

How Much Will Retirement Cost? Your Guide To Retirement Income Planning

You've Planned, You've Saved...Now What?

You want...

1. Enough income for ongoing needs and wants – but what about health care costs, inflation, taxes?



2. Enough income for life – but how long will you live?



3. To provide for your spouse and loved ones

Have a Plan

Retirement is likely to mean

1. Unique changes to your expenses and income
2. Less flexibility to adjust if needed



There's a risk of overspending and underspending – the more you plan **NOW** the better!



Write It Down....

- 1 What You Need vs. What You Want
- 2 Your Sources of Retirement Income
- 3 Your Budget = Income AND Fixed vs. Variable vs. Discretionary Expenses
- 4 Your Debt Payoff Plan

Plan for one-off big expenses like home repair or major dental work – set aside 5-10% of your savings for these costs

Are You On Track?

DO YOU NEED TO...

- ▶ Save more?
- ▶ Spend less?
- ▶ Retire later?

TEST OUT YOUR OPTIONS – Retirement Security Builder

www.icmarc.org/ontrack

Congratulations! Based upon the information you've entered, you're **on track** for achieving your retirement income goals!

Recommended Strategy

We recommend you make the changes below to your retirement plan. (You can also use the slider to see how your plan is affected)

Retirement Age (you entered 65) 65

Income Goal (you entered 80%) 80%

Contribution Rate (you entered 10%) 10%

Legend

- Retirement Gap
- Social Security Benefit
- Pension Benefit
- Post Retirement Income
- Retirement Account Withdrawals

View in: Today's Dollars Future Dollars

Projected Balance at Retirement: **\$280,296**

Projected annual income goal at retirement: **\$59,034**

RETIREMENT INCOME CHALLENGES

Take too much investment risk



Exposed to market downturns

Take too little investment risk



Insufficient lifetime income

Withdraw too much



Outlive assets

Withdraw too little



Undesirable standard of living

Will You Have Debt?

IDEAL: A DEBT-FREE RETIREMENT

- ▶ Exception: a low fixed-rate mortgage may be just fine
- ▶ Have a plan to pay off existing debt
- ▶ Limit new borrowing





How Much Will You Spend *in Retirement*?

SOME “COSTS” WILL
NO LONGER APPLY



OTHERS MAY
INCREASE



- ▶ Social Security/Medicare taxes
- ▶ Work-related expenses
- ▶ Saving for retirement

- ▶ Travel
- ▶ Medical
- ▶ Hobbies

How Much Income Will You Get?

SOURCES MIGHT INCLUDE:



Pension, Social Security
Home Equity?



