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Retirement

Building a Comfortable Lifestyle for Tomorrow

PREVIEW



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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 might envision an opportunity to go back to school, start a new career or business, or simply spend more time with family and friends.

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's why *planning* for retirement is essential.

Three Keys to Funding a Comfortable Retirement

1 Evaluate Your Needs and Set a Goal



Examine factors that influence your retirement income needs
Assess the financial resources available to you
Calculate your retirement savings goal

2 Develop a Strategy



Understand resources available
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

Evaluate Your Needs

Factors That Influence Your Retirement Income Needs

These are some of the most important reasons why you need to make retirement planning a key financial goal throughout your lifetime.

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



Early Retirement Considerations

Social Security retirement 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).

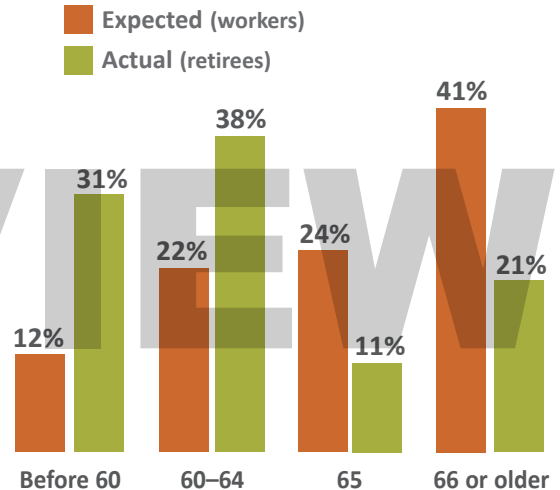
Medicare eligibility begins at age 65.

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, the ages when workers expect to retire are later than the actual ages when retirees left the workforce. Consider the possibility that you might be unable to continue working because of poor health or changes at your company.

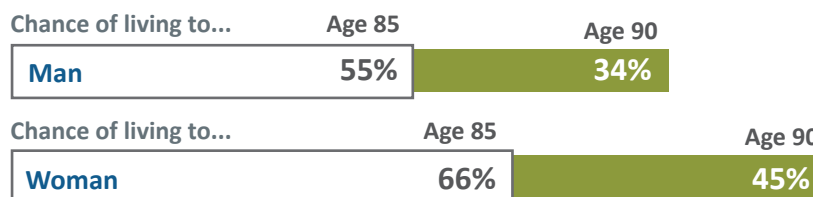
Planned and actual retirement age



Source: Employee Benefit Research Institute, 2022 (numbers don't add up to 100% due to rounding)

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 65-year-old in average health 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, 2023

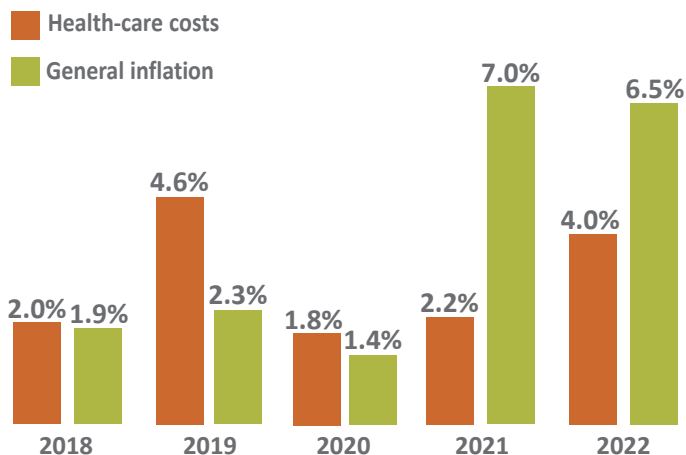
Evaluate Your Needs

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 retired in 2021 may need about \$296,000 to pay their health-care expenses in retirement.




Source: Employee Benefit Research Institute, 2022 (estimate based on savings needed to cover premiums for Medicare Parts B and D, the Part B deductible, premiums for Medigap Plan G, and median out-of-pocket prescription drugs)



Source: U.S. Bureau of Labor Statistics, 2023

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	\$47,000	\$84,887

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

Although inflation averaged 2.5% annually over the past 20 years, this average hides years of unexpected spikes. For example, in 2021 inflation was 7.0%, the highest annual inflation rate since the early 1980s.

Source: U.S. Bureau of Labor Statistics, 2023 (Consumer Price Index, 2003 to 2022)

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.

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 pre-retirement income for individuals age 65 and older. In early 2023, the estimated average monthly Social Security benefit for all retired workers was \$1,827.

Source: Social Security Administration, 2023

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%

Continued Employment Earnings

Although 70 percent of today's workers expect to work for pay in retirement, the reality is that only 27 percent of 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 47 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, 2022

70% of workers expect to continue working for pay after reaching retirement age



27% of retirees say they have worked for pay in retirement

