longer will I have to bail?" For retirees, the question is, "How much of my retirement portfolio do I want to annuitize?" Many retirees don't even consider this question - ever. Whereas life insurance is an easily understood financial instrument, annuities have an image problem. Retirees either don't understand them, don't trust them (too expensive, high commissions) or both. In addition, many retirees value the possibility of passing along an inheritance of the remaining IRA balance to their heirs.

The following chart shows in a simplified model of three asset allocation strategies how effective each strategy is at first - stopping the leaks from getting bigger, then second, reducing the risk of having to bail forever.

Sailor	Leak Stoppage (i.e. Inflation Risk Hedged)	Bailing Duration (i.e. Longevity Risk Hedged)
Invested in mutual funds (e.g. age-based retirement funds)	None/unhedged	Not certain/unhedged
Invested in inflation protected securities	Yes/hedged	Not certain/unhedged
Invested in inflation protected annuities	Yes/hedged	Certain/hedged

Each retiree needs to consider both inflation and longevity as they decide how to deploy their assets. The financial services industry is coming out with more products that try to address these concerns - both annuity/life insurance based and mutual fund based. For example, a retiree might not want to annuitize their entire balance, but say dedicate 10-20% to buying a deferred annuity to insure them against living too long [For an age 65 person, buying an annuity that starts at age 85].

Resources

For more information on Cassidy Retirement Group, please visit www.cassidyretirement.com.