Retirement accounts,
other savings and
investments

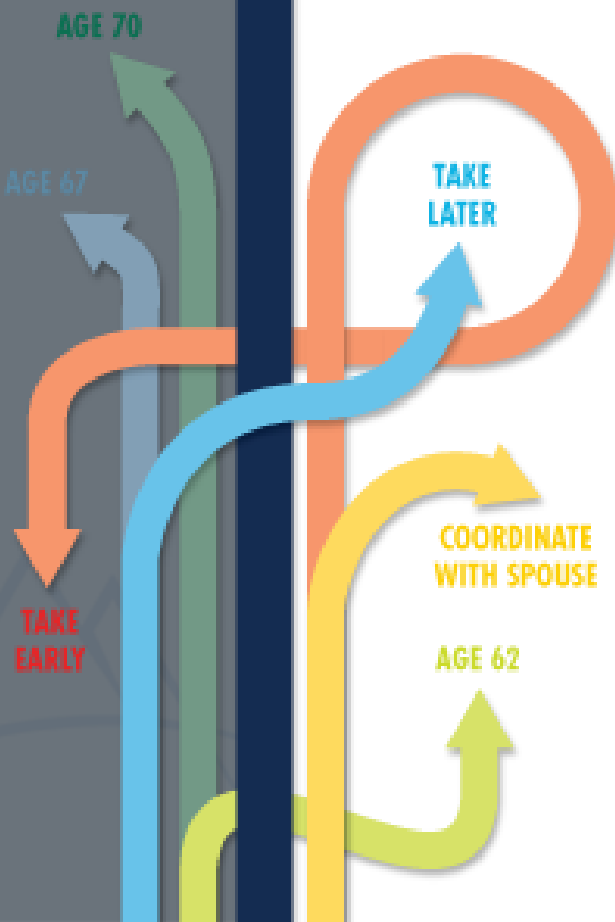


Part-time work,
rental income

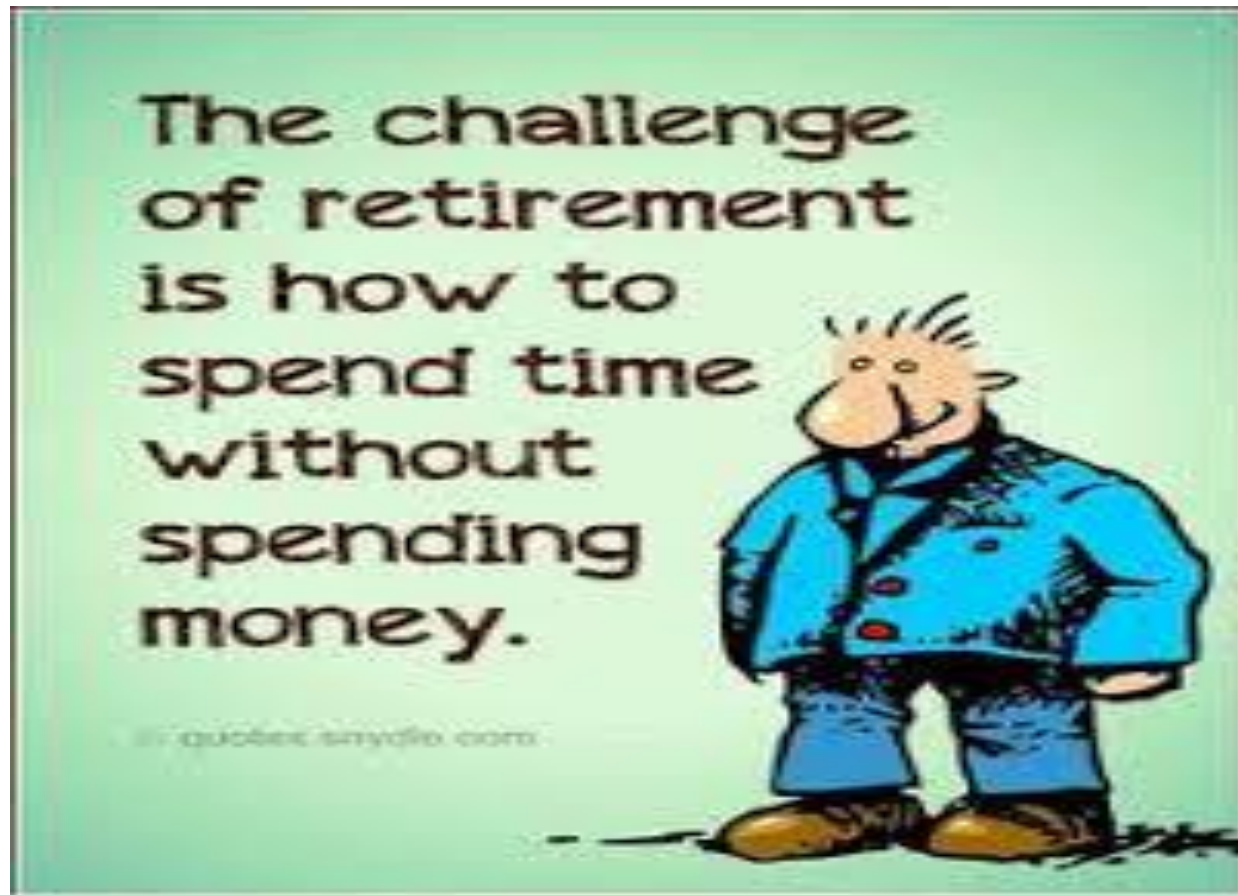
SOCIAL SECURITY DECISIONS

Compare all your options
before you decide

MARRIED? Explore how to
maximize potential benefits
over both lifetimes



TIME & MONEY!



