Envisioning Your Retirement

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Today’s Speakers

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Getting Started

- Your Retirement Income
- Your Retirement Lifestyle
- Sample Retiree Strategies
Retirement Planning: Your Paychecks

Next 1,140 paychecks need to come from YOU
Your Retirement Income
Your Retirement Income

Main Income Sources

Don’t forget about the impact of:

- Home equity or debt
- Miscellaneous investments
- Inheritance
- Child Expenses
Your Retirement Income

Employer’s Retirement Plan

**Defined- Contribution Retirement Plan**

- You may start to withdraw money from your plan at age 59½ without having to pay a 10% early withdrawal penalty
- At retirement, you will decide how to leverage the money in your employer’s retirement plan.
  - Take a lump-sum distribution
  - Roll your money into an IRA
  - Take periodic distributions
  - Remain invested in the plan (if your employer allows)
  - Purchase an annuity

**Defined-Benefit Pension**

- At retirement, you may select:
  - Monthly annuity payments check
  - Lump sum payment
    - Option to rollover to IRA
Your Retirement Income

Personal Savings

<table>
<thead>
<tr>
<th>Traditional or Roth IRA</th>
<th>Taxable investments</th>
<th>Savings Account</th>
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<tbody>
<tr>
<td>• You may start withdrawing at age 59 ½</td>
<td>• Consider a more conservative allocation upon retirement</td>
<td>• Determine if you will combine these funds with your other retirement income sources</td>
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<tr>
<td>• You MUST start withdrawing at age 72</td>
<td>• You may keep money invested or withdrawal whenever necessary</td>
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<tr>
<td>• You will pay taxes on withdrawals from a traditional IRA, but not Roth IRA</td>
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Your Retirement Income

Annuities

**Differed Annuities**

*Purpose:* Accumulate assets through a tax-differed vehicle

- **Types**
  - Variable Annuity
  - Fixed Annuity
  - Index Annuity

**Immediate Annuities**

*Purpose:* Provides immediate income for retirement

- **Types of income**
  - Period Certain
  - Life Annuity
## Earning Social Security

You and your employer each pay a **6.2 percent** Social Security tax.

To be eligible for retirement benefit, you must **earn Social Security Credits**.

In 2021, one credit equals at least **$1,470** in taxable income.

Maximum of **four credits** can be earned every year.

To receive retirement benefits you have to **earn at least 40 credits** over your working years.

## Claiming Social Security

May start receiving benefits at **full retirement age** or reduced benefits starting at 62.

The value of your benefit will be based on your 35 **highest-earning years**.

Benefit amounts and claiming strategies are **highly individualized** – contact a social security representative for helpful guidance.

Start by registering at ssa.gov
Your Retirement Income

Funding Healthcare in Retirement

Main Sources

- Medicare (Part A, B, &D)
- Health Savings Accounts
- Retirement Plan Savings (401(k), 403(b), IRA, Annuities, Social Security)

Bridging the Gap

- Private Insurance or supplemental insurance
- Continue working
- Long-term Care (LTC) policy to help pay for support you may need to meet your personal needs
Your Retirement Lifestyle
Your Retirement Lifestyle

What does “retirement” mean to you?

**Retirement:**
“The withdrawal from one’s position or occupation.”

Many considerations remain:

- Will you continue working in another capacity?
- Will you relocate?
- What hobbies and interests do you wish to maintain?
- How active will you be?
- What health concerns do you need to consider?
Your Retirement Lifestyle

What will you spend?

• Retirement readiness measures your ability to cover your retirement lifestyle expenses with the amount you have saved
• General rule is that you’ll need 80% of your current income in retirement, but that’s far from perfect
• Figure out how much you want to spend, per year, and work backwards
• Acknowledge your needs and emotions!

Your Retirement Lifestyle

Planning for the unexpected

• Keep an accessible emergency fund
• Stick to a sustainable withdrawal strategy – don’t deviate
• Prioritize your physical health to control medical expenses
  • Purchase long-term care if necessary
• Use your life insurance
• Consider liability insurance such as an umbrella policy
Retirement Scenarios
Retirement Scenarios

- Homebody Hank
- Globetrotting Gabe
- Shocked Susan
Who does this lifestyle belong to?

- Lives near Los Angeles, CA with spouse and one adult child
  - spouse works part-time
  - 3 other children live throughout the country
- Has been working in sales for 35 years
- Their employer has provided them with a 401(k) and they have been saving ever since they paid off the family’s student debt
- Favorite hobbies include trying new restaurants, scuba diving, and going to the theater
- Funding the annual family vacation to Mexico
- Helping to pay for their grandchildren’s education
Retirement Scenarios:
Shocked Susan
Who does this lifestyle belong to?

- Lives just outside Indianapolis with spouse and 2 dogs
- Spouse retired 5 years ago
- Has 8 Grandchildren who all live in the Midwest
- Has been working in manufacturing for 45 years
- Their employer has provided them with a defined-benefit pension plan
- Favorite hobbies include fishing, hiking, and antiquing
Retirement Scenarios: Homebody Hank
Retirement Scenarios

Who does this lifestyle belong to?

- Rents an apartment in New York City
  - Divorced 10 years ago
  - 2 children and 5 grandchildren in the area
- Worked as a nurse for 30 years
- Has been saving about 15% of their paycheck in their 401(k) their entire career
- Favorite hobbies include eating/cooking adventure meals and meeting new people
- Will details their goals to leave some inheritance to their children
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Retirement Scenarios:
Globetrotting Gabe
Securing a Successful Retirement

Action Steps
Securing a Successful Retirement

- Set your target retirement date
- Build your retirement budget
- Inventory all of your benefits
- Prepare for unexpected expenses
- Decide how you’ll handle
  - Your retirement plan accounts
  - Social security
- Assess your healthcare coverage options
- Review your insurance coverage
- Familiarize yourself with the retirement process at your employer
Seek out the tools and resources you need to achieve healthier financial wellbeing.

• Visit Financial Guides for Individuals on ajg.com

• Check out our Finding Financial Stability Season 1 podcast episodes

• February Webinar: Considerations When Filing Taxes Recap

• Join us next month!
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