Turn Your Savings into Retirement Income

OPENING

What types of retirement planning have you done so far?

A. Met with an advisor

B. Met with a Fidelity representative

C. Used online tools

D. I'm just getting started

AGENDA

Three key retirement income topics

Importance of a plan

Factors to consider

Developing your plan

The importance of having a retirement income plan

IMPORTANCE

How do you envision your retirement?

IMPORTANCE

Important retirement questions

When will you retire?

Where will you retire?

What will you be doing?

IMPORTANCE

Adjusting to retirement

Going to work

Doing your job

Relying on a paycheck

In retirement, you'll be responsible for creating your own paycheck

IMPORTANCE

The benefits of having a retirement income plan include__________________________.

IMPORTANCE

A retirement income plan can help you:

Make your retirement savings last

Live the retirement you envision

Build a legacy

Factors to consider when transitioning your savings into retirement income

CONSIDER

Potential sources of retirement income

Reliable Income

- Pension plans
- Income annuities
- Social Security

Investment Income

- 401(k)'s
- IRA's
- HSA's

Other Sources

- Employment
- Rental property
- Trusts/inheritances

5–10

years before you retire

CONSIDER

3

Categories of retirement expenses

Essential Expenses

- Groceries
- Utilities
- Health care

Discretionary Expenses

- Travel
- Hobbies
- Dining out

Emergency Expenses

- Unforeseen health issue
- Home repair
- Auto repair

CONSIDER

What worries you the most about your retirement income?

A.

Possibility I'll outlive my money

B.

Effects of inflation on my income

C.

Rising health care costs

CONSIDER

Factors affecting your retirement savings and income

Your withdrawal rate

Effects of inflation

Long-term investment

Longer lifespans

Health care costs*

*Estimate based on a hypothetical couple retiring in 2018, 65-years-old, with life expectancies that align with Society of Actuaries' RP-2014 Healthy Annuitant rates with Mortality Improvements Scale MP-2016. Actual assets needed may be more or less depending on actual health status, area of residence, and longevity. Estimate is net of taxes: cost basis is assumed to equal market value. Estimate is calculated as the assets required today in a taxable account with an effective tax in retirement of 5%, an asset allocation of 30% equity, 50% bonds, and 20% cash, such that there is a 90% chance of being able to pay for healthcare expenses through life expectancy. 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.

