

Table 2: 3-R Matrix Sample: Building a Contingency Fund

Recognize	Reduce			Residual
Risks	Avoid	Mitigate	Transfer	Assume
Healthcare	Medicare + Medicare Supplements	Medicare + Medicare Supplements	Medicare + Medicare Supplements	No supplemental policies, hold extra cash
Property	Rent, public transit	Own, have property/ casualty or renter's insurance, HECM expanding line of credit	Rent	Own, but insure with high deductibles, requires higher cash reserves
Institutional Exposure	Keep within FDIC, National Credit Union Administration, State Insurance Guaranty, Pension Benefit Guaranty Corporation limits	Use highest rated or multiple banks and insurance companies, etc.	Use multiple banks, insurance companies, etc.	Overexpose to an institutional partner willingly
Stock Options	Sell	Stock protection fund, out of the money puts	Stock protection fund, out of the money puts	Hold
Market	Do not invest in market securities, invest in annuities, CDs, bank savings	Invest with options strategies, in defined outcome ETFs, or annuities with buffers, inverse funds, HECM expanding line of credit	Invest with options strategies, in defined outcome ETFs, or annuities with floors, inverse funds, HECM expanding line of credit	Unsystematic risk, buy and hold using asset allocation to provide risk control
Longevity	Annuitize	Social Security delay strategy, annuitize, pension income, reverse mortgage, contingent deferred annuity	Create 3-S income from contractually secure sources, contingent deferred annuity ¹³	Buy and hold using asset allocation to provide risk control
Inflation	Spend less when inflation strikes	TIPS, I-bonds	Pre-pay expenses as far out as possible	Buy and hold using asset allocation to provide risk control
Long-Term Care	Never need care	Insurance, home equity, veteran's benefits, use existing cash flow, HECM expanding line of credit or reverse mortgage tenure payments	Insurance, continuing care facility	Keep cash on hand or designate a liquid asset or home value
Premature Death	Eat well, exercise, no high-risk activities	Life insurance, prepay burial expenses	Life insurance	Keep cash on hand or designate a liquid asset
Elder Abuse	Trusted contacts with multiple checks/balances	Trusted contacts with multiple checks/balances	Trusted contacts with multiple checks/balances	No legal plan in place for elder frailty or trusted contacts
Public Policy	N/A	Vote	N/A	Adjust lifestyle if needed
Tax Policy	N/A	Tax mitigation strategies by income band	N/A	Adjust lifestyle if needed

Source: Modern Retirement Theory