

WHITE PAPER

The Pre-Retiree's Guide to Protecting Wealth in a Volatile Market

Smart strategies for Americans aged 55–65 navigating retirement planning

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15%

of employees still have
access to a pension plan

\$165K+

estimated healthcare costs
per person in retirement

1 in 5

Americans will be 65+
by 2030

IMPORTANT DISCLOSURES

This white paper is intended for informational and educational purposes only and does not constitute financial, legal, or tax advice. The strategies and information presented herein are general in nature and may not be suitable for all investors. Annuity guarantees are subject to the financial strength and claims-paying ability of the issuing insurance company. Past investment performance does not guarantee future results. Contribution limits referenced are for 2025-26 and are subject to IRS adjustment. Please consult a qualified financial advisor, tax professional, or attorney before making investment decisions.

Executive Summary

Retirement planning looks fundamentally different than it did a generation ago and most people navigating it today already know that. [Traditional pensions](#) have largely given way to self-directed savings, lifespans are longer, and healthcare costs continue to climb. For Americans in the 55–65 window, the opportunity is in planning ahead with the right tools. [Only 15% of employees](#) today still have access to a pension plan, which means the vast majority are building their own path and the strategies to do it well are well within reach.

This white paper examines four evidence-based strategies that pre-retirees can use to build a resilient, sustainable income plan: fixed lifetime income annuities, Health Savings Accounts (HSAs), portfolio diversification, and tax-efficient distribution planning. Together, these tools form a comprehensive framework for protecting and growing wealth — regardless of what the market does.

1. Fixed Lifetime Income Annuities: Guaranteed Income for Life

One of the most persistent anxieties for pre-retirees is outliving their savings. A fixed lifetime income annuity directly addresses this risk by converting a portion of your savings into a guaranteed income stream that lasts for the rest of your life — regardless of market conditions, [according to Fidelity](#).

How It Works

When you purchase a fixed lifetime income annuity, you exchange a lump sum of savings for guaranteed periodic payments. These payments can begin immediately or at a future date you select at the time of purchase. Unlike market-based investments, the income stream is not subject to volatility — making it a powerful anchor for a diversified retirement income plan.

Key Insight

Fixed lifetime income annuities can sometimes provide higher income payments than bonds, CDs, or money market funds, thanks to the “longevity bonus” — a mortality pooling benefit where assets from shorter-lived annuitants support payouts to longer-lived ones. The longer you live, the more you receive.

Optional Features to Consider

- Beneficiary protection to preserve assets for heirs
- Annual payment increases to help keep pace with inflation
- Withdrawal features on select products to address liquidity needs

The Trade-Off

The primary trade-off with an income annuity is that you typically give up control of the portion of savings used to purchase it. However, in exchange, you eliminate the burden of managing that capital to generate income and gain a predictable, lifelong income floor. Ask your financial advisor about withdrawal features available on some products, which may help mitigate liquidity concerns.

✓ KEY TAKEAWAYS

- An income annuity creates a guaranteed income floor that is immune to market volatility.
- The “longevity bonus” often makes annuity payments higher than comparable fixed-income products.
- Optional riders can add inflation protection and beneficiary benefits
- You trade liquidity for certainty; annuities work best as one component of a diversified income plan.

2. Social Security: Maximizing Your Lifetime Benefit

For most Americans, Social Security will be one of the largest sources of guaranteed retirement income — yet the decision of when to claim is one of the most consequential and frequently misunderstood choices a pre-retiree faces. Claiming at the wrong time can cost tens of thousands of dollars over a lifetime.

Understanding Your Claiming Window

[You can begin claiming Social Security benefits](#) as early as age 62 or delay up to age 70. The age at which you claim has a dramatic impact on your monthly benefit:

Claiming Age	Monthly Benefit	vs. Full Retirement Age
Age 62 (earliest)	~\$750*	-30% reduction
Age 67 (Full Retirement Age)	~\$1,000*	Baseline
Age 70 (maximum)	~\$1,240*	+24% increase

* Illustrative example based on a \$1,000 Full Retirement Age benefit. Your actual benefit depends on your earnings history. Full Retirement Age is 67 for those born in 1960 or later.

The Case for Delaying

Each year you delay claiming past your Full Retirement Age, your benefit grows by approximately 8% — a guaranteed, risk-free return that is difficult to match in any market environment. For a healthy individual who expects to live into their 80s or beyond, delaying to age 70 can significantly increase lifetime income, [per Charles Schwab](#).

However, delaying is not always the right choice. If you have health concerns, need income immediately, or have a lower life expectancy, claiming earlier may make more sense. Couples also have additional planning opportunities using spousal and survivor benefits to maximize household income over both lifetimes.

