
Retirement Income Planning
Planning for a Financially
Successful Retirement



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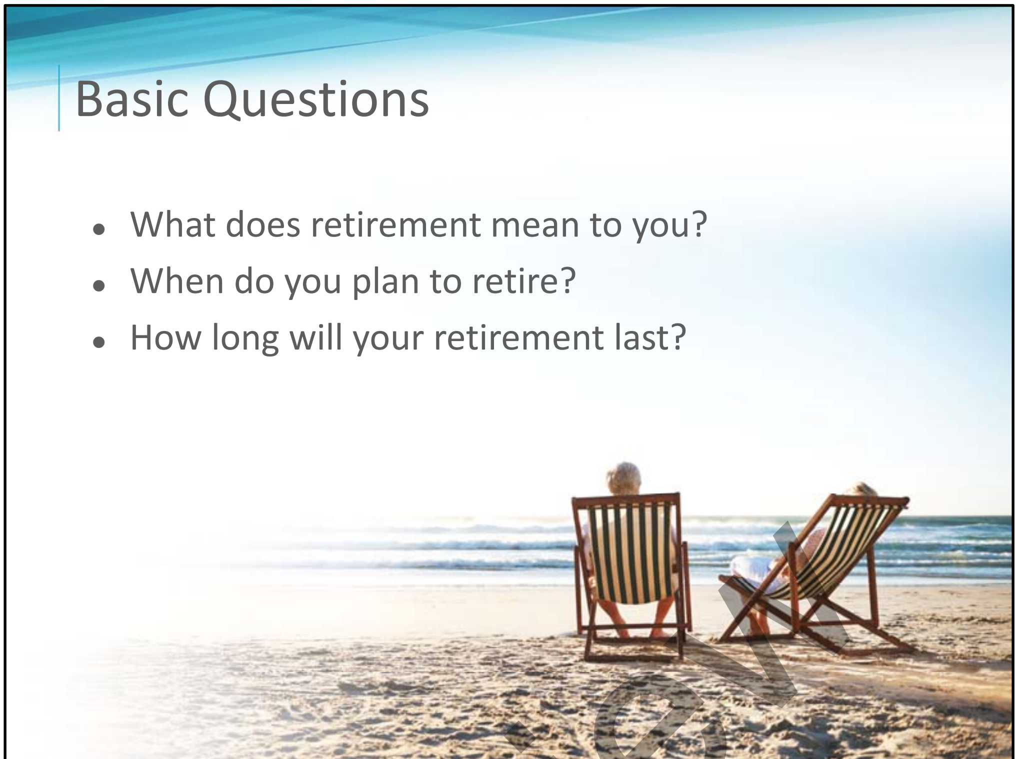


