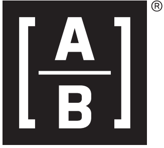


RETIREMENT INCOME: PLAN ON IT!

DETERMINING YOUR RETIREMENT PATH IS AN IMPORTANT STEP IN PLANNING FOR RETIREMENT INCOME.

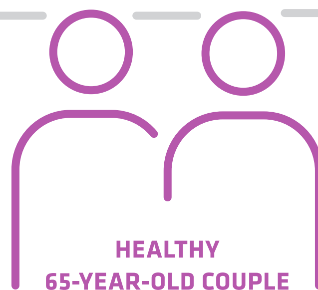
Today's retirement landscape is very different than it was for previous generations. We're living longer, more active lives. And we need to make sure we don't outlive our money.

How much retirement income can you expect from your 401(k), IRA and other savings? That's a critical question to ask as you piece together your various sources of retirement income, which can include Social Security, pensions and the salary you'll earn if you continue to work.

"THE QUESTION ISN'T AT WHAT AGE DO I WANT TO RETIRE; IT'S AT WHAT INCOME."

–George Foreman (Professional boxer, b. 1949)

LONGER LIFE EXPECTANCIES



50% CHANCE — **HEALTHY 65-YEAR-OLD COUPLE** — **AT LEAST ONE WILL LIVE TO AGE 90**

A man reaching age 65 today can expect to live, on average, until just past age 84. And a woman turning 65 today can expect to live, on average, until almost 87. Those are just averages. Some people will live even longer. About one-fourth of 65-year-olds today will live past age 90, and an astounding 10% will live past age 95.

It has always been a challenge for people to generate sufficient lifetime retirement income. Now that we are living even longer, it's more important than ever to plan ahead.

Source: American Academy of Actuaries, Social Security Administration and Society of Actuaries, 2016

FROM A RETIREMENT-SAVINGS PLAN TO A RETIREMENT-INCOME PLAN

MAKE A PLAN! IT'S THE KEY TO GENERATING RETIREMENT INCOME AND PREPARING FOR THE UNEXPECTED.

When you're planning for retirement, saving money is half the battle. The other half is figuring out how to generate a steady paycheck that will last throughout your retirement.

Financial-planning discussions often downplay the shift from retirement-savings planning to retirement-income planning: ensuring that you have enough regular income to meet basic expenses and preparing for possible financial burdens in your retirement, such as unplanned medical expenses.

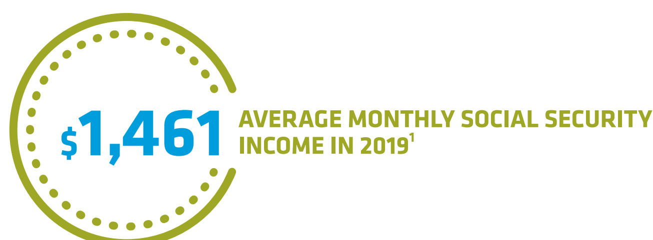


FIGURE OUT HOW MUCH MONEY YOU'LL NEED

Two popular rules of thumb can help you estimate how much you'll need to save and how much you might withdraw in retirement: the "multiply by 25" and "four percent" rules.

MULTIPLY BY 25 RULE

This simple method lets you estimate how much money you'll need in retirement by multiplying your annual expenses by 25. As a general rule, you will need to save 25 times your annual expenses to retire. So, if you need to withdraw $40,000[2] per year from your retirement portfolio, you'll need to save $1 million ($40,000 × 25). This rule of thumb doesn't take into account other sources of retirement income, such as pensions, rental properties or Social Security.

ANNUAL EXPENSES		MULTIPLICATION FACTOR		RETIREMENT SAVINGS YOU'LL NEED
$40,000	×	25	»	$1,000,000

FOUR PERCENT RULE

This rule lets you estimate how much you can withdraw on an annual basis once you retire (assuming you'll be in retirement for about 30 years). For example, if you've saved $1 million[3] for retirement, you could safely withdraw $40,000 (4% of $1,000,000) per year. As its name suggests, this rule of thumb says you may withdraw 4% of your retirement portfolio during the first year.