ESSENTIAL EXPENSES!

ESSENTIAL
EXPENSES

PENSION +
SOCIAL SECURITY
INCOME

Filling the gap with
ANNUITY INCOME

Income no
matter how
long you live
or how the
markets
perform

Withdrawal Strategy – Lifetime Income

Aim to cover “essential” expenses with guarantees

1. “Must-have” expenses
2. Guaranteed lifetime income



3. Identify the gap
4. Bridge the gap

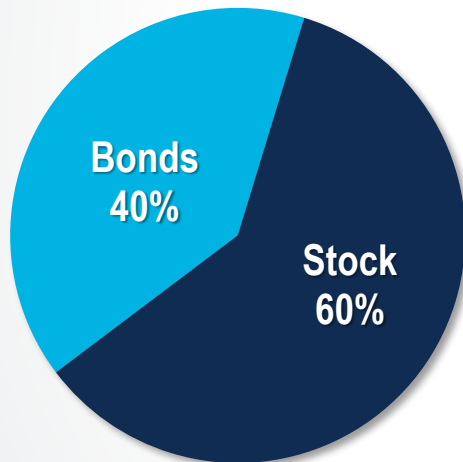


✓ Rely on more flexible investments for non-essential expenses

LIFETIME INCOME WITH GUARANTEES

VT RETIREMENT INCOMEADVANTAGE FUND

Balanced, Diversified Mix of Investments



Guaranteed Lifetime Income That Won't Decline Due to Market Conditions



LIFETIME INCOME WITH GUARANTEES

Designed generally for those nearing or in retirement



- ▶ Guaranteed *lifetime* income with potential to increase
- ▶ Diversification, risk management within one fund



- ▶ Additional fee
- ▶ Excess withdrawals reduce or eliminate guarantees
- ▶ Subject to insurer's claims-paying ability

CONSIDER THE INCOME ADVANTAGE FUND IF...

- ✓ Within about 10-15 years from, or recently in, retirement
- ✓ Need ongoing income from retirement assets
- ✓ Desire additional lifetime income to supplement pension and Social Security
- ✓ Reasonable chance of living long life

What if You Retire at the “Wrong” Time?

Market losses can affect you soon *before or after*



✓ Uncertainties mean you need a strategy.

4% RULE!



Maintain balanced portfolio
3% INFLATION →



\$100,000 assets
\$4,000

Withdraw \$4,120
▶ Increase withdrawal amount by inflation

Now the 3% or 3.5% rule? Flexibility is key...

FLEXIBILITY MATTERS

ADJUST withdrawals based on **recent** investment performance



Take less due to
poor Year 1
investment
performance



BUCKETS

Divide investments based on **WHEN** you'll need the money



Money needed
NEXT 3-5 YEARS



Money needed
**LONGER-
TERM**

Tax Efficient Withdrawals – Which Accounts?

Aim for lowest possible tax bracket now and *in future*. Explore pros and cons of....

1. Low tax rate Roth conversions
2. Low current tax year? Withdraw more tax-deferred
3. High current tax year? Withdraw more Roth
4. Large future RMDs? Accelerate withdrawals
5. Taxable account investments
 - Take losses for a tax deduction
 - Hold appreciated assets for survivor tax benefit



Work with tax professional as needed

Where You Live Matters, Too



- ▶ Cost of living varies by region
- ▶ Taxes vary, too, among states/counties/cities
- ▶ Can and will you downsize your home?
- ▶ Home modifications so you can age in place?

HAVEN'T SAVED ENOUGH?



SAVE more



SPEND less



DELAY retirement



EARN income
during retirement



HOUSING – downsize, rent
out, reverse mortgage

Control what you can, while you can



www.icmarc.org/retiree