CONSIDER

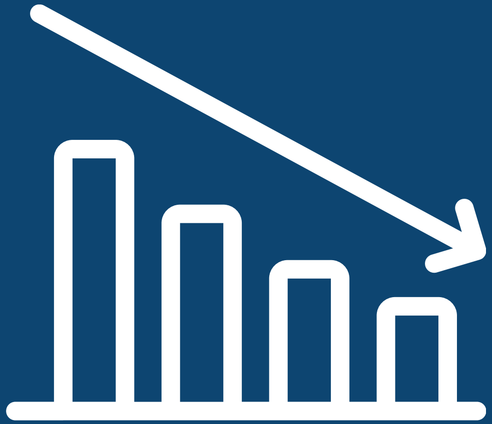
Your withdrawal rate

A variety of income sources

- Interest From Savings
- Social Security
- Real Estate Revenues
- IRA

CONSIDER

Effects of inflation



The value of your money could decline over time

CONSIDER

Long-term investing

Select an asset mix to help meet your needs and goals

CONSIDER

Longer lifespans

30–40

years in retirement

CONSIDER

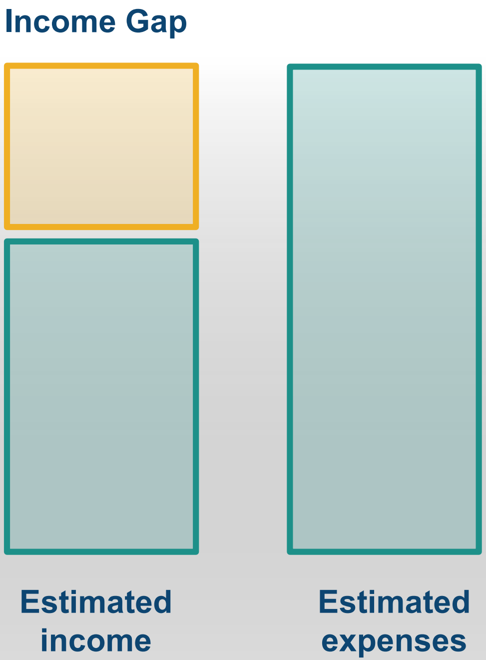
Health care costs

Single retiring	Couple retiring
$462	**$924**
Per month	Per month

Estimate based on a hypothetical couple retiring in 2018, 65-years-old, with life expectancies that align with Society of Actuaries' RP-2014 Healthy Annuitant rates with Mortality Improvements Scale MP-2016. Actual assets needed may be more or less depending on actual health status, area of residence, and longevity. Estimate is net of taxes: cost basis is assumed to equal market value. Estimate is calculated as the assets required today in a taxable account with an effective tax in retirement of 5%, an asset allocation of 30% equity, 50% bonds, and 20% cash, such that there is a 90% chance of being able to pay for healthcare expenses through life expectancy. 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.

CONSIDER

Retirement income and retirement expenses



Sam

$4,284

Estimated income per month

- $6,104

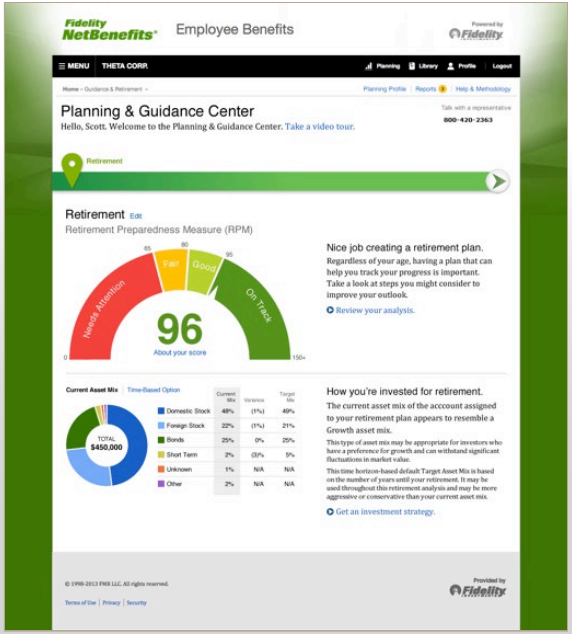
Estimated expenses per month

$1,821

Potential gap per month

CONSIDER

Identifying potential gaps



IMPORTANT: The projections or other information generated by the Planning & Guidance Center's Retirement Analysis regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Your results may vary with each use and over time.

If your retirement income estimate is not anticipated to meet your expenses, consider:

Delaying retirement and continuing to work

Spending less now and saving more for later

IMPORTANCE

Common retirement income sources

Pension

Social Security

IRA

Workplace savings plan

CONSIDER

Managing your tax situation

Understand how benefits and income are taxed

Estimating your tax bracket can help you:

- Reduce taxes and save more
- Adjust your taxable & nontaxable investment mix
- Choose how much to put in each investment

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

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Potential income strategies

- Taking systematic withdrawals
- Using other income before claiming Social Security
- Living off earnings and interest
- Bucketing your investments

DEVELOP

Taking systematic withdrawals from your investments

DEVELOP

Systematic withdrawals

Determine income need

Establish asset allocation

Identify investment mix

Invest and manage

DEVELOP

How much should you withdraw annually?

