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# Balancing Risk with Future-Proof Strategies

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Financial risks are factors that can directly impact your financial goals. Here are three main areas of financial risk to consider.

# #1 Inflation Risk

It's easy to forget about inflation, especially during periods when it's low. But if you're planning for the long term, you can't ignore the potential impact inflation will have on your bottom line.

### 30 years of inflation impact – 1990 to 2022/2023

**Everyday Expenses**

| | | | |
|---|---|---|---|
| Dozen Eggs[1] | 1990: $1.01 | 2023: $2.51 | 148% Increase |
| Gallon of Gas[2] | 1990: $1.15 | 2023: $3.45 | 200% Increase |

**Big Ticket Items**

| | | | |
|---|---|---|---|
| New Full-Size Car[3] | 1990: $15,472 | 2023: $47,010 | 204% Increase |
| New Home[4] | 1990: $151,200 | 2023: $427,400 | 183% Increase |

# #2 Unknown Risks

Planning for unknown risks is a difficult — but important — part of risk planning.

When you consider the statistics around premature death and illness, it's not hard to see how a single illness can completely derail your financial goals. In fact, **medical bankruptcies represent 66.5% of all personal bankruptcies.**[5]

**6 in 10**

Americans live with at least one chronic disease.[6]

**Every 40 Seconds**

A stroke occurs in the US.[7]

**2024**

The first year new U.S. cancer cases are expected to cross the 2 million mark — that's almost 5,500 cancer diagnoses a day.[8]

# #3 Market Risk

## Need to take a loan out of your 401(k)? Plan on retiring soon?

The best laid plans can be derailed if the market has a downturn just when you want to access your money — and if you can't wait out a downturn, the impact can be significant.

The most significant impact can be on retirees. Consider the following scenarios:

## Scenario – Down Market

Jessica retires at age 65 in the year 1999, at the start of a down market with an account balance of $1,000,000. By age 78, her account is reduced to $0.

### Early Negative Returns

Income distributions begin in a down market, based on S&P 500 returns from 1999-2021.

| Age | Return | Distribution | Account Value (EOY) |
|---|---|---|---|
| 65 | 0.00% | $50,000 | $950,000 |
| 66 | -10.14% | $51,500 | $802,170 |
| 67 | -13.04% | $53,045 | $644,522 |
| 68 | -23.37% | $54,636 | $439,261 |
| 69 | 26.38% | $56,275 | $498,862 |
| 70 | 8.99% | $57,964 | $485,746 |
| 71 | 3.00% | $59,703 | $440,616 |
| 72 | 13.62% | $61,494 | $439,135 |
| 73 | 3.53% | $63,339 | $391,297 |
| 74 | -38.49% | $65,239 | $175,448 |
| 75 | 23.45% | $67,196 | $149,395 |
| 76 | 12.78% | $69,212 | $99,276 |
| 77 | 0.00% | $71,288 | $27,988 |
| 78 | 13.41% | $31,741 | $0 |
| 79 | 29.60% | $0 | $0 |
| 80 | 11.39% | $0 | $0 |
| 81 | -0.73% | $0 | $0 |
| 82 | 9.54% | $0 | $0 |
| 83 | 19.42% | $0 | $0 |
| 84 | -6.24% | $0 | $0 |
| 85 | 28.88% | $0 | $0 |
| 86 | 16.26% | $0 | $0 |
| **87** | **26.89%** | **$0** | **$0** |

*5% adjusted for inflation annually.*

## Scenario – Up Market

Suppose the returns were reversed so that Jessica retired in an up market. In that case, at age 87 she would still have $1,366,976 in her account!

### Early Positive Returns

Income distributions begin in an up market, based on same returns but reversed from 2021-1999.

| Age | Return | Distribution | Account Value (EOY) |
|---|---|---|---|
| 65 | 0.00% | $50,000 | $950,000 |
| 66 | 26.89% | $51,500 | $1,153,955 |
| 67 | 16.26% | $53,045 | $1,288,543 |
| 68 | 28.88% | $54,636 | $1,606,038 |
| 69 | -6.24% | $56,275 | $1,449,546 |
| 70 | 19.42% | $57,964 | $1,673,084 |
| 71 | 9.54% | $59,703 | $1,772,993 |
| 72 | -0.73% | $61,494 | $1,698,557 |
| 73 | 11.39% | $63,339 | $1,828,684 |
| 74 | 29.60% | $65,239 | $2,304,736 |
| 75 | 13.41% | $67,196 | $2,546,605 |
| 76 | 0.00% | $69,212 | $2,477,393 |
| 77 | 12.78% | $71,288 | $2,722,716 |
| 78 | 23.45% | $73,427 | $3,287,766 |
| 79 | -38.49% | $75,629 | $1,946,676 |
| 80 | 3.53% | $77,898 | $1,937,495 |
| 81 | 13.62% | $80,235 | $2,121,146 |
| 82 | 3.00% | $82,642 | $2,102,138 |
| 83 | 8.99% | $85,122 | $2,205,999 |
| 84 | 26.38% | $87,675 | $2,700,266 |
| 85 | -23.37% | $90,306 | $1,978,909 |
| 86 | -13.04% | $93,015 | $1,627,844 |
| **87** | **-10.04%** | **$95,805** | **$1,366,976** |

