Turn Your Savings into Retirement Income

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AGENDA

- Importance of a plan
- Factors to consider
- Developing your plan
The importance of having a retirement income plan
How do you envision your retirement?
Some key questions for preretirees

- When?
- Where?
- What?
Adjusting to retirement

- Going to work
- Doing your job
- Relying on a paycheck
The benefits of having a retirement income plan include_________________. 
An income plan can help

- Ensure your savings last through retirement
- Achieve the retirement goals and lifestyle you want
- Preserve your money for a legacy or inheritance
Factors to consider when transitioning your savings into retirement income
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Potential income sources

Reliable Income  Investment Income  Other Sources

5–10 years before you retire
Consider

Essential Expenses

Discretionary Expenses

Emergency Expenses

Categories of expenses
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What worries you the most about your retirement income?

A. Possibility of outliving my money
B. Effects of inflation on my income
C. Rising health care costs
Retirement income and investment factors

- Your withdrawal rate
- Preparing for inflation
- Investing for the long-term
- Longer lifespans
- Health care costs*

*Estimate based on a hypothetical couple retiring in 2017, 65 years old, with life expectancies that align with Society of Actuaries’ RP-2014 Healthy Annuitant rates with Mortality Improvements Scale MP-2016. Estimates are calculated for “average” retirees, but may be more or less depending on actual health status, area of residence, and longevity. Estimate is net of taxes. The Fidelity Retiree Health Care Costs Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government’s insurance program, Original Medicare. The calculation takes into account cost-sharing provisions (such as deductibles and coinsurance) associated with Medicare Part A and Part B (inpatient and outpatient medical insurance). It also considers Medicare Part D (prescription drug coverage) premiums and out-of-pocket costs, as well as certain services excluded by Original Medicare. The estimate does not include other health-related expenses, such as over-the-counter medications, most dental services, and long-term care. Life expectancies based on research and analysis by Fidelity Investments Benefits Consulting group and data from the Society of Actuaries, 2014.
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Your withdrawal rate

A variety of income sources
The value of your money could decline over time.

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Preparing for inflation
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Investing for the long-term

Invest your assets properly
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30–40 years in retirement

 Longer lifespans
Consider health care costs. Estimate based on a hypothetical couple retiring in 2017, 65 years old, with life expectancies that align with Society of Actuaries' RP-2014 Healthy Annuitant rates with Mortality Improvements Scale MP-2016. Estimates are calculated for "average" retirees, but may be more or less depending on actual health status, area of residence, and longevity. Estimate is net of taxes. The Fidelity Retiree Health Care Costs Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government's insurance program, Original Medicare. The calculation takes into account cost-sharing provisions (such as deductibles and coinsurance) associated with Medicare Part A and Part B (inpatient and outpatient medical insurance). It also considers Medicare Part D (prescription drug coverage) premiums and out-of-pocket costs, as well as certain services excluded by Original Medicare. The estimate does not include other health-related expenses, such as over-the-counter medications, most dental services, and long-term care. Life expectancies based on research and analysis by Fidelity Investments Benefits Consulting group and data from the Society of Actuaries, 2014.
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Estimated income per month: $4,284

Estimated expenses per month: $6,104

Potential gap per month: $1,821

Sam
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Delay retirement and continue to work
Spend less now and save more for later
Retirement income sources

- Pension
- Social Security
- IRA
- Workplace savings plan
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Reduce the impact of taxes

Help determine your investments

Adjust your investment mix

A distribution from a Roth 401(k) is tax free and penalty free, provided the five-year aging requirement has been satisfied and one of the following conditions is met: age 59½, disability, or death.
How to develop a retirement income plan
Taking systematic withdrawals from your investments
Systematic withdrawals

1. Determine income need
2. Establish asset allocation
3. Identify mix of investment
4. Invest and manage
How much should you withdraw annually?

