



My path to
RETIREMENT

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MY PATH TO RETIREMENT:
Where are You on Your Journey?

The path to retirement is a long and winding road. Most people spend several decades planning and saving for retirement. A lot can happen in 30+ years: Financial market ups and downs, career transitions, health challenges, and family changes. During all that activity, it can be difficult to know where you stand on the journey.

If you feel like you're behind, you're not alone. In fact, according to a survey from Bankrate, 55% of Americans feel like they're behind on planning for retirement.¹

If you took the Path to Retirement quiz, you might have some better insight into your place along the retirement journey. Below is more information about the quiz questions and steps you can take to move forward and better prepare yourself for retirement.



How long do you have until you retire?

Time is an asset in a retirement plan. The longer you have until retirement, the more time you have to save money and take advantage of compound growth. As retirement approaches, you have less time to save money, and compound growth has less of an impact on your savings.

When you have a long time until retirement, you also have more time to recover from investment losses. Every bear market is different in terms of recovery. It took the S&P 500 nearly seven years to recover from the 2000 tech crash. It took four years to recover from the financial crisis of 2008.²

With decades of work left, you have the time to suffer a decline and recover. However, a steep decline close to your planned retirement date can seriously impact your nest egg.

Regularly review your savings and investment strategy as you approach this date to ensure you're on track. This could be an excellent time to boost your contributions to retirement accounts and shift your allocations. You can also consider strategies that guarantee your income and protect you from market volatility.



Do you know how much money you need to save for retirement?

Imagine taking a road trip without a specific destination, climbing a mountain without knowing how many feet you have to climb, or setting out to run a marathon without knowing where the finish line is.

That's what it's like to plan for retirement without knowing how much you need to save. You cannot know how much of the journey you have left or even when you've reached your destination.

No magic savings number is right for everyone. Your goal should be based on your specific retirement plans. Maybe you want to travel, shop, dine out, and enjoy life fully. Or perhaps you want to relax, live modestly, and spend time with family and friends.

There's no wrong answer on how you should spend your retirement. The only wrong approach is not planning how your desired lifestyle will affect your spending and savings goals. Your savings target should be unique, just like your retirement plans.



How much have you saved for retirement?

This may seem like a simple question, but it's not all that simple for everyone. Like many who are saving for retirement, you probably have a 401(k) through your employer. You may have an IRA. You could have old 401(k) accounts at former employers. You may have pensions, annuities, or other retirement assets that you don't check regularly. It can be challenging to know where each account stands at any given time.

Regularly reviewing your accounts is a critical step in planning for retirement. When you know how much you need for retirement and you know how much you've saved, it's relatively easy to estimate how much you have left in your journey. You may need to pick up the pace and increase your savings – or you may find you're on track and will reach your goal soon.

Developing a written retirement strategy with a financial professional is a great way to organize all your accounts and track your savings. Your financial advisor can help you determine where you are on your savings path and what adjustments you should make to reach your goal.



Including employer matching amounts, how much are you contributing to retirement accounts like a 401(k), IRA, or Roth IRA each year?

Qualified retirement accounts are powerful tools in any retirement strategy. Think of them as a booster that moves you toward retirement at a faster clip. Qualified plans like 401(k) accounts, IRAs, and more are so effective for a few reasons:

Tax-deferred growth. Qualified accounts are tax-deferred. This means you don't pay taxes on the growth in the account each year as long as the funds stay in the qualified account. Instead, the funds remain in the account and continue to potentially grow and compound over time.

Matching contributions. Employer-sponsored plans like 401(k) and 403(b) plans often have employer-matching contributions. For example, an employer may match up to the first 3% of your contributions. This is a great way to boost your contributions and increase your retirement balances.

Other tax benefits. Some qualified plans have different benefits. For example, contributions to traditional IRAs may be tax-deductible depending on your income. Distributions from Roth IRAs are tax-free, assuming you meet the requirements. If you're self-employed, contributions to a SEP IRA may be deductible.

A financial advisor can help you determine which retirement accounts you should be using and how much you need to contribute to each to reach the finish line on your retirement journey.



How will you spend your time in retirement?

Your retirement plan isn't just about dollars and cents. Retirement is the time in your life when you get to control how you spend your time and focus your energy. Shouldn't you do things that make you happy in retirement?

