Making It Last

Think beyond the retirement finish line

SAGE VIEW

Retirement Readiness

What's your plan after your final paycheck?

Retirement has been your goal since you first started saving for it (or likely even earlier), but it's not the end of the race. In fact, your "in" retirement plan may be more crucial than your current savings plan.

Moving from a steady salary to converting your savings into income for the rest of your life takes some thought. Below we outline important considerations and risks to help you make a smooth transition.

Plan to make your money last

- Choose a realistic timeframe for how long your money will need to last. If you retire at age 65, plan for 30 to 35 years.
- Generally, your investment risk should decrease the closer you get to retirement, but you should seek enough stock exposure to help keep investments growing.

65-Year-Old Male		
61%	Probability of Reaching Age	80
41%		85
22%		90
8%		95
Average life expectancy = 17.6 more years		

65-Year-Old Female		
71%	Probability of Reaching Age	80
54%		85
34%		90
16%		95
Average life expectancy = 20.4 more years		

65-Year-Old Survivor*		
88%	Probability of Reaching Age	80
73%		85
49%		90
23%		95
Average life expectancy = 24.4 more years		

*Surviving member of a couple

Source: Social Security 2010 Mortality Tables with 1% mortality improvement. Life Expectancy Calculator created by Mary Pat Campbell, FSA, updated July 2010, Society of Actuarias.

How much should you withdraw from your retirement account annually?

Old Rule: The 4% Rule

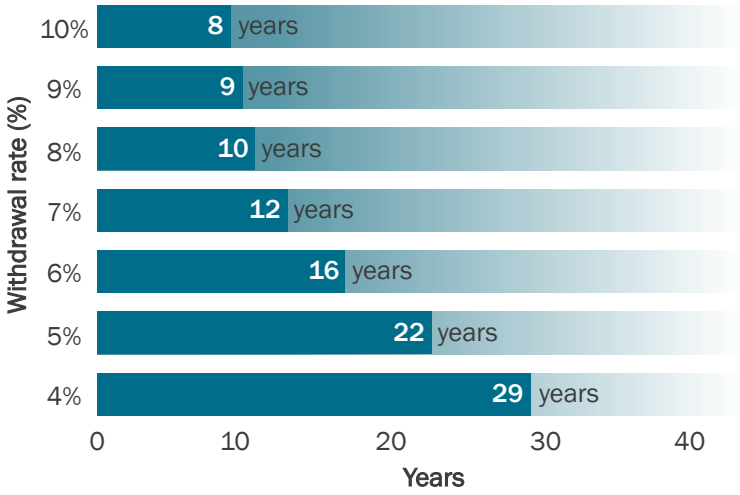
As long as you withdraw 4% of your balance from your retirement accounts each year - no more, no less - your money should last 30 years.

New Rule: 3-4%

- More conservative to adjust for market volatility
- Annuity income + savings
- Review periodically

Lower withdrawal Rates Can Make Your Money Last Longer*

(Hypothetical Examples)



Maintain your buying power

The dollar losing value over time, known as inflation risk, can have a real impact on your retirement confidence. This can be true even when inflation is relatively low.

- Consider adding inflation-hedging investments to your portfolio.
- Stocks are generally an important part of a retirement portfolio, even in retirement. Seek enough stock exposure for the potential to outpace inflation.
- Make sure you maximize Social Security payments, which are automatically adjusted for inflation.

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Prepare for market drops

- Diversify your portfolio, spreading your money across asset types that react differently under various market conditions to balance highs and lows.
- Align your asset allocation with your risk tolerance so you're less likely to panic in a downturn.
- Reevaluate withdrawals during market declines, since you may not recover those losses when the market rebounds.

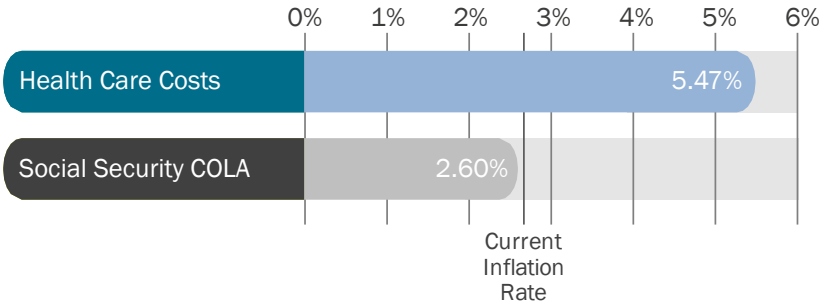
Asset allocation, which is driven by complex mathematical models, should not be confused with the much simpler concept of diversification. No investment strategy can guarantee profit or protect against loss.

Your portfolio will usually be at its largest at retirement, and a market downturn right before or early in retirement can result in the greatest dollar impact.

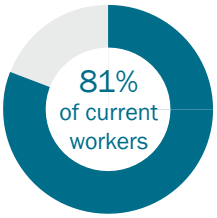
Be mindful of healthcare costs in retirement

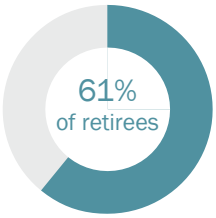
Planning is critical. Health care costs are forecast to grow faster than Social Security's cost of living adjustment (COLA).

Projected Annual Increase Over the Next 10 Years

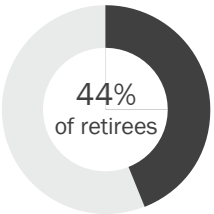


Sources: HealthView Services 2017 Retirement Health Care Costs Data Report: Bureau of Labor Statistics Consumer Price Index (inflation) data as of August 2018.





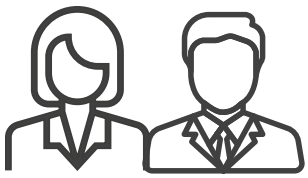
haven't calculated how much they'll need to pay for health care in retirement.



say that they've already spent more on health care than they expected.

Source: 2018 Retirement Confidence Survey. Employee Benefit Research Institute

An average 65-year-old married couple retiring today may pay:



$404k

for retirement health care costs*

*Includes all average expenses not covered by Medicare, such as additional premiums for Medicare Parts B and D, supplemental insurance, deductibles, copays, and costs for hearing, vision and dental care.
Source: HealthView Services 2017 Retirement Health Care Costs Data Report.

Women may spend more on health care in retirement.

2 Husbands are **2** years older than their wives, on average.

+2 Life expectancy for women is **2** years longer than men.

=4 The surviving female spouse may live an additional **4** years in retirement.

Sources: Social Security Administration Life Expectancy Calculator, U.S. Census Bureau, Current Population Survey, 2016. HealthView Services 2017 Retirement Health Care Costs Data Report.

*These hypothetical situations contain assumptions that are intended for illustrative purposes only and are not representative of the performance of any security. There is no assurance similar results can be achieved, and this information should not be relied upon as a specific recommendation to buy or sell securities. Assumes a portfolio with 50% equity, 45% bond, 5% cash allocation over 30 years at a 90% confidence level, with the following average monthly capital market returns: Stocks: 7.90%, 18.90% standard deviation; Bonds: 5.00%, 4.95% standard deviation; Cash: 2.25%, 1.00% standard deviation. The correlation between Stock and Bond returns is 0.2. Inflation rate is assumed to be 2% annually and is included in each of the withdrawal rates depicted above. Standard deviation defines how widely returns vary from the average over a period of time.

Source: American Century Investments, 2019.

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