Get real
Find out what retirement may cost and how to get ready

Charles Davenport CFP®, ChFC®
Private Wealth Advisor

April 10th & 11th 2018
PRIORITIZE

Determine your wants and needs.
DETERMINE SOURCES OF INCOME

Meet living expenses in retirement.
IMAGINE YOUR FUTURE

Have a clear vision of what you want your retirement to look like.
# Calculate Living Expenses

## Current monthly expenses

<table>
<thead>
<tr>
<th>Household</th>
<th>Current monthly expenses</th>
<th>Anticipated monthly expenses in retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage or rent</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Homeowners’ or renters’ insurance</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Homeowners’ or condo association fees</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Gas and electric</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Cable</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Internet</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Water</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Garbage</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Security system</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Telephone (land line)</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Cell phone</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Housekeeper</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Gardening/farm service</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Routine maintenance</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Property taxes</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$</strong></td>
<td><strong>$</strong></td>
</tr>
</tbody>
</table>

## Calculate Living Expenses

This worksheet may help you estimate your anticipated monthly expenses in retirement. You can use your current expenses as a benchmark.

1. Write down the labels of the worksheet to complete your personal expenses.
2. Vary your current monthly expenses in the middle column of this worksheet to make sure you will want to consider your current monthly expenses.
3. Don’t fill expense amounts for budget items that don’t apply to you. If any of your expenses that you’ve experienced elsewhere or in your retirement have been listed at table.
4. Using your current monthly expenses as a point of reference, determine your anticipated monthly expenses in retirement and review these representative.
5. Calculate your income for one activity. Then add up your expenses to get your monthly income on page 3.
6. Multiply your monthly income by the percentage of your annual income.

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You’re In Charge®
## Anticipated monthly expenses in retirement

![Calculate living expenses](image)

### Table: Anticipated monthly expenses in retirement

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</thead>
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<td>$</td>
</tr>
<tr>
<td>Housekeeper</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Gardener</td>
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<td>Furniture and electronics</td>
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<td>Other</td>
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<td><strong>Subtotal</strong></td>
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<td><strong>$</strong></td>
</tr>
</tbody>
</table>

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HOW MUCH WILL YOU NEED?

Total anticipated expenses in retirement

<table>
<thead>
<tr>
<th>Category</th>
<th>Current monthly expenses</th>
<th>Anticipated monthly expenses in retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly total</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Annual total</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Entertainment

<table>
<thead>
<tr>
<th>Category</th>
<th>Current monthly expenses</th>
<th>Anticipated monthly expenses in retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly total</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Annual total</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Miscellaneous

<table>
<thead>
<tr>
<th>Category</th>
<th>Current monthly expenses</th>
<th>Anticipated monthly expenses in retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly total</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Annual total</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

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LCN-1675682-010517 7
What’s the 4% rule?
Withdraw 4% in the first year of retirement and adjust for inflation in subsequent years
CALCULATE ESTIMATED RETIREMENT PLAN INCOME

Your annual retirement distributions

When you begin taking annual distributions from your retirement plan account, you’ll try to take enough to meet your living expenses—enough to pay the bills—while still leaving enough to provide financial support through your remaining years of retirement. So, how can you determine how much money to take from your retirement plan account each year?

Some retirement planning professionals recommend using the 4% rule as a guideline for calculating your annual distributions. Simply put, the rule states that you can withdraw 4% of your account balance at the start of any given year and still expect the account to last approximately 30 years.

To see how this distribution guide might apply to your situation, follow these steps:

1. Calculate the total amount of your account’s annual retirement spending—including both wages and benefits—over the next 30 years. If you’re using the 4% rule, you can use your current account balance as a starting point.

2. Multiply your total retirement spending by 4% to get the amount in your account today. If you’re using the 4% rule, multiply your account balance by 4% to get the amount of money you’ll need to meet your retirement expenses.

Total anticipated annual retirement spending

$ ____________________________

Potential withdrawal amount (current retirement account balance x .04)

$ ____________________________

5. If your total annual retirement spending less than, equal to, or greater than the amount determined in step 4, repeat the steps until you reach the amount you desire. If the amount of money you need is less than the amount in your account, you can withdraw more money each year. If the amount of money you need is greater than the amount in your account, you will need to reduce your retirement spending.
### Sources of Retirement Income

1. **Retirement plan distribution (using the 4% rule)**
   - Annual household income:

2. **Earnings (if you plan to work)**
   - Annual household income:

3. **Other household income (from a spouse or partner)**
   - Annual household income:

4. **Taxable accounts**
   - Annual household income:

5. **Social Security benefits**
   - Annual household income:

6. **Other (such as pension, rental property, seasonal work, or small business income)**
   - Annual household income:

---

**Total annual household income anticipated in retirement:** $
## COMPARE EXPENSES AND INCOME

### Sources of retirement income

Use this chart to identify the amount of retirement income you anticipate receiving from each source.

