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Strategies to help ensure your assets last a lifetime

Fundamentals of Retirement Income Planning

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How will you know you're ready to retire?

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A simple question…

…without a simple answer

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Understand how a retirement income plan can help you…

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- Decide when you can retire
- Understand and help to minimize the key risks
- Identify all your sources of income
- Prioritize your financial needs and wants
- Stay on track to live the retirement you want

Know when to build your retirement income plan.

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If you plan to retire at 65:

50s **Quick plan**

- Make good plans
- "Super save"
- Set up an initial planning session with us

60s **Detailed plan**

- Determine Social Security strategies
- Reassess risk and asset allocation
- Build a detailed financial assessment

65+ **Master plan**

- Begin Medicare eligibility
- Make final work-life balance decisions
- Prepare your portfolio for required minimum distributions and tax strategies

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Frequently asked questions...

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What should I do about Social Security?

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When you start taking distributions may significantly impact your retirement income

Age 62	Full Retirement Age	Age 70
Lower monthly benefit—as much as 30% less	Calculated full benefit based on your earnings history	Maximum benefit amount—as much as 32% more

Source: ssa.gov.

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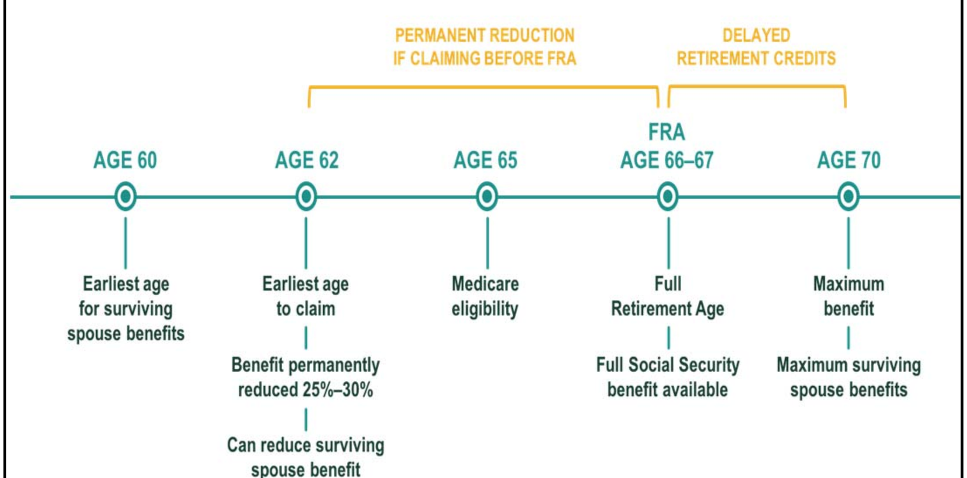
Full Retirement Age

If you were born in…	Your Full Retirement Age is…
1943–1954	66 years
1955	66 years, 2 months
1956	66 years, 4 months
1957	66 years, 6 months
1958	66 years, 8 months
1959	66 years, 10 months
1960 or later	67 years

When to claim your benefit



Ways to claim Social Security

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1. Your own work record

2. A spouse's work record (current or ex-spouse)

3. A deceased spouse's work record (including ex-spouse)

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Spousal benefit

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You have a work record and a spouse

Any additional spousal benefit is added on

Your benefit is paid first

If eligible for both, you'll receive the larger of the two

You do not have a work record, but your spouse does

Your benefit is based on your spouse's earning history

Your benefit will be reduced if you claim before your FRA. Your maximum spousal benefit is half of your spouse's total Social Security benefit.

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Survivor benefit

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Widow(er) Claims Survivor Benefit At:	% of Deceased Spouse's Benefit:
Age 50–59 (only if disabled)	71.5%
60	71.5%
61	76.25%
62	81%
63	85.75%
64	90.5%
65	92.25%
66+	100%

Two Options for the Survivor

1
Take the survivor benefit at 60
↓
Switch to his or her own benefit at 70

or

2
Take his or her own benefit at 62
↓
Switch to survivor benefit at 66

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Working in retirement

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- Working temporarily reduces your benefit
- Claiming early and working part-time hurts twice
- Keeping earnings low can minimize reduction
- Understanding the benefit reduction rules