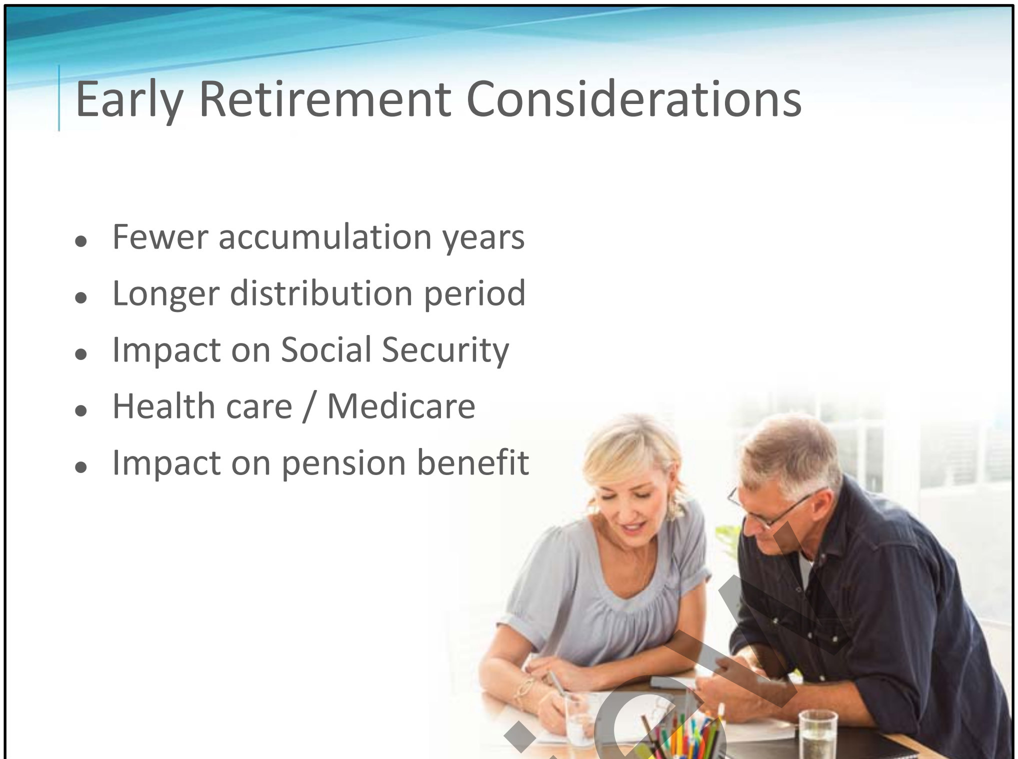

Planning for retirement income starts with three basic questions:

• <CLICK>What does retirement mean to you? That is, what do you want and expect in retirement? Do you plan to travel? Pursue a hobby? Volunteer your time, or start a new career or business? It's important to consider your expectations carefully, because your retirement income plan will be designed to support the retirement lifestyle that you envision.

• <CLICK>When do you plan to retire — as we'll discuss, the age at which you plan to retire can have an enormous impact on your overall retirement income situation.

•<CLICK>How long will your retirement last — in other words, how long a distribution period should you plan for?

Let's spend a few minutes now discussing the last two questions …



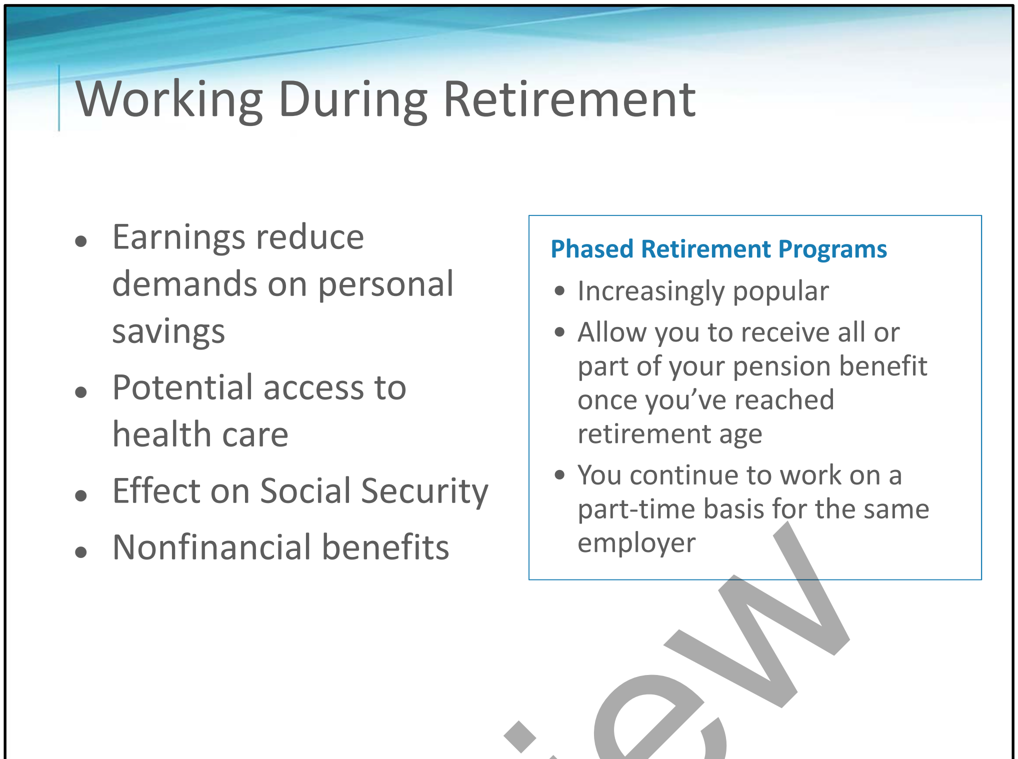



As we've mentioned, *when* you decide to retire can have an enormous impact on your overall retirement income situation. Let's consider early retirement. Most of us would like the chance to retire early, but early retirement can have significant financial repercussions.

