



3 Trends to Keep an Eye On When Planning for Retirement



If you're just trying to get through the present, you're not alone. But, that doesn't mean you can forget to look to the future and prepare for challenges you could face. There are indications that we could see higher taxes in the future, more market volatility, and continuing low interest rates. Here are three trends to keep an eye on when planning for retirement.

A Large National Debt

New data from the Congressional Budget Office shows that the national debt is expected to be greater than the size of America's economy¹. This hasn't happened since World War II when the government dramatically increased spending.² This is important to note because tax rates remained relatively high in the decades following the war, and the same could happen after this pandemic. Those nearing and in retirement should think about ways to minimize their taxes in 2020 and beyond. This may include converting to a Roth IRA, reviewing an estate plan, and using tax-efficient investing strategies.



An Unpredictable Stock Market

Since March, we've seen the market experience major dips and recoveries. Although the initial stimulus packages helped boost the economy, passing more legislation may be difficult with gridlock in Washington. Looking forward, the market has historically done poorly in October during election years,³ since markets don't like uncertainty. Most retirees will experience at least one bear market in retirement and the average retiree will likely face three to five bear markets in retirement.³ That's why it's important to manage investment risk and not rely exclusively on timing the market. By assessing your risk tolerance and developing an appropriate strategy, you can help to protect yourself from future market downturns. An advisor can help you create an investment approach that fits your needs and helps to minimize the effect of market drops.

Low Interest Rates

The Federal Reserve recently outlined their plan, and it's likely that low interest rates are here to stay for more than just the next few months.⁴ We could see near-zero interest rates for years, making it difficult for retirees to earn a reasonable amount of interest with their savings. The combination of low interest rates and a volatile market could potentially make generating retirement income difficult, but by no means impossible. Those with savings may have many options for creating guaranteed lifetime income and earning interest on their principle.

No one can predict the future, but anyone can create a plan to help protect themselves against retirement risk. Today's retirees could face a tough combination of low interest rates, high taxes, and market volatility, and may need to make their money last longer than previous generations. We're here to help you to and through retirement. To get started on a comprehensive retirement plan, sign up for a complimentary financial review.

[1] <https://www.forbes.com/sites/sergeiklebnikov/2020/08/31/stocks-just-had-the-best-august-since-1984-but-history-shows-trouble-is-on-the-way/#13790f032b06>

[2] <https://www.prudential.com/advisors/insights/retirement-readiness/managing-risks-to-retirement>

[3] <https://www.cnbc.com/2020/08/31/the-fed-could-be-locked-into-zero-rates-for-five-years-or-even-longer.html>



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