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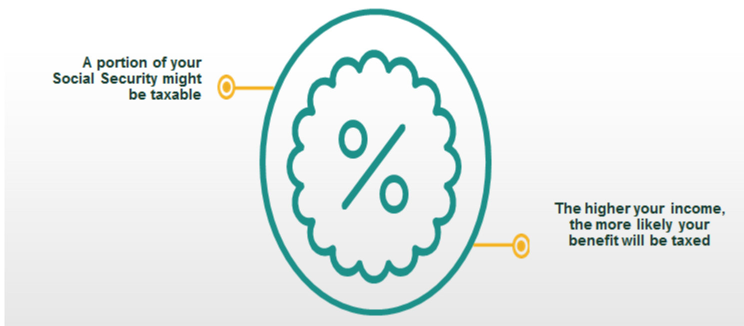
Tax considerations

Tax considerations



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What are the basics of Medicare?

What is it?

- Federal health insurance program for ages 65 and older.
- Available to certain younger people with disabilities, and people with end-stage renal disease.
- Coverage is individual. Spouses will not be covered by your Medicare plan.

What does it cover?

PART A:
Your hospital insurance

PART B:
Your medical insurance

Part D: Prescription drug coverage

PART C:
Medicare Advantage Plans

What is Medigap?

- Supplemental Insurance through private insurance
- Covers out-of-pocket expenses
- Premium costs vary widely between insurers

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When can I enroll in Medicare?

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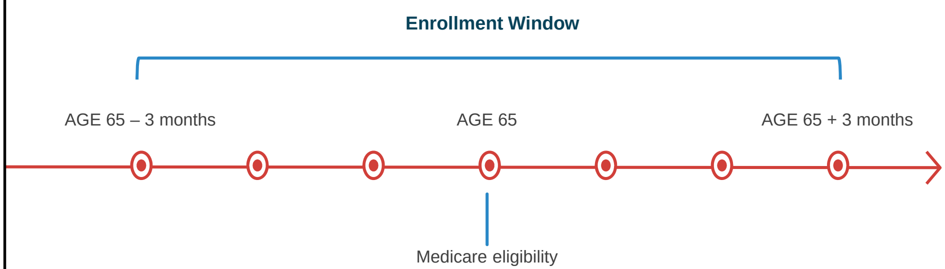

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Can I add Insurance to Medicare?

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Main options for purchasing additional insurance

Unbundled:
Supplemental insurance to fill coverage gaps of Part A and Part B

Bundled:
All-in-one approach that joins Part A and Part B coverage under a single policy

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Should I make Roth or traditional pretax contributions?

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How they are similar

- Contributions are based on eligible compensation just like your traditional pretax contributions
- Your Roth 403(b) contribution limits are part of the same IRS limits set for your traditional contribution (for 2018 $24,500 for all age 50+)

How they are different

- Roth 403(b) contributions are after-tax
- Roth earnings are tax free as long as the withdrawal is qualified*

* A qualified withdrawal in this case, is one that is taken at least 5 tax years after the year of your first Roth contribution and after you have attained age 59 1/2, become disabled or deceased.

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Benefits and Considerations for Roth

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What is your expected tax bracket in retirement?

How long is your retirement horizon?

Are you eligible to contribute to a Roth IRA?

Due to the differing tax implications associated with traditional, pre-tax versus Roth 403(b) contributions, and the potential impact they may have on your current adjusted gross income, which may affect your eligibility for other tax credits and benefits, you may wish to consult with a tax or financial advisor regarding your individual situation.

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Understand your distribution options

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Each offer its own set of considerations

– Leave your savings in the plan
– Take a partial distribution
– Move savings to a Rollover IRA
– Roll your savings to a new employer's plan
– Take a cash distribution

Be sure to consider all your available options and the applicable fees and features of each before moving your retirement assets.

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Understand your distribution options

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Leave your money in your old employer's plan

Potential benefits	Things to consider
– Continued tax-deferred savings – Ability to stay invested in plan-specific investment options and/or managed money services , if offered – After age 55, penalty-free withdrawals may be possible – Unlimited creditor protection (in and outside of bankruptcy)	May have limited options for: – Investments – Withdrawals – Beneficiaries – Special tax treatment for company stock (net unrealized appreciation) – If the plan has deminimus, you may be required to move your assets.