Coordinating Social Security With Other Income Sources

- Bridge strategy: Use savings or part-time work income to cover expenses from 62–70 while delaying Social Security to maximize the benefit
- Roth conversion opportunity: Lower income years before Social Security begins are ideal for Roth IRA conversions
- Medicare coordination: Enrolling in Medicare at 65 is separate from Social Security claiming — do not conflate the two decisions
- Spousal benefits: A lower-earning spouse may be eligible for up to 50% of the higher earner's Full Retirement Age benefit

Verify With SSA.gov

Social Security rules are complex and subject to change. Benefit estimates, Full Retirement Age calculations, and spousal benefit rules should always be verified directly with the Social Security Administration at <https://www.ssa.gov/myaccount/statement.html>. The “my Social Security” online portal at [ssa.gov/myaccount](https://www.ssa.gov/myaccount) allows you to view your personalized earnings record and benefit estimates at any age.

✓ KEY TAKEAWAYS

- Delaying Social Security from 62 to 70 can increase your monthly benefit by up to 77%.
- Each year of delay past Full Retirement Age adds approximately 8% — a guaranteed return.
- Couples should coordinate claiming strategies to maximize combined lifetime household income.
- Always verify your benefit estimates and eligibility rules directly at [ssa.gov](https://www.ssa.gov).

3. Health Savings Accounts: The Triple Tax Advantage

Healthcare costs are among the most significant — and most underestimated — expenses in retirement. A 65-year-old retiring today is expected to spend \$165,000 on healthcare throughout retirement. For couples, that figure can exceed \$351,000. Assisted living facilities average \$68,000 per year, with significantly higher costs in major metros.

The Health Savings Account (HSA) is widely recognized as one of the most powerful tools available to manage these costs, [according to The Entrust Group](#). When used strategically, an HSA can be more tax-advantaged than a traditional or Roth IRA.

The Triple Tax Advantage

- **Tax-Deductible Contributions:** Reduce your taxable income now. Payroll deductions also bypass FICA taxes.
- **Tax-Free Growth:** Interest, dividends, and investment gains accumulate without tax.
- **Tax-Free Withdrawals:** Funds used for qualified medical expenses are withdrawn completely tax-free.

2026 HSA Contribution Limits

Coverage Type	2026 Contribution Limit
Self-only coverage	\$4,400
Family coverage	\$8,750
Catch-up contribution (age 55+)	+\$1,000

Key HSA Features for Pre-Retirees

- Funds roll over indefinitely — no “use-it-or-lose-it” rule like an FSA
- Account is portable and owned by you — not tied to an employer, unlike an FSA
- After age 65, withdraw for any purpose (non-medical withdrawals taxed as ordinary income)
- No Required Minimum Distributions (RMDs), allowing indefinite tax-free growth
- HSA is not medical coverage: Once you enroll in any part of Medicare, you and your employer must stop contributing to your HSA to avoid tax penalties. Ensure all contributions cease before the month of your 65th birthday.
- Invest in stocks, mutual funds, ETFs, or alternative assets through a self-directed HSA

Common HSA Mistakes to Avoid

Under-contributing, leaving funds in cash (missing investment growth), poor record-keeping of qualified expenses, and withdrawing early for non-medical purposes are the most common pitfalls that erode HSA value.

✓ KEY TAKEAWAYS

- HSAs offer a rare triple tax advantage: deductible contributions, tax-free growth, and tax-free withdrawals for medical expenses.
- Pre-retirees 55+ can contribute an extra \$1,000 per year via the catch-up provision.
- After 65, an HSA functions like a traditional IRA for non-medical withdrawals.
- Avoid leaving HSA funds in cash — invest them for long-term growth.

4. Portfolio Diversification: “Don’t Put All Your Eggs in One Basket”

Market volatility is inevitable. What separates resilient retirement portfolios from fragile ones is diversification — the strategic spreading of assets across multiple investment types so that no single downturn can derail your financial plan, [according to Vanguard](#).

As Vanguard advises: rather than trying to pick winners and avoid losers, diversification calls for owning a piece of the entire market. The old saying captures it well: “If you can’t find the needle, buy the haystack.”

The Science Behind Diversification: Correlation

Diversification works through a concept called correlation — the degree to which different investments move together. When you combine low-correlation assets, your portfolio experiences smaller swings. For example, when stock prices fall, high-quality bonds typically rise. By holding both, you reduce extreme volatility while maintaining long-term growth potential.

Building a [Balanced Portfolio](#)

- Stocks: Higher expected long-term returns, but subject to substantial short-term swings
- Bonds: Lower returns but greater stability; tend to offset stock declines
- Investment-grade bonds and dividend-paying stocks: Generate regular income to support spending while leaving principal intact during market downturns
- Alternative assets (real estate, commodities): May provide additional diversification benefits

Important Caveat

A diversified portfolio may underperform a single winning investment in any given period. The goal is not maximum return — it is stability, consistency, and the ability to sleep at night knowing your retirement plan can weather volatility.

