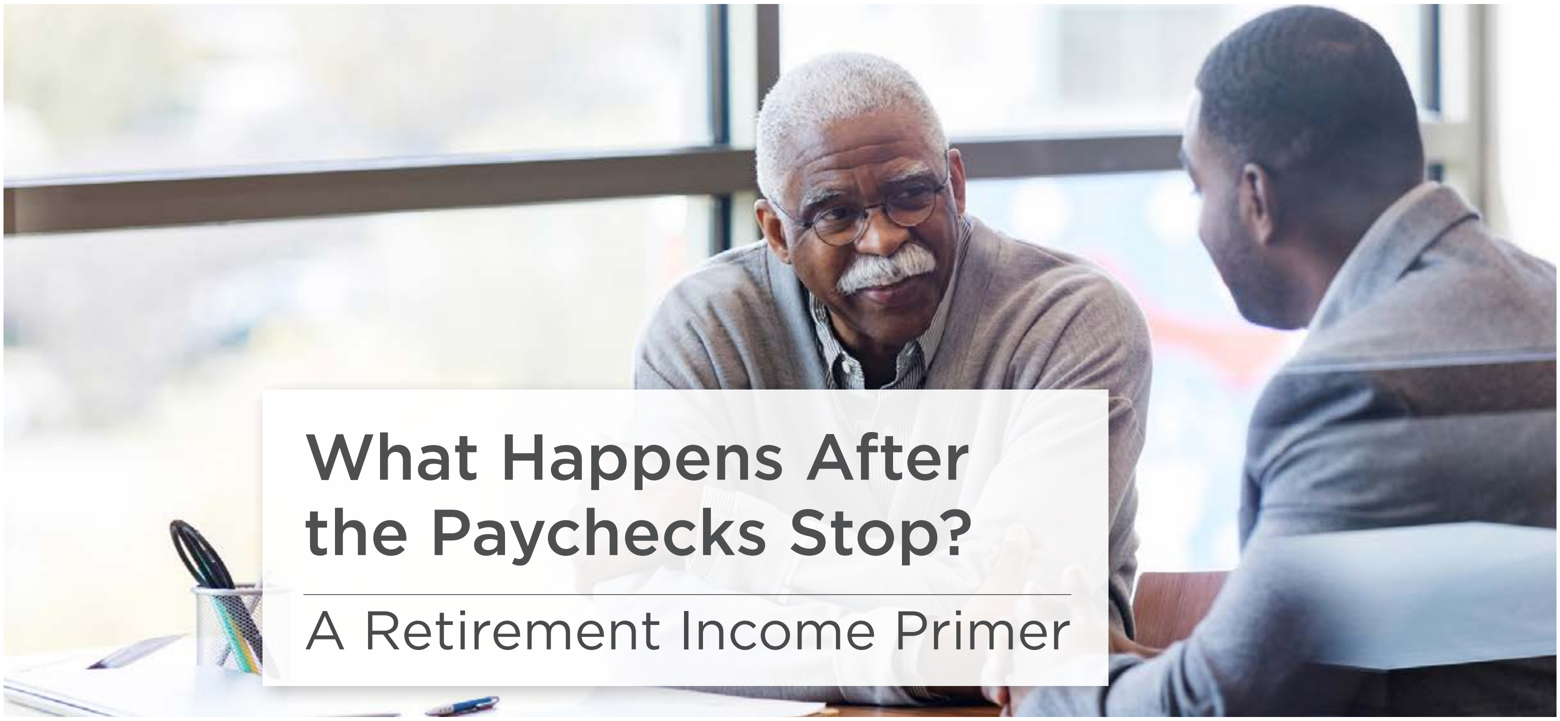

# What Happens After the Paychecks Stop?

## A Retirement Income Primer

# Participant Workbook

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# Welcome

## What Happens After the Paychecks Stop?
## A Retirement Income Primer

We'll explore how to budget for retirement expenses, examine potential sources of retirement income, discuss strategies to provide for your goals and address potential risks.

## Seminar Contents

# Retirement Expectations

When do you plan to retire?

What are your spending goals?

What are your key concerns?