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Understand your distribution options

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Take a partial distribution

Potential benefits	Things to consider
– Continue to take advantage of tax-deferred savings – Stay invested in your plans' investment options – No restrictions on the number or frequency of partial distributions – May be able to take a penalty-free withdrawal after age 55.[1]	– Requires a 20% federal income tax withholding; you may owe more when you file your taxes depending on your tax bracket – Potential 10% early withdrawal penalty if you are younger than 59½ – You may not be able to make new contributions to your account – You may have less money for retirement by liquidating your account.

[1] You may take penalty-free distributions from a qualified employer plan if you terminate employment after reaching age 55.

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Understand your distribution options

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Move your money to an IRA

Potential benefits	Things to consider
– Continued tax-deferred savings in a Rollover IRA – Opportunity to convert to a Roth IRA is now available for many investors regardless of income limits – More control of your savings – Broad range of investment choices – Penalty-free withdrawals for qualified education expenses and first-time home purchase[1]	– Lose access to low-cost or custom investments only available in plans – Special tax treatment for appreciated company stock – Cannot take a loan from an IRA – Creditor protection of qualified plan assets is unlimited under federal law; protection of IRAs varies by state law – Lose the potential to take penalty-free withdrawals at age 55 – Fees and expenses vary by IRA

[1] Up to the $ 10,000 limit

A distribution from a Roth IRA 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, qualified first-time home purchase, or death.

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Understand your distribution options

Move your money to your new employer's plan

Potential benefits	Things to consider
– Continued tax-deferred savings – Ability to invest in plan-specific investment options and/or managed-money services – May be able to take a loan – May be able to defer required distributions if over age 70½ and still working – Unlimited creditor protection (in and outside of bankruptcy)	– May have limited number of investment options – Options for your beneficiaries may be limited – You will be subject to all provisions of the plan – Special tax treatment for appreciated company stock (net unrealized appreciation) – Fees and expenses vary by plan

Your new employer's plan must accept the rollover.

Understand your distribution options

Take your money in cash

Potential benefits	Things to consider
– Immediate access to your savings	– Requires a 20% federal income tax withholding; you may owe more when you file your taxes depending on your tax bracket – Potential 10% early withdrawal penalty if you are younger than 59½ – Liquidating your account leaves you with less money for retirement – Special tax treatment for company stock (net unrealized appreciation)

Understand your distribution options

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Consider taxes

Hypothetical illustration of the tax implications from taking a cash distribution

Gross amount of cash distribution	$50,000
Mandatory 20% federal tax withholding	–10,000
	40,000
Additional federal income tax due at tax time*	– 1,000
	37,500
Early 10% withdrawal penalty	– 5,000
Net cash proceeds*	**$34,000**

*Hypothetical example for illustrative purposes only. The example assumes a 22% federal income tax bracket and that the person is under 59½ and subject to the 10% early withdrawal penalty. State and local taxes are not taken into account.

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How do I prepare for required withdrawals?

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The basics of minimum required distributions (MRDs)

- Established by the IRS to ensure use and paying taxes
- Apply to most tax-advantage retirement accounts (except Roth IRAs and nonqualified deferred annuities)
- 50% penalties on portions not distributed on time

How distribution amounts are determined

- By age, account balance, and life expectancy
- You can base MRDs on joint life expectancy if spousal beneficiary is more than 10 years younger and is sole beneficiary

Tip: Your financial provider can help you estimate your amount.

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Should I consider an annuity?

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How they work

Deferred Annuity
Tax-deferral for savings and income
Accumulation for future income

- Fixed
- Variable

Income Annuity
Guaranteed* lifetime income
Distribution of current income

- Fixed
- Variable

Tip: For an in-depth look at different investment vehicles, attend our workshop, **Confident Investing in Any Market**.

***Guarantees are subject to the claims-paying ability of the issuing insurance company. Investing in a variable annuity involves risk of loss - investment returns, contract value, and, for variable income annuities, payment amount are not guaranteed and will fluctuate.**

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Withdrawals of taxable amounts from an annuity are subject to ordinary income tax, and, if taken before age 59½, may be subject to a 10% IRS penalty.

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Are there potential risks associated with annuities?

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However, there are some trade-offs

- Limited or no access to your assets
- Insurer's ability to pay
- Cost
- Locking into an annuity without understanding options available today or may become available on retirement
- You may experience a loss with variable annuities
- Fixed annuities don't offer growth potential, only a cost of living adjustment, at an additional cost

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Should I consider insurance as part of my financial plan?