✓ KEY TAKEAWAYS

- Diversification reduces portfolio volatility by combining assets that don't move in lockstep.
- Bonds and stocks have historically had low correlation — holding both smooths out swings.
- Dividend-paying stocks and investment-grade bonds can generate income without selling principal.
- Patience is key: if you can ride out downturns, asset prices have historically recovered.

5. Tax-Efficient Distribution Planning

How and when you withdraw retirement funds can be just as important as how you invest them. Distributions from qualified retirement plans (401(k)s, traditional IRAs) are taxed as ordinary income — and poor planning can push you into higher tax brackets, eroding decades of savings.

Understanding Required Minimum Distributions (RMDs)

Once you reach a certain age, the IRS requires you to begin taking minimum annual withdrawals from tax-deferred accounts. [RMDs begin at:](#)

- Age 73 for individuals born after 1950 but before 1960
- Age 75 for individuals born after 1959

RMDs reduce your control over timing and amount of withdrawals, often triggering higher tax bills. However, there are ways to get ahead of those tax bills.

The Income-Smoothing Strategy

[One powerful approach](#) is to begin taking distributions before you are required to do so. If you are over 59½, you can withdraw from tax-advantaged accounts early to reduce your future RMD burden. By drawing down these accounts gradually, you lower the balance subject to mandatory distributions — potentially keeping you in a lower tax bracket later.

Strategy Trade-Offs

Early distributions mean paying taxes now rather than later. If tax rates decline in the future, early withdrawals may cost more than waiting. However, if rates rise, early action could generate meaningful savings. Always consult a qualified tax advisor for guidance specific to your situation.

The Time-Segmented “Bucketing” Strategy

[Morgan Stanley](#) recommends aligning pools of assets with the spending needs of different retirement phases:

- Early retirement bucket: Invested conservatively to minimize volatility impact as you draw down funds
- Mid-retirement bucket: Moderate risk profile, balancing growth with stability
- Late-retirement / legacy bucket: Invested more aggressively for long-term growth potential, with more time to recover from market downturns

Note: Bucketing can be complex to manage across multiple accounts without changing existing structures. Consult a financial advisor before implementing this approach.

✓ KEY TAKEAWAYS

- Distributions from 401(k)s and traditional IRAs are taxed as ordinary income — timing matters.
- Consider early withdrawals after 59½ to reduce future RMD burdens and manage tax brackets.
- The “bucketing” strategy aligns asset risk with your spending timeline across retirement phases.
- Always work with a qualified tax advisor before making distribution decisions.

Are You on Track? Pre-Retirement Self-Assessment

Use this checklist to gauge your retirement readiness across the five strategies covered in this white paper. Check off what you've completed — and use any unchecked items as your action priorities.

INCOME FOUNDATION

- I have estimated my expected monthly expenses in retirement
- I have identified all guaranteed income sources (pension, annuity, Social Security)
- I have evaluated whether a lifetime income annuity is appropriate for my situation
- I have calculated my income gap (expenses minus guaranteed income)

SOCIAL SECURITY

- I have created a “my Social Security” account at ssa.gov/myaccount
- I have reviewed my earnings record for accuracy
- I have modeled my benefit at age 62, Full Retirement Age, and 70
- If married, my spouse and I have discussed a coordinated claiming strategy

HEALTH SAVINGS ACCOUNT

- I am enrolled in an HSA-eligible high-deductible health plan (HDHP)
- I am contributing the maximum annual amount (including catch-up if 55+)
- My HSA funds are invested, not sitting in cash
- I am keeping receipts for qualified medical expenses for future tax-free reimbursement

PORTFOLIO & TAX PLANNING

- My portfolio is diversified across asset classes (stocks, bonds, alternatives)
- I have reviewed my asset allocation to ensure it reflects my retirement timeline
- I have modeled my future RMDs and understand the tax implications
- I have spoken with a tax advisor about early distribution or Roth conversion strategies
- I have a plan for covering expenses if a market downturn occurs early in retirement

Next Step

If you checked fewer than half of these items, consider scheduling a comprehensive retirement review with a qualified financial advisor. The earlier you address these gaps, the more options you will have.

Conclusion: A Framework for Retirement Resilience

The retirement landscape has shifted fundamentally. With pensions largely a relic of the past and Social Security facing long-term questions, the responsibility for funding a secure retirement falls squarely on individuals. But the tools and strategies to meet this challenge are available — to those who plan ahead.

The five-pillar framework outlined in this white paper — lifetime income annuities, Social Security optimization, HSA optimization, portfolio diversification, and tax-efficient distributions — provides pre-retirees with a comprehensive approach to protecting wealth and generating sustainable income across a retirement that may last 25 to 30 years or more.

Closing Thoughts

The most important step is the first one: start planning now, before market volatility or healthcare costs force reactive decisions. A proactive, diversified strategy is the most powerful tool available to any pre-retiree.

