

Nashville Business Journal

MARCH 30-APRIL 5, 2007

The greatest risk of all could be a long life short on savings

Anyone who considers investing – and that should be everyone – must come to terms with the concept of risk.

There are market, economic and interest rate risks. There are also credit risks, currency risks and liquidity risk. The list goes on. Even though all these factors are important, the biggest risk is one that's often overlooked – the risk of running out of money too soon.

You can be the most sophisticated scholar of market dynamics and able to explain the nuances of investment products from derivatives to hedge funds. But that all becomes moot if your investment plan doesn't take into account the realities of modern American lifespans.

Americans are living longer than ever before. According to the most recent data from the Centers for Disease Control and Prevention, our average life expectancy is 77.6 years. If that's the average, then it is quite likely that many of us are going to live even longer.

'Have you planned on the possibility that you might live to be 90 or 100? It's a more common occurrence than you might think.'

Have you planned on the possibility that you might live to be 90 or 100? It's a more common occurrence than you might think. Actuarial science suggests that if you live

to the age of 65 you have a better than average chance of reaching your late 80s.

If you live to be 80, you will probably spend about 15 years or more in retirement. Will your current investment plan and spending habits support you for that long? The fact is many of us have no idea. We simply hope things will turn out well. But hope is not an investment strategy.

You may have to depend on your children to take care of you. A lot of baby boomers have become sandwiched between taking care of their children and supporting their parents.

That is a situation that will quickly drain your assets if you and your relatives have not planned for it. It may also be the beginning of a cycle that will carry on to the next generation.

While we're living longer, the cost of keeping us healthy in our later years has skyrocketed. It is estimated that \$2.2 trillion was spent on health care last year, an average of \$7,129 per person. Again, that's the average. Many of us will pay more than that.

The cost of health care as a whole is not only increasing, the price goes up for individuals as they age and need greater care. Long-term care, in particular, is a very costly. In 2005, \$206.6 billion was spent on long-term care in this country. The average annual cost of a private room in a nursing home was \$71,000 in 2006.

A recent study reported in *The San Diego Tribune* showed that 43 percent of individuals with at least \$500,000 in assets believed that health care costs would consume a major portion of their wealth.



GUEST COMMENTARY

DERRICK JONES

They are right to be worried.

What's more shocking is that 57 percent did not think health care would be a significant drain on their assets.

We're living longer, paying more to do so and becoming a burden to our children when the money runs out. That is a bleak picture of retirement. But it doesn't have to be.

No matter what your investment portfolio looks like right now, you can improve it through a time-tested, three-part strategy comprised of disciplined spending, habitual savings and working with a financial professional to create a realistic plan to assure that your money does not run out in old age.

The key word here is "discipline." The best-laid plans won't matter if you stray from the path and fail to keep a check on your spending habits. You do not have to live like a Trappist monk to retire with dignity and comfort. But you do have to save your money habitually, invest it wisely and seek the advice of a professional you trust.

Do that, and your long life will be happy, healthy and comfortable. Where's the risk in that?

Derrick Jones is managing director of wealth management services for Nashville Bank & Trust. www.nashvillebankandtrust.com

LOANS • CHECKING • PRIVATE BANKING • WEALTH MANAGEMENT • TRUST SERVICES

4525 Harding Road

Suite 300

615-515-1700

www.nashvillebankandtrust.com

Hours: 9 a.m. – 4 p.m., Mon. - Fri.



**NASHVILLE
BANK
&
TRUST®**

Member FDIC