Live your best life

Creating income for your retirement

Whether you've recently retired, or will soon, you're probably feeling a lot of different emotions. Excitement. Anticipation. Maybe even fear. And you probably have a lot of questions about what will happen in this next chapter of your life and how you'll afford it.

Relax. You've got this.

Retirement is the beginning of a new chapter in your life, offering new freedoms and opportunities. But the transition can be quite overwhelming. You can assess your financial situation and we'll help give you a thorough understanding of where you are in achieving your retirement goals and how to reach them.

To start, ask yourself:

1. Are you **financially** prepared?
2. Are you **emotionally** prepared?

If you answered yes to both, congratulations!

You're more prepared than most. If you didn't, that's OK too. There's a lot to think about. This workbook outlines a few strategies that can hopefully make the transition easier for you.

Money in, money out

If you're like most people, you may need help figuring out how much money you'll need in retirement and how much you have available to spend. This may seem strange since we're used to our paychecks determining how much we spend. But in retirement, we create our own paycheck, so we need to know how much we pay ourselves.

Money in

Money in is the money you'll have coming in each month.

It can include income from Social Security, retirement plan accounts, IRAs, pensions, annuities or other things, like a part-time job or rental income.

Money out

Money out is the money you spend each month. There are two types:

1. Needs — for the necessities in life. (e.g., food, housing, transportation)
2. Wants — the discretionary items you can live without. (e.g., video streaming services, vacations, hobbies)

But what falls into either category is really up to you.

Money coming in − Money going out = Making the numbers work

Two distinct types of income

- **"For sure" income** is guaranteed — like a regular paycheck you can rely on, no matter what. For most people, Social Security is the one for sure source of income. Pensions can also provide for sure income. There are other ways to create for sure income on your own, but whether you choose to do that is up to you.
- **Adjustable income** is everything else — the income from all other sources that aren't guaranteed. It's the income you create yourself from your retirement savings or from things like part-time work and rental income.

No matter what type of income you have coming in, don't forget to write it down in your retirement spending plan.

5 key considerations

Longevity

Health care

Public policy

Inflation

Investment risk

Creating a retirement income plan

Everyone is different and so are their retirement needs. So why use the same cookie-cutter retirement plan?

A custom retirement income plan can help you:

- **Avoid running out of money**
- **Overcome the fear of spending money**
- **Own your happiness in retirement**

Many experts recommend saving enough money to replace 85% of your pre-retirement income, but how much you'll actually need in retirement depends on you. We recommend creating a budget and building your retirement income plan with those numbers.

To get started, learn about three common retirement income plan strategies:

- Safe withdrawal strategy
- Flooring strategy
- Bucket strategy

1 Safe withdrawal strategy

The safe withdrawal strategy is designed to withdraw a safe amount (or percentage) of money each year to cover both needs and wants. The idea is that this amount is safe enough to help reduce your chances of outliving your savings. How's that number determined? Basically, your overall portfolio balance is multiplied by the safe withdrawal percentage to determine your annual income.

How it works

1. **Determine a safe withdrawal percentage**
2. **Apply to a portfolio balance to determine income**
3. **Evaluate and adjust as needed due to the market**

Figuring out your safe percentage is the tricky part, which is why we recommend working with a financial professional. Determining the safe amount should be tailored to your unique situation. Consider your portfolio balance, risk tolerance, income needs and how long you expect to live.

Safe withdrawal strategy considerations

Questions for financial professional

2 Flooring strategy

The flooring strategy addresses needs and wants separately. Needs can be covered by for sure income (e.g., Social Security, pensions, annuities), and your other investments can be used to cover wants. By using for sure income to cover your needs, you help ensure your essential expenses are covered — for the rest of your life.

How it works

1. **Identify your wants and needs**
2. **Use for sure income to cover your needs**
3. **Use investment accounts to cover your wants**

Flooring strategy considerations

Questions for financial professional

3 Bucket strategy

The bucket strategy breaks up retirement into distinct time periods, usually lasting between three and 10 years, instead of treating each year of retirement as a single time period. Each time period is assigned a bucket, and each bucket represents an amount of money with a time frame for its use.