2-3%
Annual withdrawal rate

4-5%
Annual withdrawal rate

6-7%
Annual withdrawal rate

DEVELOP

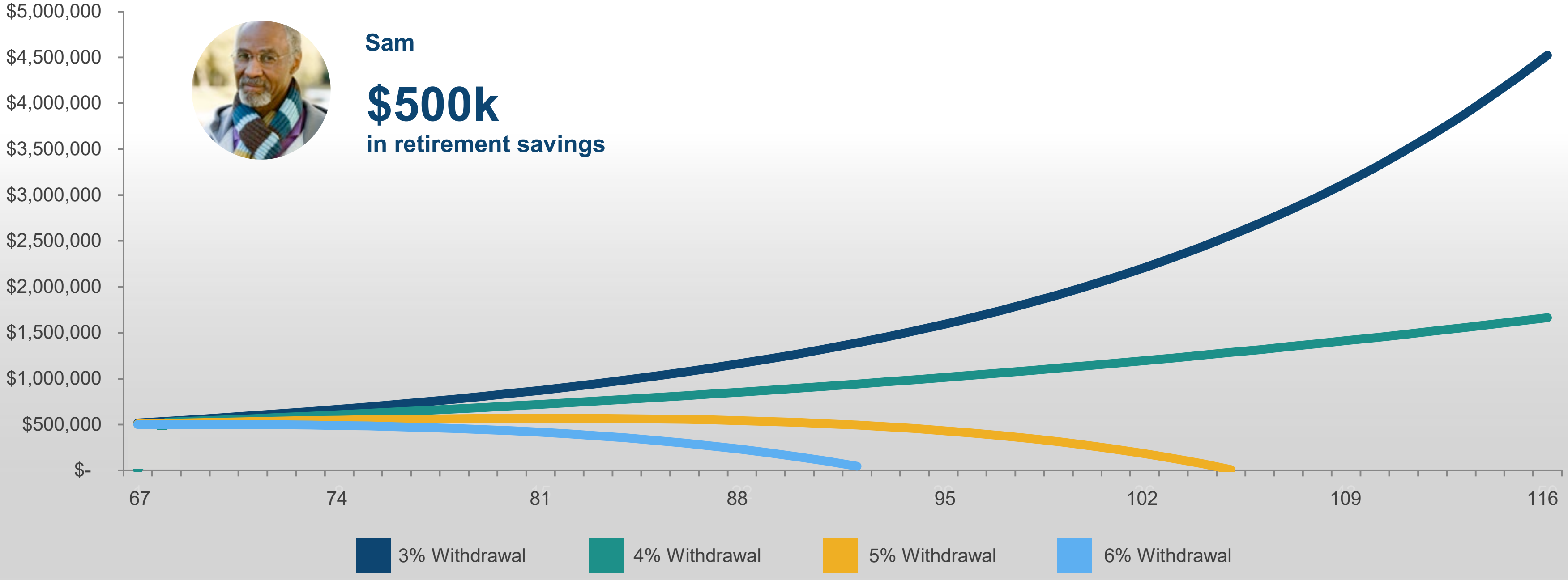
How much should you withdraw annually?

4-5%

Annual withdrawal rate

DEVELOP

Hypothetical illustration of withdrawal rates



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.

DEVELOP

Withdrawal rate example

Sam

$500k
in retirement savings

4% withdrawal rate	IRS-required minimum distribution (RMD)
$500,000	$500,000
x 4%	÷ 27.4
$20,000	$18,428

DEVELOP

Living off interest and account earnings

DEVELOP

Income from interest and account earnings

Determine income need

Identify asset allocation

Manage reinvestments

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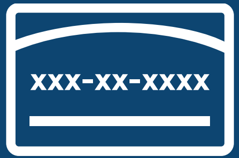

Using other income sources until you start claiming Social Security

DEVELOP

Benefits of waiting to claim Social Security

After you reach minimum retirement age (62) each year you put off claiming Social Security will increase your benefits by ________ percentage, up to full retirement age.

1-2.9%

A.

3-4.9%

B.

5-6.9%

C.

7-8.9%

D.

DEVELOP

Example: Claiming Social Security early

If you were born between 1943 and 1954, your full 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%

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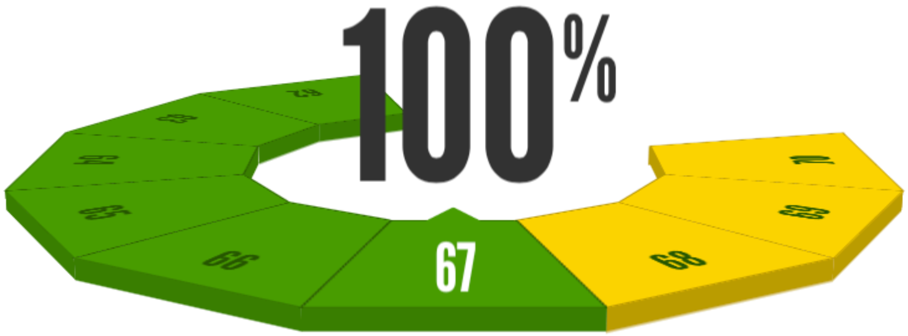
Provided by Fidelity INVESTMENTS

GLOSSARY

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.



< Age when claiming >

SEE AN EXAMPLE OF MONTHLY & LIFETIME BENEFITS

55

Answer 4 quick questions to see an example of what someone like you could get per month and over a lifetime.

START →

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.

DEVELOP

Bridge strategy

Determine income need

Identify investment mix

Rebalance if needed

“Bucketing” your investments to generate both income and growth

DEVELOP

3

Buckets

You could lose money by investing in a money market fund. An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Before investing, always read a money market fund's prospectus for policies specific to that fund.