# Monthly Budget Worksheet

Please complete this worksheet before your next appointment. With this information, we can understand where you are now and help guide you to where you want to be in the future.

| **Monthly Gross Income** | | | | **Total $** | |
|---|---|---|---|---|---|
| **Sources** | | | | | |
| **Amount** | $ | $ | $ | $ | $ |

| **Monthly Expenses** | | | **Total $** | |
|---|---|---|---|---|
| **Systematic Investing** — **Type** | | | | |
| **Systematic Investing** — **Payment** | $ | $ | $ | $ |

| | | | | |
|---|---|---|---|---|
| **Taxes** | **Income Taxes Paid** | $ | **Social Security/Medicare** | $ |
| **Housing** | **Mortgage/Rent** | $ | **Real Estate/Property Taxes** | $ |
| | **Maintenance** | $ | **Homeowner Fees** | $ |
| | **Homeowner's Insurance** | $ | **Furnishings** | $ |
| **Utilities** | **Water** | $ | **Gas** | $ |
| | **Electric** | $ | **Sewer** | $ |
| | **Trash** | $ | **Internet/TV** | $ |
| | **Cell Phone** | $ | **Landline Phone** | $ |
| **Other Necessities** | **Food/Groceries** | $ | **Medical/Dental/Vision** | $ |
| | **Elder/Child Care** | $ | **Education** | $ |
| **Insurance Premiums** | **Life Insurance** | $ | **Health Insurance** | $ |
| | **Disability Insurance** | $ | **Long-term Care Insurance** | $ |
| | **Auto Insurance** | $ | | |
| **Transportation/ Auto** | **Loans/Leases** | $ | **Fuel** | $ |
| | **Tolls/Train/Bus/Subway** | $ | **Parking** | $ |
| | **Service** | $ | **Inspections/Licenses** | $ |
| **Miscellaneous** | **Charitable Contributions** | $ | **Vacation/Travel** | $ |
| | **Movies/Entertainment** | $ | **Alimony/Child Support** | $ |
| | **Clothing** | $ | **Other Loan Payments** | $ |
| | **Gifts** | $ | **Legal** | $ |
| | **Lessons/Sports** | $ | **Newspapers/Magazines** | $ |
| | **Dry Cleaners** | $ | **Housekeeping** | $ |
| | **Dining Out** | $ | **Other** | $ |

| | | | | | |
|---|---|---|---|---|---|
| **Loans** | **Type** | | | | |
| | **Payment** | $ | $ | $ | $ |

| | |
|---|---|
| **Monthly Discretionary Income (Shortfall)**<br>(Monthly Gross Income – Monthly Expenses) | **Total $** |

# Understanding the Numbers

To determine if your portfolio can support your income needs, start by calculating your withdrawal rate and your reliance rate.

## Withdrawal Rate | The percentage of your portfolio you withdraw every year.

A modest withdrawal rate (e.g., 4% for a 65-year-old) is a key part of a successful retirement strategy. While annuities can help provide a source of lifetime income and potentially increase income in the early years of retirement, they shouldn't be used to try to support an unsustainable spending and withdrawal rate. If withdrawals are too high, other options – such as working longer, spending less or saving more – should be primary considerations.

**$ Withdrawn from Portfolio (pretax)**

÷

**Total Portfolio Size**

=

**Withdrawal Rate (%)**

## Reliance Rate | The percentage of your income that comes from your portfolio (how much you *rely* on your portfolio for income). These numbers can be pretax or after-tax – they just need to be consistent.

The higher your reliance rate, the more you'll rely on your investments for your income needs – and the more sensitive your retirement strategy could be to market fluctuations. Unless you have a lot of flexibility with your expenses, you may want to consider options such as annuities to help reduce your reliance rate, especially if it is more than 50%.

1 – ( **Income from Outside Sources (e.g., Social Security, pension)** ÷ **Total Income Needed** )

=

**Reliance Rate (%)**

 

# Average Life Expectancy

In terms of the average life expectancy for a 65-year-old couple today:

- There's a _____% chance that one spouse will reach age _____.*
- If that 65-year-old couple were to retire today, that would mean _____ years or more in retirement.

*Source: Society of Actuaries RP-2014 Mortality Table.