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Life insurance helps protect the people you love

Protect your family	How much do you need?	One size does not fit all
– Continue a policy with your previous employer – Purchase new insurance	– Do you have children? – A spouse? – Own a home and owe a mortgage?	– Assess all your goals and needs before making a decision

We Can Help: Your financial provider can help you decide on an adequate level of life insurance protection

Investment returns and principal value of a variable life insurance policy are not guaranteed and will fluctuate daily. Loss of money is a risk of investing in the policy.

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Should I consider an estate plan?

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You may need an estate plan if you:

- Want to increase the value of your estate by reducing applicable estate taxes if possible
- Have minor children who need an appointed guardian
- Have a large portion of your assets in retirement plans
- Are the beneficiary of a trust

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How are estate assets distributed?

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By Contract	By Trust	By Law	By Probate
– To beneficiaries – Life insurance/ annuities – Retirement plans – Transfer-on-death registrations	– To trust beneficiaries – Trust accounts – Real property registered to trust – Personal property registered to trust	– To surviving owners – Joint tenancy – With right of survivorship – By the entirety, e.g., real estate, joint bank accounts	– To heirs named in will or by state intestacy laws – Takes time, expensive, easier to contest (as compared to methods previously mentioned) – Real estate located in state other than state of residence may require probate in both states.

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What is a trust?

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A trust may help ensure your assets are distributed according to your wishes

- **Legal Instrument:** Contains a grantor's instructions as to the management and distribution of assets during the grantor's lifetime and upon his or her death
- **Flexible:** A revocable trust can be amended or revoked during the grantor's lifetime to change terms or beneficiaries
- **Avoid Probate:** Assets held in trust avoid the cost, time and publicity of probate
- **Estate Taxes:** An irrevocable trust can be structured to reduce estate taxes – leaving more to heirs
- **Protect Inheritances:** Can be structured to help protect the inheritances of children and to control the timing, amount, and purpose of distributions to beneficiaries through trust language

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4 steps to create your retirement income plan

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Retirement income planning process

Once you have a good idea of what you want to do in retirement, follow these steps to build your plan

STEP 1	STEP 2	STEP 3	STEP 4
Inventory expenses vs. income	**Cover essential expenses**	**Fund discretionary expenses**	**Meet with us and review your plan regularly**

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STEP 1

Inventory expenses vs. income.

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- **Categorize expenses—essential vs. discretionary**
- **Identify expenses that may increase or decrease**
- **Consider your personal situation:**
  - Family needs
  - Living arrangements as you age
  - Debts
  - Long-term-care coverage
  - Cost of retirement “fun”

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STEP 2

Cover essential expenses.

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Identify sources of lifetime income…

- Social Security
- Pension plans
- Fixed income annuities*

…and use assets to make up any gap and solve for health care expenses.

- Regular withdrawals from reliable asset sources
- Consider long-term-care and life insurance

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*Guarantees are subject to the claims-paying ability of the issuing insurance company.

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STEP 3

Fund discretionary expenses.

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Use your remaining portfolio assets…

- Mutual funds
- Brokerage accounts
- IRAs, 403(b)s, 401(k)s
- Savings accounts
- Guaranteed income products

…to pay your discretionary expenses.

Guarantees are subject to the claims-paying ability and financial strength of the issuing insurance company.
For illustrative purposes only.
Diversification does not ensure a profit or guarantee against loss.

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STEP 4

Monitor your plan each year.

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Meet with Fidelity at least once a year to:

- Discuss changes in your situation
- Review retirement income goals
- Determine availability of new income sources
- Reassess expenses
- Rebalance portfolio in light of risks
- Update beneficiary designations

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Make an appointment today.

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Fidelity Representatives

Our service is offered as an employee benefit to you.

Make an appointment today to meet in person…

Or meet over the phone: **866-715-2059**

Empower yourself and build confidence to make the best decisions for your retirement.

Methodology and Information

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This information is intended to be educational and is not tailored to the investment needs of any specific investor.

Investing involves risk, including risk of loss.

The retirement planning information contained herein is general in nature and should not be considered legal or tax advice. Fidelity does not provide legal or tax advice. This information is provided for general educational purposes only and you should bear in mind that laws of a particular state and your particular situation may affect this information. You should consult your attorney or tax advisor regarding your specific legal or tax situation.

Principal value and investment returns of a variable annuity will fluctuate and you may have a gain or loss when money is received or withdrawn.

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