focus On®

Retirement

Building a Comfortable Lifestyle for Tomorrow

PREVIEW

Contents

This material was written and prepared by Broadridge Advisor Solutions.

Introduction

What Do You See When You Imagine Retirement?

Most people imagine retirement as a happy time — a reward for a lifetime of hard work, full of possibility and potential. Many look forward to pursuing hobbies and traveling, while others may see the opportunity to go back to school or start a new career or business.

Americans are living longer, healthier lives than ever before, which means retirement could take up a full third of your life. That's why your retirement assets will have to do more for you over a longer period of time.

And that makes *planning* for retirement essential.

Three Keys to Funding a Comfortable Retirement

1 Determine Your Needs

- Examine factors that will influence your personal situation
- Assess the financial resources available to you
- Calculate a retirement savings goal

2 Develop an Investment Strategy

- Invest strategically
- Reduce exposure to risk while pursuing portfolio gains

3 Protect Your Nest Egg

- Adjust your portfolio when necessary
- Consider risk protection to help safeguard assets

Factors That Influence Your Retirement Income Needs

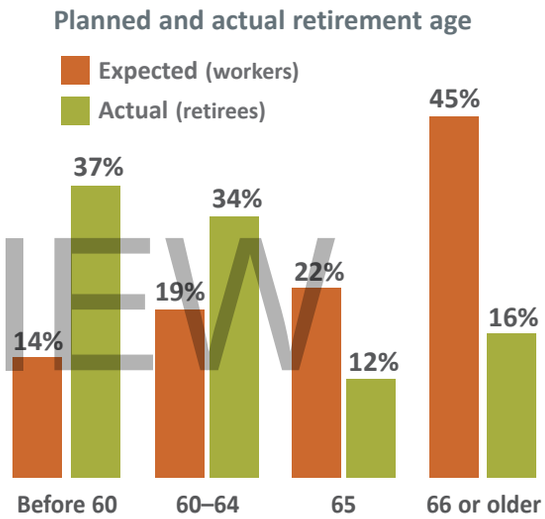
The amount of money you will need to live comfortably throughout your retirement depends on a number of factors specific to your personal situation.

- **Retirement age**
- **Length of retirement**
- **Health-care needs**
- **Inflation**
- **Lifestyle**

Retirement Age

The earlier you retire, the shorter the period of time you have to accumulate funds, and the longer the period of time those dollars will need to last.

Keep in mind that you can't always control the age when you will retire. As this chart shows, workers generally expect to retire later than they actually do. Consider the possibility that you might be unable to continue working because of poor health or changes at your company.



Source: Employee Benefit Research Institute, 2019 *(numbers don't add up to 100 due to rounding)*

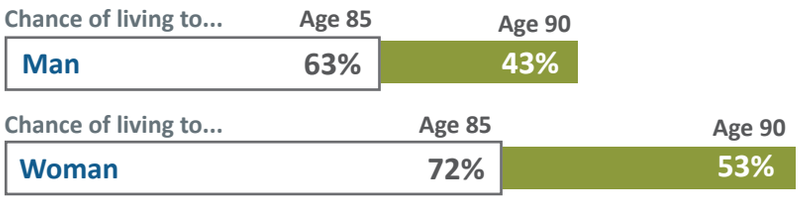
Early Retirement Considerations

Social Security retiree benefits aren't available until age 62, but the longer you wait to claim benefits, the more you will receive each month (up to age 70).

Medicare eligibility begins at age 65.

Length of Retirement

With recent advances in technology and medicine, life expectancies are stretching considerably. Chances are good that you'll be spending a large portion of your life in retirement. In fact, a healthy 65-year-old is likely to live another 20 to 30 years. Are you financially prepared to live to age 85 or 90 — or longer?