In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. Unlike individual bonds, most bond funds do not have a maturity date, so holding them until maturity to avoid losses caused by price volatility is not possible.

Stock markets are volatile and can fluctuate significantly in response to company, industry, political, regulatory, market, or economic developments. Investing in stock involves risks, including the loss of principal.

1 » **Conservative Bucket**

2 » **Moderate Bucket**

3 » **Aggressive Bucket**

DEVELOP

Monitoring and adjusting your investment buckets

Conservative Bucket

Moderate Bucket

Aggressive Bucket

Periodically shift the gains from the moderate and aggressive buckets over one bucket

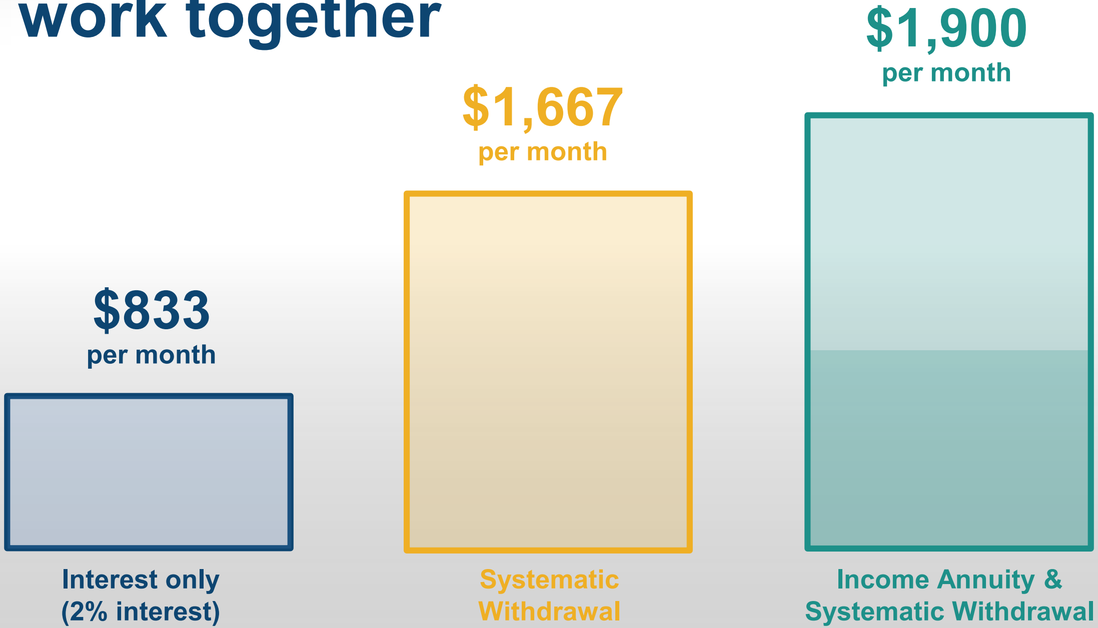
DEVELOP

Some strategies work together

Sam

67
years old

$500k
in retirement plan



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% 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 increases each year with inflation. Option 3: Systematic withdrawal plan (SWP) coupled with a single life annuity. SWP assumes a $250,000 initial balance and a 4% withdrawal rate for the first year 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 increases each year with inflation. In addition, a hypothetical annuity for a 67 year old male is purchased with $250,000 which provides a $1067 monthly payout, which is based on a single life with a cash refund annuity and a CPI-U COLA distributed by Fidelity Insurance Agency, Inc., as of August 8, 2018. For the annuity, rates are subject to change. Payments do not reflect the impact of taxes. Beginning with the first payment anniversary, income payments are adjusted for increases (if any) in the Consumer Price Index for All Urban Consumers (CPI-U). A contract with a CPI-U increase will provide lower initial income payments than an otherwise identical contract without a cost-of-living adjustment. A contract's financial guarantees are solely the responsibility of and are subject to the claims-paying ability of the issuing insurance company.

DEVELOP

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


Take the next steps

Workshop summary

Monitor your plan

Assess your financial situation

Review your income goals

NEXT STEPS

Take your next step

Call for help 800.343.0860

Visit the Planning & Guidance Center

Thank You!

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.

30-Day Treasury Bill Index measure the annual total return of a short-term obligation that is not interest-bearing (it is purchased at a discount); it can be traded on a discount basis for 91 days.

MSCI EAFE Index is a market capitalization-weighted index that is designed to measure the investable equity market performance for global investors in developed markets, excluding the US & Canada

S&P 500 Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent US equity performance.

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