You'd invest assets differently depending on when you'll need them for income — the assets you need for income today are invested differently than those you need for income in the future. Money can transfer between the buckets as needed to meet your needs.

How it works

1. **Break up retirement into different time periods (buckets)**
2. **Invest each bucket differently for a specific time horizon**
3. **Redistribute funds among the buckets as needed**

Bucket strategy considerations

Questions for financial professional

Something else to consider? Taxes.

Different types of accounts have different tax implications. How you structure your income in retirement — which accounts you take withdrawals from and in what order — can have a significant impact on the amount of taxes you pay in retirement.

This is a complex subject and it's important to discuss with your tax advisor.

There are three different tax treatments for accounts used to create retirement income:

Taxable (Taxed as it grows)	Tax-deferred (Taxed when you take income)	Tax-free (Taxed upfront)
Taxable accounts are those that **don't have the tax benefits of tax-deferral or tax-free**, and you pay taxes on the earnings each year. **Types:** CDs, savings accounts, non-qualified investment accounts	Tax-deferred accounts allow you to **defer taxes until withdrawals are taken** from the account. **Types:** 401(k) accounts and annuities	Tax-free accounts provide **future tax benefits because contributions into the account were made with after-tax dollars**. Since contributions into the account are made with after-tax dollars, there are generally no taxes paid when money is withdrawn. **Types:** Roth IRAs and Roth 401(k) plans

Did you know?
Social Security payments are also taxable. Up to 85% of your Social Security benefits may be taxed, using a formula that includes most other income, plus one-half of your Social Security benefits.

Your retirement spending plan

Estimate your expected monthly household retirement expenses using this list. These expenses are assumed to last throughout retirement.

Use the check box to indicate your needs.

Expenses	Monthly amount	✓
Housing		
Mortgage or rent	$	○
Property taxes and insurance	$	○
Utilities	$	○
Home maintenance	$	○
Food		
Groceries	$	○
Dining out	$	○
Transportation		
Vehicle purchases or payments	$	○
Insurance	$	○
Fuel and maintenance	$	○
Parking/public transportation	$	○
Health care		
Health premiums, copayments, deductibles	$	○
Medication/supplies	$	○
Vision/dental	$	○
Clothing		
Clothing	$	○
Dry cleaning	$	○
Entertainment/Recreation		
Hobbies	$	○
Gym/club dues	$	○
Travel	$	○
Insurance		
Life, long-term care	$	○
Other		
Personal care, dependent care	$	○
Charitable contributions	$	○
Income taxes	$	○
Debt (credit cards, loans)	$	○
Misc.	$	○

Total monthly expenses	$
Total annual expenses (monthly expenses x 12)	$

Income

For sure sources	Monthly amount: You	Monthly amount: Your spouse
Social Security (visit ssa.gov for an estimate of your monthly benefit)	$	$
Pension plan (also known as a defined benefit plan)	$	$
Annuity(ies)	$	$

Adjustable sources	Account value	Monthly amount: You	Monthly amount: Your spouse
Retirement savings accounts	$	$	$
Savings and investments	$	$	$
Part-time job	$	$	$
Rental income	$	$	$
Other income	$	$	$

Total combined monthly income	$
Total annual income (total combined monthly income x 12)	$

What's your bottom line?

Subtract your total annual expenses from your total annual income.

__________ – __________ = $

Total annual income – **Total annual expenses** = **Your bottom line**

Next steps

So what now? We've got five easy steps for you. (Still working? Review your retirement plan contributions first.)

1. **Inventory your assets**
2. **Understand your money out**
3. **Meet with a financial professional**
4. **Create your retirement income plan**
5. **Live the retirement you want to live**

Write down any questions or concerns you'd like to discuss with a financial professional.

Thank you for attending!
We appreciate your feedback.

	Excellent				Poor
Overall rating	5	4	3	2	1
The information presented	5	4	3	2	1
The effectiveness of the presenter(s)	5	4	3	2	1
The location	5	4	3	2	1

Overall comments/suggestions ____

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If you'd like to discuss your retirement income plan, please provide your contact information below.

Name: ____

Age: ____

Intended retirement date: ____

Address: ____

____

Phone number: ____

Email: ____

Preferred method of contact: ____

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