



Article from

**Pension Section News**

September 2015  
Issue 87

# Good Tool for Helping Clients and the Public

By the Committee on Post-Retirement Needs and Risks

**"Managing Post-Retirement Risks: A Guide to Retirement Planning"** has been produced by the Society of Actuaries' Committee on Post-Retirement Needs and Risks and is commonly referred to as the Risk Chart. In its third edition, the Risk Chart provides a comprehensive discussion of various post-retirement risks and strategies for managing such risks. Both individuals and plan sponsors should find the chart helpful in understanding these risks and in designing plans to manage them.

For each identified risk, the discussion includes some background, a discussion of how well the risk can be predicted, some strategies for the management of the risk and its consequences, and additional comments. The risks include the commonly discussed risks such as longevity, inflation, interest rates, and stock market changes. In addition, risks include seldom discussed risks such as business continuity, post-retirement employment, changes in public policy, unexpected health care needs, lack of available facilities or caregiv-

ers, loss of ability to live independently, change in housing needs, change in marital status, unforeseen needs of family members, and bad advice, fraud or theft. After the discussion of the risks is a discussion of related planning issues. In this article, we will mention a few of the issues that people often do not think about.

One section discusses public policy risk. Some of the elements of public policy risk include increases in taxes, new kinds of taxes, reductions in benefits from public programs, increases in Medicare contributions, tougher standards to qualify for Medicaid, and unknowns under the Affordable Care Act. Some of the strategies mentioned in connection with this risk are using tax-exempt bonds, Roth IRAs and Roth 401(k)s. The discussion of Roth includes conversions from taxable IRAs.

The section on housing needs discusses whether the housing accommodates aging. It also discusses special housing for the elderly, including housing targeted at people with certain health or mental conditions. The discussion of strategies and housing includes some mention of long-term care insurance and Medicaid, but points out that most special housing is financed out-of-pocket by the individual. The discussion includes a focus on paying off a mortgage, taking a reverse mortgage and the use of continuing care retirement communities.

Another section, "Other change in marital status," discusses divorce and the resulting impact on benefits. The Employee Retirement Income Security Act of 1974 (ERISA) provisions with regard to splitting pension benefits are mentioned as are the use of prenuptial agreements for couples with children from prior marriages who marry at older ages. ■