Unfortunately, retirement and happiness don't always go hand-in-hand. An 85-year study by Harvard researchers found that many retirees struggle with happiness.³



And what's the number one reason they don't find happiness in retirement? They miss the social connections that come with work. They don't miss the work itself, but they do miss the friendships and even the casual interactions with coworkers.

As you approach retirement, it may be a good time to consider investments you can make in your social life. How will you get socialization with others in retirement? Are there clubs you can join or social hobbies you can take up? Which of your current friendships are valuable to you, and how can you maintain those friendships after retirement? Think about your retirement and how you'll spend your time. That type of planning is just as important, if not more so, than your financial strategy.



Have you planned how much income you need in retirement to support your desired lifestyle?

You may generally know how much you need to save by retirement, but do you know how much income you will need to support your lifestyle each year? Income is a great starting point for your planning.

There are a few ways to estimate your needed income in retirement. One is to create a budget, breaking down the expenses you think you'll have in retirement, and then plan for an income amount that sufficiently covers your expenses. A simpler, though less accurate, approach is to simply project a portion of your current income, like 75% or 85%.

Projecting your income can give you a clearer picture of where you stand. For example, you may have made good progress if you have saved \$500,000 for retirement. But knowing that you will need \$100,000 of that per year for income could change your view.

Regardless of which calculation you choose, there is no right income for everyone. Your income requirements should be based on your desired lifestyle and your budget. A financial advisor can help you develop your retirement budget and project your needed income.



How will you generate income in retirement?

Once you know how much income you need in retirement, the next question is how to generate that income. Generally, retirement income is generated by three familiar sources:

- » Social Security
- » Pensions
- » Retirement savings

However, the mix between those three isn't the same for everyone. Pensions are becoming rarer each year, so the number of retirees who benefit from pension income is on the decline.

Social Security is a common source of income for many retirees. Nearly 40% of retirees rely on Social Security benefits for more than 50% of their income. Almost 15% rely on Social Security for 90% of their income.⁴

In December 2022, the average monthly Social Security benefit was \$1,825.4 Social Security is a valuable resource

for retirees, but it's probably not enough to fund a full retirement for most people.



That means you will likely need to rely on income from your retirement savings to fund your lifestyle. But how much income will you need? And how much can you take from your savings without depleting your nest egg?

One strategy to consider is a guaranteed income that lasts for life regardless of how your investments perform. Many different types of annuities offer this benefit. A financial advisor can help you determine how to take income from your savings so that your nest egg lasts through your entire retirement.



What is your plan to pay for medical expenses, long-term care, and nursing home costs in retirement?

Like Social Security, Medicare is a valuable resource for retired people. But Medicare doesn't pay for everything. There are many healthcare costs in retirement that aren't covered by Medicare.

For example, even with Medicare, you may need to pay out-of-pocket for premiums, deductibles, copays, and non-covered treatments like vision, dental, physical therapy, and many other services. Fidelity estimates that the average retired 65-year-old couple will pay \$330,000 out-of-pocket for healthcare costs in retirement.⁵

The Fidelity estimate doesn't even include long-term care or nursing home costs. According to Genworth's annual survey, the average monthly fees for assisted living and an in-home health aide exceeded \$4,000 in 2022. The average monthly price for a semi-private nursing home room was nearly \$8,000.⁶

The good news is you have strategies to cover healthcare and long-term care costs. The earlier you start planning, the more options you may have. You could use a health savings account (HSA) to save money on a tax-advantaged basis for retirement. Long-term care insurance can help cover out-of-pocket costs for in-home care, assisted living, and even nursing homes. And a Medicare Advantage policy may provide more protection than traditional Medicare. Talking to a financial advisor can help you develop your healthcare funding strategy.





What is your investment plan to protect your savings and income from market volatility in retirement?

Market volatility is a certainty for anyone who invests. The financial markets go up, and sometimes they go down. If you invest for decades, you will experience multiple market downturns.

Since 1974, there have been 24 market corrections, which is a loss of 10% or more. Five of those corrections have turned into bear markets - a decline of 20% or more. The average bear market lasts 446 days and experiences a drop of 38.4%.⁷

However, the average bull market lasts 2,069 days and has a positive return of 209.2%.⁷ That means if you can withstand the lows, you will likely see growth during the highs. The key is to find the correct allocation and strategy for your risk tolerance so you can stay invested for the long term.

There's no universal allocation that is right for everyone. Your investment strategy should be based on your unique goals and your risk tolerance. A financial advisor can help you build the proper allocation for your needs and even help you explore tools that protect your funds from market volatility.