- 2-3% Annual withdrawal rate
- 4-5% Annual withdrawal rate
- 6-7% Annual withdrawal rate
DEVELOP

Annual withdrawal rate

4-5%
Hypothetical value of $500,000 invested in a portfolio of 50% stocks, 40% bonds, and 10% short-term investments with inflation-adjusted withdrawal rates as specified. Hypothetical illustration uses 6.75% rate of return and 2.5% inflation rate. Illustrated to show withdrawal taken at the beginning of the year with the balance growing to end of year. Values shown are end of year values. No taxes are considered on growth or withdrawals. This chart is for illustrative purposes only and is not indicative of any investment.
Sam

$500k in retirement savings

<table>
<thead>
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<td>$20,000</td>
<td>$18,428</td>
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$500,000 \times 4\% = \$20,000 \text{ in income this year}

\$500,000 \div 27.4 = \$18,428 \text{ required for MRD}
Living off interest and account earnings
Interest and earnings

- Develop
  - Identify asset allocation
  - Determine income need
  - Manage reinvestments
Using other income sources until you start withdrawing from Social Security
After you reach the minimum retirement age (62), each year that you delay starting to take Social Security, your benefits increase by _______ percentage up to your normal retirement age.

A. 1-2.9%  
B. 3-4.9%  
C. 5-6.9%  
D. 7-8.9%
If you were born between 1943 and 1954, your normal retirement age is 66. If you start taking your Social Security benefit at age 62, what percentage of your full benefit will you receive?

A. 65%
B. 75%
C. 85%
D. 95%
**Can you get more out of Social Security by WAITING TO CLAIM?**

You can claim anytime between ages 62 and 70. Why wait to claim? Based on your year of birth, you’re eligible to receive 100% of your monthly Social Security benefit at your Full Retirement Age (FRA) of 67. Waiting even longer than that may get you more per month, and maybe even more in your lifetime.

Use the dial below to see examples of the monthly percentage at different ages.

Full Retirement Age is defined by the Social Security Administration. More information can be found at www.ssa.gov. The dial above shows the percentages of the monthly benefit based on your Full Retirement Age (FRA) and in one-year increments before and after your FRA. You are eligible to begin claiming your Social Security benefit as early as age 62, and this benefit will be further reduced from the percentage shown above.
Bridge strategy

- Determine income need
- Identify investment mix
- Rebalance if needed
"Bucketing" your investments to generate both income and growth
Buckets

Conservative Bucket

Moderate Bucket

Aggressive Bucket
Bucketing your investments

1. Conservative Bucket
2. Moderate Bucket
3. Aggressive Bucket
Option 1: Interest income only, assumes a 2% interest rate, a starting balance of $500,000 at the beginning of the period and that no taxes, fees or expenses are taken into consideration. The income figure is for year one only. The principal amount is subject to market change, and the interest payment is recalculated each year based on the revised principal amount. Option 2: Systematic withdrawal plan only, assumes $500,000 initial balance and a 4.5% annual withdrawal rate with no taxes, fees or expenses taken into consideration. The income figure is for year one only. The principal amount is subject to market change, and the payment is recalculated each year based on the revised principal amount. Option 3: Systematic withdrawal plan (SWP) coupled with a single income annuity. SWP assumes a $250,000 initial balance and a 4.5% annual withdrawal rate with no taxes, fees or expenses taken into consideration. The income figure is for year one only. The principal amount is subject to market change, and the payment is recalculated each year based on the revised principal amount. In addition, a hypothetical annuity is purchased with $250,000, based on a single life payout on a 67 year old male with a 6% payout, using Fidelity’s Guaranteed Income Estimator. For the annuity, rates are subject to change. Payments do not reflect the impact of taxes. The income payments will initially reflect a 2% annual increase. An annual increase can be removed by de-selecting the annual increase check box. Deferred Fixed Income Annuity contracts are irrevocable, have no cash surrender value and no withdrawals are permitted prior to the income start date. A contract’s financial guarantees are solely the responsibility of and are subject to the claims-paying ability of the issuing insurance company.
Which of the strategies that we discussed do you anticipate including in your retirement income plan?

A. Systematic withdrawals
B. Living off interest and account earnings
C. Bridge strategy
D. “Bucketing” your investments
Review

- Monitor your plan
- Assess your financial situation
- Review your income goals
Take your next step

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Thank You!
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