Answer key (in order of presentation):

- 60%
- Age 90
- 20 to 30 years

## NOTES

# Sequence of Returns and Withdrawal Rates

| Beginning Portfolio Value: $500,000 | | | | | | | | | | Ending Portfolio Value | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Annual Portfolio Returns | | | | | | | | Average Return | 4% Withdrawal Rate | 6% Withdrawal Rate |
| Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | | | |
| Scenario 1 | 25% | 16% | 8% | 15% | 0% | -8% | 4% | -12% | 6% | $590,000 | $500,000 |
| Scenario 2 | -12% | 4% | -8% | 0% | 15% | 8% | 16% | 25% | 6% | $490,000 | $355,000 |

Source: Edward Jones. Hypothetical illustration. Examples assume withdrawals increased by 3% each year for inflation.
Ending Portfolio Value rounded to nearest thousand.

## NOTES

 

# The Impact of Inflation

The annual inflation rate has historically averaged between 3% and 4%. With that being the case, prices of almost everything you buy will cost twice as much in about 25 years if the inflation rate averages 3%. In other words, if inflation averaged 3% per year and you need $70,000 per year to retire now, you may need more than $140,000 in 25 years just to maintain your current standard of living. That's why the potential for rising income is so important.

The table below shows the importance of recognizing the need for rising income to help combat inflation.

| | 1995 | 2020 | 2045 (est.) |
|---|---|---|---|
| **Car** | **$17,200** | **$25,000** | **$36,212** |
| **Tank of Gas (17 gallons)** | **$19** | **$44** | **$102** |
| **Monthly Groceries** | **$365** | **$619** | **$1,050** |
| **Annual health care expenses** | **$2,648** | **$7,434** | **$20,870** |

The inflation rate used to calculate 2043 prices is based on historical inflation rates from 1995 to 2020: Car = 1.5%; Gas = 3.4%; Groceries = 4.2%; Health care = 4.2%. Car: MSRP for automatic transmission Toyota Camry. Gas: national average for unleaded regular gasoline. Groceries: family of two with moderate cost plan. Health care: 2018 data; median household expenditure for married couple from Consumer Expenditure Survey.

Sources: Bureau of Labor Statistics; U.S. Department of Agriculture; AutoTrader.com

# Health Care during Retirement

**Traditional medical expenses**

doctor's care

prescriptions

dental care

**Long-term medical care**

assisted living

adult day care

nursing home care

NOTES

 

# Staying on Track

Once you have a strategy in place, it's important to review it regularly to make sure you're on track and to see whether changes need to be made.

## Things to consider:

**Goals**
It's important to make sure your goals and strategies align with your vision if it changes over time.

**Life changes**
A life change could be anything, including a move, change in employment status, marriage, inheritance, divorce or loss of a spouse.

**Investments**
You may need to rebalance your investments periodically to make sure your investment mix stays suited to your goals and risk tolerance.

**Insurance**
Making sure you have the appropriate amount and type of insurance is critical. You should also revisit your beneficiary designations and other legal documents regularly to make sure everything aligns and will work the way you intend.

## The Time Is Now

Whether retirement is a few years away or just around the corner, having a strategy in place will better prepare you to reach your goals. Take the first step and schedule an appointment today.

# Action Plan: Developing Your Strategy

Don't just imagine the life you want. Take control and make it happen. Take the vision you identified at the beginning of this workbook, and plan something you can do NOW.

## Retirement Vision

**Action Plan Examples:**

**48 hours:** Write down your vision for retirement as specifically as possible. Also write down what concerns you most as you think about having enough money to last throughout your retirement.

**Week:** Gather all your financial accounts and statements.

**Two weeks:** Develop your expected monthly budget for retirement.

**Month:** Schedule an appointment with a financial advisor to translate that information into some realistic goals, so you can develop strategies that make sense for you.

**Three months:** Put your strategy into action.

**Year:** Review your strategy to see whether you are on target to reach your goals or whether adjustments need to be made.

# Action Plan: Developing Your Strategy

(continued)

**What I can do in the next:**

**48 hours:** ____________________

____________________

____________________

____________________

**Week:** ____________________

____________________

____________________

____________________

**Two weeks:** ____________________

____________________

____________________

____________________

**Month:** ____________________

____________________

____________________

____________________

**Three months:** ____________________

____________________

____________________

____________________

**Year:** ____________________

____________________

____________________

____________________

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