<CLICK> First, when you retire early, you're giving up what could be prime earning years. These are years during which you could be making significant additions to your retirement savings. <CLICK> In addition, the earlier you retire, the longer the period of time that your retirement assets will need to provide for your support, and the greater the risk that you will outlive your money.
<CLICK>You can begin receiving Social Security retirement benefits as early as age 62. However, if you elect to start receiving benefits at age 62, your benefit may be as much as 25% to 30% less than if you waited for normal retirement age (66 to 67, depending on the year you were born). We'll discuss Social Security in more detail later on.
<CLICK>You're not eligible for Medicare until you turn 65. Unless you'll be eligible for retiree health benefits through your employer, have coverage under a spouse's plan, or take another job that offers health benefits, you'll want to factor in the cost of paying for insurance or health care out-of-pocket, at least until you qualify for Medicare at age 65.
<CLICK>Additionally, if you're fortunate enough to be covered by an employer pension plan, you'll want to check to make sure that it won't be negatively affected by your early retirement. Because the greatest accrual of benefits under a pension plan generally occurs during your final years of employment, it's possible that early retirement could effectively reduce the benefit you receive.


As you may suspect, delaying retirement presents certain advantages when it comes to retirement income planning.

<CLICK>The longer you work, the longer you'll be able to continue contributing to your retirement savings.
<CLICK>Even if you're no longer adding to your retirement savings, delaying retirement postpones the date that you'll need to start withdrawing from your savings. And a shorter distribution period could significantly enhance your savings' potential to last throughout your lifetime.
<CLICK>In addition, delaying retirement may mean that you can delay taking Social Security retirement benefits, potentially increasing your annual benefit when you do begin taking payments.
<CLICK>Continued employment may also mean continued access to company-sponsored health insurance.






Of course, if you plan to work during your retirement, it can have an impact.

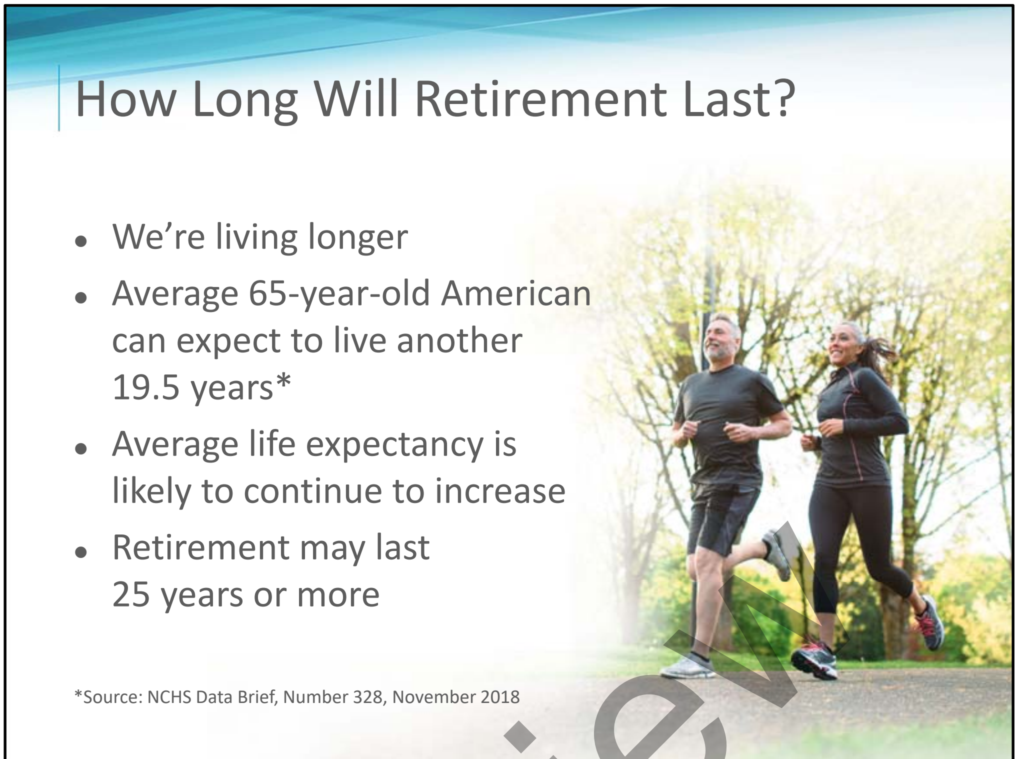
<CLICK>The obvious advantage of working during your retirement is that you'll be earning money and relying less on your retirement savings, leaving more of your savings to potentially grow for the future and helping to stretch your personal savings.