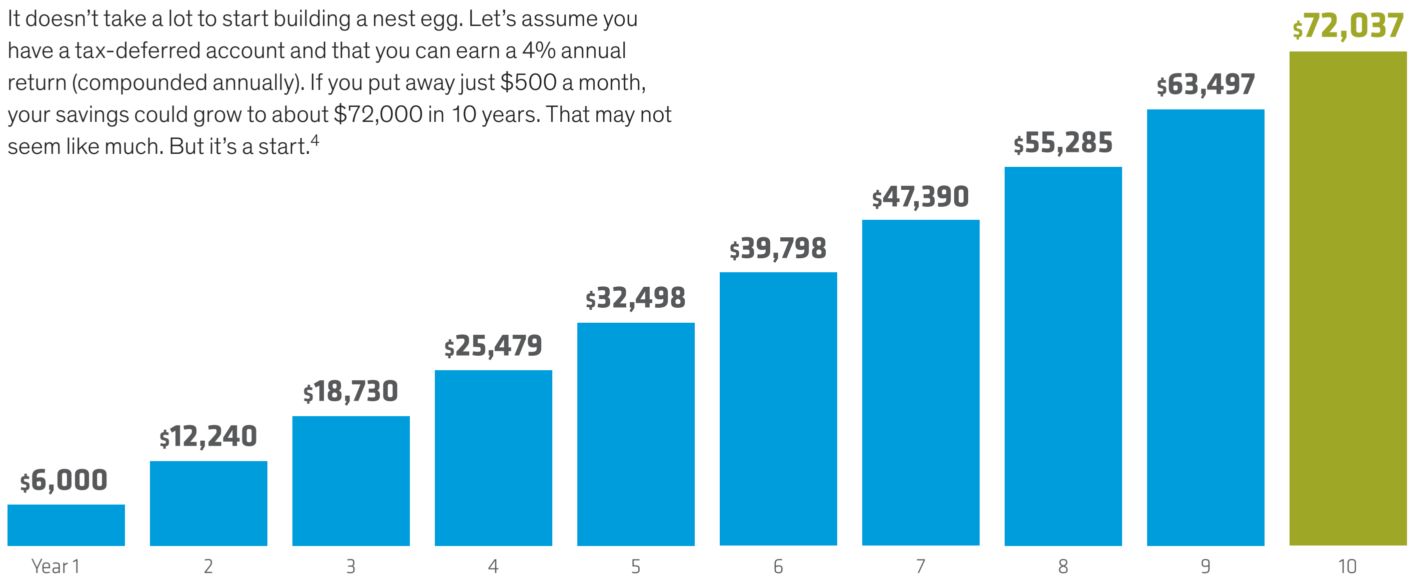
RETIREMENT SAVINGS		WITHDRAWAL RATE (4%)		ANNUAL WITHDRAWAL
$1,000,000	×	.04	»	$40,000

Please consult your financial or tax advisor for advice regarding your own circumstances.

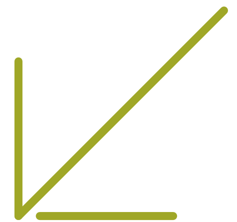
1 Source: Social Security Administration Fact Sheet
2 Assumes an annualized real return of 4% per year, that stocks over the long run (15 to 20 years or more) will produce annualized returns of roughly 7%, and 3% inflation per year
3 Assumes a 4% return

SAVE IT! YOU'LL BE HAPPY YOU DID

It doesn't take a lot to start building a nest egg. Let's assume you have a tax-deferred account and that you can earn a 4% annual return (compounded annually). If you put away just $500 a month, your savings could grow to about $72,000 in 10 years. That may not seem like much. But it's a start.[4]



If you want to see how much more you can save and what other great investor calculators and information are available, check out the SEC's investor website at www.investor.gov.



PUT A PLAN INTO ACTION

START SAVING NOW

Try to save at least 10% of your gross income—more if you can.

USE YOUR COMPANY'S RETIREMENT-SAVINGS PLAN

Consider a target-date fund:[5] a type of investment[6] that keeps you appropriately invested from your early working years until well past retirement.

TAKE ADVANTAGE OF CATCH-UP CONTRIBUTIONS

If you're over 50, you can start taking advantage of catch-up contributions.

USE THE HELP AVAILABLE TO YOU

If your company's retirement plan offers advice, take it. Studies have shown that investors who took advantage of their plan's advice and offerings, including target-date funds, earned median investment returns roughly 2%–3% higher per year than investors who didn't. That's significant.

4 Source: US Securities and Exchange Commission (SEC)
5 Each fund is named for a "target date": the approximate year when you expect to retire and start withdrawing from your account. Funds furthest from their target dates emphasize growth potential by investing almost entirely in equities. As investors move closer to—and into—retirement, the funds automatically adjust to a more conservative asset mix.
6 Investment products are not FDIC insured, may lose value and are not bank guaranteed.

Past performance does not guarantee future results. An investor cannot invest directly in an index, and its performance is not representative of any investment in the plan. Diversification does not eliminate the risk of loss.

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