

Financial Needs Cornerstones

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The financial services industry has traditionally focused on helping clients plan for retirement and accumulate funds. This has meant providing strategies for accumulating assets, optimizing returns, and reaching the financial goals of retirement. But the world has changed. The first

baby boomers have already turned 60; human longevity has increased so much that a person might spend as many years in retirement as he or she spent in the working world; and health care has become one of the most important costs to plan for in retirement.

Our goal is to help clients maintain their lifestyle for decades past retirement age with strategies that ensure they do not run out of



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money. At Genworth Financial, we have established a comprehensive program called Financial Needs Cornerstones designed to help our clients think systematically about their financial needs within the context of their entire lives.

The first cornerstone is accumulation and wealth management, and represents the traditional expertise of the financial services industry. For this cornerstone, our primary focus is on the growth and preservation of investments, with a secondary focus on passing on wealth efficiently and in accordance with client wishes.

The second cornerstone is lifestyle preservation, and it is primarily concerned with how clients protect their financial assets through the use of insurance. This cornerstone represents the need to build strategies to deal with the consequences that sickness, accidents, or longevity can have on any retirement plan.

At the heart of this second cornerstone is providing for the long term care expense that statistics tell us one out of every four Americans will need at some point. Long term care planning is planning for the entire family. Who will help when a client needs long term care? What happens to a client's life when he or she has to provide long term care for a spouse or relative? This planning is essential to every client's financial and economic well being.

The third cornerstone represents a guaranteed, sustainable retirement income. Even in cases where there has been a substantial accumulation of assets, a portfolio that has to provide income for 40 or 50 years carries significant risks. Relying solely on a fixed income during retirement is like having a job that does not give a raise for 25 years. Will those assets support the investor through the ups and downs of market cycles and the significant erosion of buying power for 25 years or more?

We no longer view this issue in a linear way. It is extremely unrealistic for retirees to think they

can count on a 3% inflation rate, a 9% portfolio return and a withdrawal rate of 6%, stretching out indefinitely over many years. Given the new longevity factors, industry experts have used Monte Carlo simulations to model a wide variety of economic factors over a wide variety of market cycles. The results suggest that 4% may be the safe withdrawal percentage, and even this is not a sure thing. One of the most important risks concerns the timing of a client's retirement: retiring in a down market and losing money in the first year of retirement can devastate a well-planned retirement strategy. The addition of an annuity's sustainable income stream can mitigate risk and provide retirees with both some level of control and the security of a lifetime of income. We can offer suggestions about using annuities effectively within the context of the entire retirement plan.

We hope that this introduction to our Financial Needs Cornerstones program has provided our readers with food for thought. For more in-depth information that is also customized to an individual's own situation, call your Genworth Investment Adviser Representative today.

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