<CLICK>In addition, full- or part-time work during retirement could potentially provide access to affordable health care (more and more employers are offering health benefits to part-time employees as well as full-time employees).

<CLICK>If you do work during retirement, you will want to make sure that you understand how the income you earn might affect your Social Security benefits. While your earnings may increase your Social Security retirement benefits in future years, current benefits could be reduced. For example, for years before you reach full retirement age, $1 in Social Security retirement benefits will generally be withheld for every $2 you earn over the annual earnings limit ($17,640 in 2019). Special rules apply in the year that you reach full retirement age.

<CLICK>It's worth noting that there are a number of nonfinancial reasons that motivate individuals to work in retirement. For example, you may value the social interaction, sense of accomplishment, and structure that your career provides, and ultimately decide that full- or part-time work, launching a new career, or starting your own business is the right decision for you.

<CLICK>One last observation on the topic: If you're working for an employer that offers a traditional pension, determine whether working part-time will impact your benefits. If your benefit is based on your final average pay, it's possible that working part-time could reduce your benefit. It could also be worth inquiring about any phased retirement program that your employer might offer. These programs allow you to receive all or part of your pension benefit while you continue to work on a part-time basis.






When it comes to your retirement, how long a period should you plan for?

<CLICK>The good news is that we're living longer lives. The bad news? That generally translates into a longer period of time that you'll need your retirement income to last.

<CLICK>According to the National Center for Health Statistics, the average 65-year-old American can expect to live for another 19.5 years. [Source: NCHS Data Brief, Number 328, November 2018.]

<CLICK>Life expectancy has increased at a steady pace over the years, and is expected to continue increasing. In fact, in the year 2016, there were nearly 82,000 Americans age 100 or older, and in 2035, that figure is projected to nearly double. [Source: U.S. Census Bureau, September 2018]

<CLICK>The point I want to make is that, for many of us, it's not unreasonable to plan for a retirement that lasts for 25 years or more, which means your income and savings will need to last that long as well.


Every retirement income plan has to balance three main goals:

<CLICK> Maximize your ability to enjoy your retirement.  That means making sure you have the financial ability to do the things that you want to do.

<CLICK> Minimize the chance that you will outlive your money.

<CLICK> Manage the financial risk of unwelcome life events such as serious illness, the need for long-term care, or other unanticipated expenditures for yourself or your family.




Once you know when your retirement will start, how long it may last, and the type of retirement lifestyle you want, it's time to estimate the amount of money you'll need to make it all happen.

<CLICK>First, you'll want to estimate your future retirement expenses to determine how much annual income you'll need during retirement, factoring in the potential cost of health care and long-term care.

<CLICK>Then, you'll want to consider the major factors that will affect your retirement income plan. For example, you'll need to adjust your annual income estimate to account for inflation. You'll also want to understand the potential impact of taxes and investment risk.

<CLICK>Then, total all fixed income sources you expect to receive, including Social Security and any employer pension plan that you can count on.

<CLICK>When you compare your adjusted income needs to your anticipated fixed income sources, you'll likely find that you won't have enough income to meet your needs and goals. Closing this difference, or "gap," is an important part of your retirement income plan.

<CLICK>To supplement your fixed income sources, you'll have to rely on your retirement savings. How you should go about this, including the products and strategies that you should consider, depends upon your current retirement assets, the amount of additional income that you need to generate, and the ability of you (and your plan) to tolerate risk.

Let's look at step one in the process — estimating how much income you'll need.