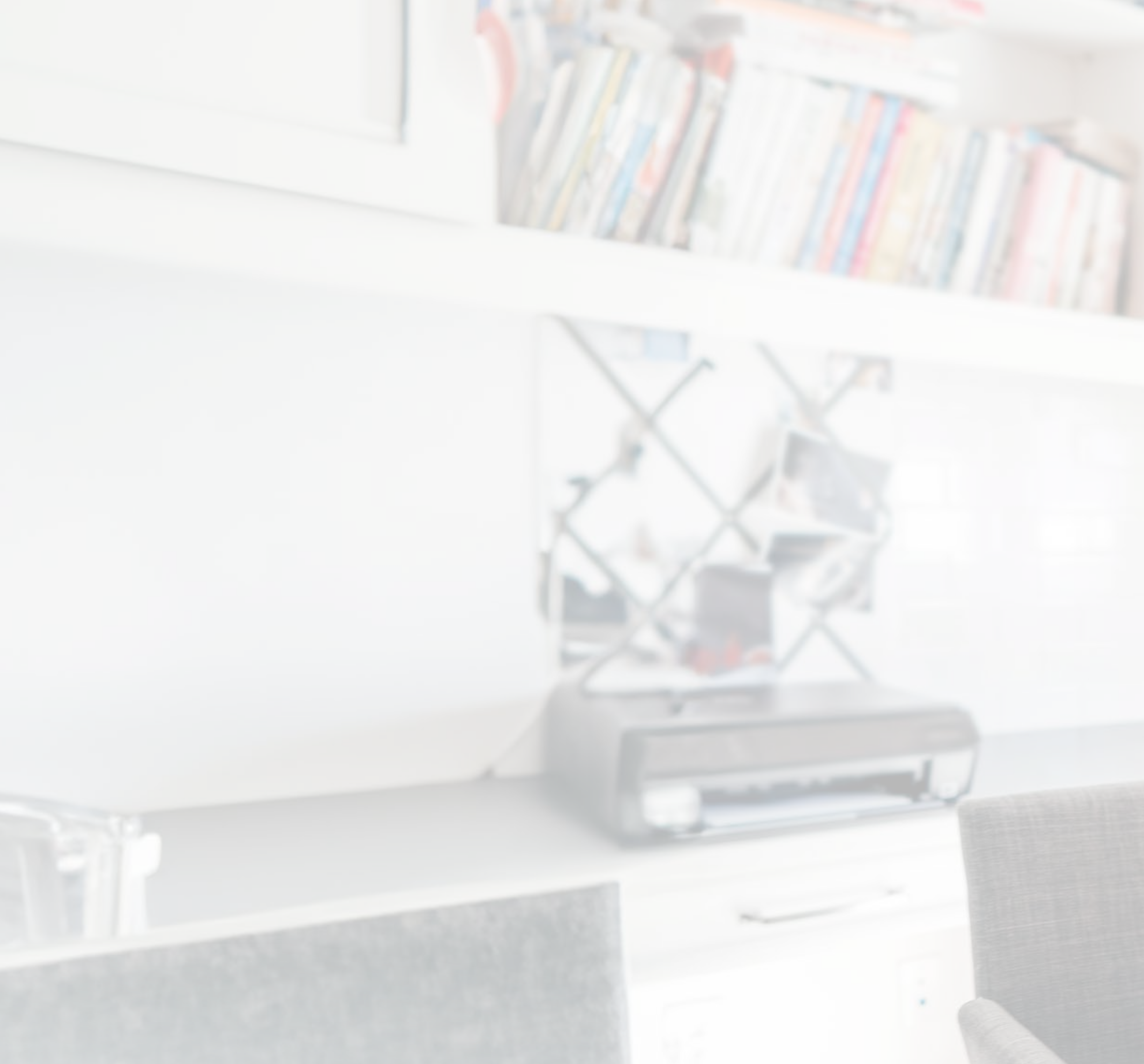
The examples shown are hypothetical, are used for illustration purposes only, and do not take into account other sources of retirement income. It is not recommended that one invests 100% of assets in one type of account. Past performance is not an indication of future results.

Source: Standard & Poor's Financial Services LLC (S&P), a subsidiary of The McGraw-Hill Companies, Inc.

## So how do you avoid inflation, unknown risks, and market risks?

***You can't.***

**But you can plan for them** by balancing some of those risks using future-proof strategies. Talk with your Financial Representative today about your financial goals and how you can better help mitigate the financial risks in your life.



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2. https://www.eia.gov/petroleum/gasdiesel, August 2024

3. https://www.statista.com/statistics/274927/new-vehicle-average-selling-price-in-the-united-states, June 2024

4. Federal Reserve Economic Data, https://fred.stlouisfed.org

5. https://www.retireguide.com/retirement-planning/risks/medical-bankruptcy-statistics, Oct. 2023

6. https://www.cdc.gov/chronicdisease/index.htm, May 2023

7. Centers for Disease Control and Prevention https://www.cdc.gov/stroke/facts.htm , May 2023

8. The American Cancer Society, https://www.cancer.org/research/acs-research-news/facts-and-figures-2024.html, Jan. 2024