

Retirement Income: Investors' withdrawal plans

Almost 75% of survey respondents plan to spend annually at least 5% of their nest egg in retirement

By **Lisa Shidler**

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Of 607 investors polled online for *InvestmentNews* last month, 72% expected to withdraw at least 5% of their nest egg each year in retirement.

According to the e-mail survey, 27.3% of investors intended to spend between 1% and 4% of their nest egg each year in retirement, 46% planned to use 5% to 9%, 17.8% intended to use 10% to 14%, and 8.9% planned to withdraw 15% or more.

Financial advisers generally suggest clients withdraw 4% to 6% of their portfolio annually in retirement.

It's not surprising that consumers would estimate that they can take out more money than they probably should, said Aaron Skloff, a principal and financial adviser with Skloff Financial Group in Berkeley Heights, N.J. His firm manages about \$10 million. "Not only do they not know how much to withdraw, but they're not very realistic in terms of how long they'll be in retirement," Mr. Skloff said.

Another problem with consumers' expectations, he said, is that many of them are accustomed to generating high returns, which may not be possible in down markets.

"I think whether they realize it or not, people are inherently assuming return on portfolios will be the 10% returns they've experienced prior to the last downturn," Mr. Skloff said.

When investors were asked who currently provides their overall financial planning/investment advice, as well as advice about retirement, 47.9% said a financial adviser, investment adviser or securities broker, while 40.7% said they don't consult anyone. Of the latter group, 48.6% said they might consider using a financial professional to help with retirement planning.

Asked how their expected income in retirement will compare to their current income, 33.6% said they intended to spend the equivalent of 75% to 80% of their current income in retirement. But 13.5% of respondents expected to spend 100%, 32.2% planned to spend 50% to 75%, 11.4% said they'd spend less than 50% and 9.4% said they didn't know what they'd spend.

When questioned about the size of the nest egg they would need to feel comfortable in retirement, 38% of respondents believed they would feel comfortable with \$1 million or less, 31.7% said \$1 million to \$2 million, 23.9% answered \$2 million to \$5 million, and the comfort level for 6.2% of respondents was \$5 million or more.

The survey showed that 39.2% of respondents planned to retire between ages 61 and 65, while 23% planned to retire between 50 and 60, and 25.5% expected retiring between 66 and 70.

When investors were asked whether they would consider buying a financial product similar to a pension that provides steady, guaranteed income, 65.6% of respondents said they would consider buying such a product. However, Mr. Skloff has concerns about some of these products, such as annuities.

"I happen to think very lowly of the annuities," he said.

But getting guarantees is appealing to some clients, said Greg Zandlo, president of North East Asset Management, a Coon Rapids, Minn., firm with about \$23 million in assets.

"Some may want a product so they can put their retirement income on autopilot," he said. "Is that the best course of action for them? It may be, just so they don't have to worry."

Meanwhile, industry leaders are trying to create new products, said Scott Sanderson, vice president and managing director in the institutional solutions group at Hartford Life Inc. in Simsbury, Conn.

"We're talking about providing a little more peace of mind for guaranteed income for a slice of their retirement needs that gives them flexibility," he said.

Retirement income products have gotten easier for advisers to understand, said Dave Longfritz, a senior vice president and general manager of retirement income and rollover solutions for Boston-based John Hancock Financial Services Inc.

"I think we've made it easier for advisers who before would roll their eyes about annuities," he said.

The survey was conducted in conjunction with four business-to-business publications of Detroit-based Crain Communications Inc.: Crain's Chicago Business, Crain's Cleveland Business, Crain's Detroit Business and Crain's New York Business.

E-mail Lisa Shidler at lshidler@investmentnews.com.
