Retirees are living longer than ever and as physicians plot their retirement strategies, they need to consider how long their savings will last and what kind of lifestyle their assets will provide, according to Jason Combs, executive vice president of Millennium Brokerage Group in Nashville, Tennessee.

Combs discussed long-term retirement income strategies in a webinar for AMA Insurance Agency Inc., a wholly-owned subsidiary of the AMA (watch the video).

“Retirement today looks a lot different than it used to,” Combs said. Defined-benefit pensions plans—at one time the cornerstone of retirement strategies—have generally disappeared from private employment. Meanwhile, savings interest rates dropped dramatically, and life expectancies have increased, creating a demand for greater and more enduring retirement income.

When I’m 95

Retiring physicians can anticipate life expectancies of 89 for females and 86 for males and need to plan accordingly, he said, “and most financial planners are suggesting a planning horizon that goes to age 95 for most couples.”

Thy key question for physician retirees who have substantial retirement savings is “how much can I safely take out of that account and not run the risk of running out of money before I run out of life,” he said. Traditional retirement-planning guidelines say individuals can safely withdraw 3% to 4% of their savings per year, but for a retiree seeking an annual income of $100,000, that creates the need for a very large balance of $2.5 million to $3.3 million in initial retirement savings.

Combs noted that many advisers recommend a balanced portfolio approach to retirement savings using a mix of 60% stocks and 40% bonds as an individual approached retirement to maintain some of the stock market upside with bond income. But he noted a challenge in the bond returns, which are at
historic lows of less than 1.5%, and also experiencing historic levels of volatility.

**Fixed annuities vs. bonds**

To offset the low bond rates, Combs recommended considering fixed-index annuities, which are insurance contracts that guarantee investment performance linked to a stock market index such as the S&P 500 or the Dow Jones Industrial Average.

The fixed-index annuities usually protect against losses with a cap on upside gains. These annuities can be designed to create guaranteed lifetime income, he noted, with less downside risk.

Combs said that based on current bond interest rates, fixed-index annuities can provide a substantially better return most of the time as a substitute for bonds in a balanced retirement portfolio. Annuities also allow retirees to generate an income stream without hampering investments that remain in the stock market, he said.

Permanent life insurance and long-term care insurance can also contribute to securing retirement income, by helping retirees address different life-event scenarios, Combs said.

AMA Insurance offers life, disability, home, and auto insurance and provides access to other financial services products through Millennium Brokerage Group LLC, a strategic marketing partner of AMA Insurance.

**Life insurance and long-term care**

These “both are tools that can be utilized in the overall planning that needs to be done,” Combs said.

For example, he said, there are tax advantages with life insurance that do not exist with any other investment vehicles and “you can utilize those advantages in your income strategy in retirement.”

Meanwhile, “long-term care products have become much more flexible,” Combs noted. Many, for example, now offer optional cash-like benefits. “It’s not just nursing-home care, but other benefits that can be used almost like income for the final stages of your life,” he said.

Combs also recommended that physicians seek the advice of financial experts in designing retirement strategies that meet their specific needs and savings income.
If you don’t have a financial adviser, you can find one with information from the Certified Financial Planners organization, Financial Industry Regulatory Authority or through the AMA Insurance Physicians Financial Partners program. The program provides access to a nationwide network of independent and experienced financial professionals who have undergone a comprehensive due-diligence process by AMA Insurance.

The AMA Senior Physicians Section (AMA-SPS) gives voice to—and advocates for—issues that affect physicians 65 or older, both active and retired. Learn more about AMA-SPS.