<table>
<thead>
<tr>
<th>Source</th>
<th>Annual household income in retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement plan disbursement</td>
<td>$</td>
</tr>
<tr>
<td>Earnings (you plan in work)</td>
<td>$</td>
</tr>
<tr>
<td>Other household income (from a spouse or partner)</td>
<td>$</td>
</tr>
<tr>
<td>Retirement accounts</td>
<td>$</td>
</tr>
<tr>
<td>Social Security benefits</td>
<td>$</td>
</tr>
<tr>
<td>Other normal interest, rental property, annuity, or small business income</td>
<td>$</td>
</tr>
</tbody>
</table>

1. Enter your total anticipated or projected spending as indicated in the chart below called Calculus using Figure 1 on the bottom right.
2. Write the total amount of household income you anticipate in retirement in the box on the right.
3. Enter your anticipated annual retirement spending, as shown on the bottom right. If it is equal to, or greater than your anticipated household income in retirement, choose the appropriate graph between the lines to complete the equation.

Total anticipated annual retirement spending

Total annual household income anticipated in retirement

$  <  =  >  $
STEP 1: INCREASE YOUR RETIREMENT PLAN CONTRIBUTIONS

Growth potential over five years at a 12% contribution rate

This illustration assumes a $50,000 annual salary, contribution rates of 12% and a 6% rate of return compounded monthly over a 5-year period in a tax-deferred account. This is a hypothetical example. It is not indicative of any product or performance and does not reflect any expenses associated with investing. Taxes will be due upon distribution of the tax-deferred amount and, if shown, results would be lower. It is possible to lose money investing in securities.
CONTRIBUTE THE MAXIMUM TO YOUR RETIREMENT PLAN

2018 maximum contribution: $18,500

+ 2018 catch-up contribution limit: $6,000

= 2018 maximum contribution: $24,500
Individual Retirement Accounts (IRAs)

**Traditional**
A traditional IRA allows you to save in an account that grows tax deferred.

**Roth**
Roth IRA contributions aren’t tax-deductible, but your distributions are tax-free.
Annuity

An annuity is a type of guaranteed income product. When you purchase an annuity, you’re buying the right to a regular income stream, either for life or for a fixed number of years.
STEP 3: MAKE CHANGES TO YOUR CURRENT BUDGET

Eliminate debt
Can you pay off your credit card balances? What about your house and car?
Think before you spend.
Before you make a purchase, ask yourself whether you need or want the item.
Make the touch choices now.
Now more than ever is the time to be realistic with your expectations.
STEP 4: ADJUST YOUR RETIREMENT EXPECTATIONS

Work part-time instead of retiring all at once.
STEP 4: BE COST-EFFICIENT

Reconsider your top retirement priorities.
DELAY RETIREMENT

Push out your retirement date by a few years.

This illustration assumes a $50,000 annual salary, 12% contribution rate and a 6% rate of return compounded monthly for a 3-year period in a tax-deferred account. This is a hypothetical example. It is not indicative of any product or performance and does not reflect any expenses associated with investing. Taxes will be due upon distribution of the tax-deferred amount and, if shown, results would be lower. It is possible to lose money investing in securities.
STEP 5: REVIEW YOUR CURRENT ASSET ALLOCATION

What type of investor are you?

Ultra conservative
- Cash/stable value: 12%
- Bond: 42%
- U.S. stock: 43%
- International stock: 3%

Conservative
- Cash/stable value: 22%
- Bond: 48%
- U.S. stock: 22%
- International stock: 8%

Moderately conservative
- Cash/stable value: 12%
- Bond: 41%
- U.S. stock: 33%
- International stock: 14%

Moderate
- Cash/stable value: 19%
- Bond: 10%
- U.S. stock: 41%
- International stock: 30%

Moderately aggressive
- Cash/stable value: 6%
- Bond: 24%
- U.S. stock: 19%
- International stock: 51%

Aggressive
- Cash/stable value: 2%
- Bond: 30%
- U.S. stock: 60%
- International stock: 8%
UNDERSTAND SOCIAL SECURITY AND MEDICARE

SSA.gov

Medicare.gov
Visit SSA.gov to learn:

• Your monthly Social Security income
• How to apply for Social Security benefits
• The impact of delaying your Social Security benefits
UNDERSTAND MEDICARE

Visit Medicare.gov to learn:

• How Medicare works
• How to apply for Medicare benefits
SHARE WHAT YOU’VE LEARNED

Discuss and plan
SCHEDULE A MEETING

Make an appointment for one-on-one help.
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