Source: Society of Actuaries, 2020

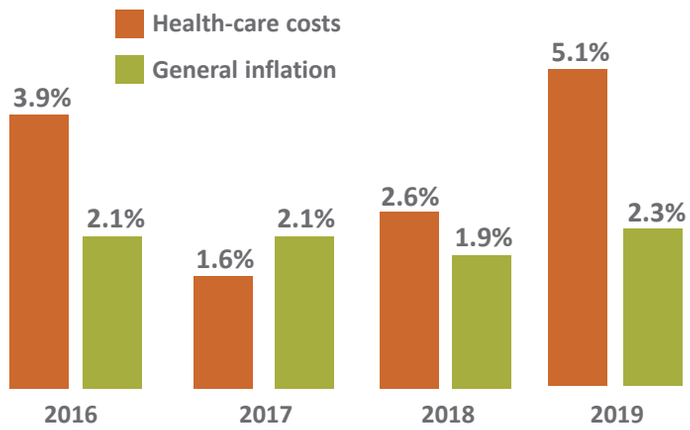
Determine Your Needs

Health-Care Needs

Longevity relates to the costs of health care. Health-care costs have increased at a faster rate than general inflation in three out of the last four years, and fewer employers offer health benefits to retired workers.

If Medicare benefits remain at current levels, a 65-year-old couple who retire today may need about $300,000 to pay their health-care expenses in retirement.

Source: Employee Benefit Research Institute, 2019
(assumes they don't have employer-paid health insurance)



Source: U.S. Bureau of Labor Statistics, 2020

Inflation

Here are four common items and what they could cost in 20 years, assuming a 3 percent annual inflation rate. This demonstrates that if inflation were to remain steady at a 3 percent annual rate, the purchasing power of your money would be cut nearly in half in about 20 years.

	Cost Today	Future Cost in 20 Years
Gallon of milk	$4.00	$7.22
Haircut	$45.00	$81.28
Running shoes	$100.00	$180.61
New car	$35,000	$63,213.89

Future costs in this hypothetical example are based on mathematical principles and used for illustrative purposes only. A 3% annual inflation rate cannot be guaranteed. Actual results will vary.

Inflation Danger

Three decades from now, it could cost much more to buy the items you need.

For example, a $50 bag of groceries could cost $121 in 30 years, assuming a 3% average annual inflation rate.

Lifestyle

The kind of retirement lifestyle you envision will have an impact on your savings needs. For example, you may plan to travel extensively, be involved in philanthropic endeavors, or maintain a country club membership. Or you may simply want to spend more time with your grandchildren.

Depending on your lifestyle, you may need anywhere from 70 to 100 percent of your pre-retirement income to live comfortably in retirement.

Possible Sources of Retirement Income

Social Security
Continued employment earnings
Personal savings and investments

Can You Count on Social Security?

Many people have heard about the risks to the Social Security trust fund and wonder if their benefits will be there for them when they retire.

Although Social Security does face financial challenges, it's possible that some action will be taken to help shore up the program in the coming years.

Keep in mind that Social Security was never meant to be the only source of income for retirees. That's why it's so important to save early and often for retirement.

To create your own personal account and view your Social Security Statement online, visit ***ssa.gov/myaccount***.

Social Security

The Social Security benefit you receive is based on your highest 35 years of career earnings (the years in which you paid Social Security payroll taxes), as well as on the age when you claim benefits.

Year of birth	Full retirement age	% reduction at age 62
1943–54	66	25.00%
1955	66 and 2 months	25.83%
1956	66 and 4 months	26.67%
1957	66 and 6 months	27.50%
1958	66 and 8 months	28.33%
1959	66 and 10 months	29.17%
1960 & later	67	30.00%

If you claim Social Security at age 62, your benefit will be 25 to 30 percent lower than it would be if you waited until "full retirement age" (see table). For each year you delay benefits from full retirement age to age 70, you earn delayed retirement credits, which increases your benefit by about 8 percent each year. Married couples generally have additional claiming options, including spousal and survivor benefits.

Social Security replaces about 40 percent of income for average earners. The estimated average monthly benefit for all retired workers in early 2020 was $1,503.

Source: Social Security Administration, 2020

Continued Employment Earnings

Although 80 percent of today's workers expect to work for pay in retirement, the reality is that only 28 percent of today's retirees have actually worked for pay at some time during their retirement years.

If you base your retirement income on working in retirement, keep in mind that 43 percent of retirees had to stop working earlier in their careers than they had planned, often because of unexpected crises.

Source: Employee Benefit Research Institute, 2019

80% of workers expect to continue working for pay after reaching retirement age

28% of retirees say they have worked for pay