What is your plan for inflation? How will you grow your income in retirement to keep up with rising prices?

How would your lifestyle be impacted if your cost of living doubled throughout your retirement? Would it be more challenging to maintain your standard of living? Would you have to cut back on expenses or take more in withdrawals from your savings?

That's exactly what could happen due to inflation. Inflation is the increase in the cost of goods and services. It's normal for the economy to experience a modest level of inflation each year. Modest inflation can be a sign that the economy is growing.

Over time, though, inflation can negatively impact your retirement. Even a 3% level of annual inflation can cause prices to double over 24 years.

In recent years, inflation has been well above 3%. In June 2021, the consumer price index (CPI) rose 5.4% over the previous 12 months. In June 2022, the CPI rose 9.1%. Inflation is slowing, as the January 2023 CPI was down to 6.4%.

Inflation can impact every aspect of your life, from food to housing to energy and even healthcare costs. It can be especially challenging for retirees who are on fixed incomes. You can overcome inflation with a retirement strategy that grows your income yearly. Consult with a financial advisor to develop your income and allocation strategy.



Have you worked with a financial professional to develop a written plan for your retirement?

You can take one step to address every question in this quiz: Work with an experienced financial professional to develop a written retirement strategy. A comprehensive written retirement plan covers savings, investments, budgeting, income planning, healthcare, and much more. It's a roadmap for your retirement journey. With your written retirement plan, you will

know how long it will take to reach the finish line and which steps will advance you down the path.



Contact us to schedule your retirement consultation and start planning your path to retirement. Let's connect!



The Five Phases of Your Retirement Journey

#1 | The Beginning

You're in the first stage of your journey to retirement, and that's ok! Everyone has to start somewhere. The first steps on any journey are the hardest but also the most important.

This is a good time to establish good habits to make your journey easier. Set up an automatic savings plan for your 401(k) and an IRA. Trim your spending, so you have more money to save. Develop an investment strategy that matches your goals and risk tolerance.

Not sure how to start? Contact us today to schedule your consultation. We can help you implement a plan to reach your retirement destination!

#2 | Good First Steps!

Congratulations, you're making progress toward a secure retirement! You have some knowledge and have taken steps to plan for your future, but there's still work to be done.

At this stage, it's important to get organized and get a clearer picture of your current financial situation. Consider setting up a budget, reviewing your retirement savings and investments, and determining your current and future expenses.

A meeting with a financial advisor can help you develop a comprehensive plan to reach your retirement goals. They can help you create a detailed plan and provide guidance on maximizing your savings, minimizing taxes, and managing your investments. With their help, you can take your retirement planning to the next level. Contact us today to schedule your consultation!

#3 | On Your Way!

Congratulations, you're on the right track to a successful retirement! You've made solid progress toward your retirement goals, but there's room for improvement.

At this stage, it's important to continue saving and investing wisely. Review your retirement plan regularly and adjust as needed to ensure you're on track to meet your goals.



You'll also want to watch your investment strategy as you get closer to retirement. Many people shift to a more conservative strategy as they approach retirement. Make sure your investment allocation matches your goals and risk tolerance.

Schedule a meeting with us today to fine-tune your plan and take it to the next level. We can help you assess risk tolerance, optimize investments, and identify potential tax savings opportunities. Let's connect today and plan your retirement journey.

#4 | In the Homestretch!

You're almost there! You've made great strides toward your retirement goals and are on your way to a comfortable retirement. At this stage, staying the course and continuing to save and invest wisely is important. Consider maximizing contributions to your retirement accounts and seeking out additional investment opportunities. If you're age 50 or older, you may want to consider catch-up contributions to maximize your savings.

This is also a good time to finalize any details in your plan. Do you have a plan for healthcare and long-term care costs? What's your investment strategy as you transition into retirement? Also, consider non-financial planning points, like how you will spend your time in retirement.

We recommend meeting to review your plan and ensure that you're on track to meet your goals. We can help you identify potential gaps in your plan and provide guidance on managing your assets to maximize returns. Schedule your consultation today!

#5 | Ready to Retire

Congratulations, you're ready to retire! You've done an excellent job planning for your retirement and are well-prepared for the next chapter of your life. At this stage, it's important to consider all aspects of your retirement plan, including income streams, investment strategies, and estate planning.

The planning doesn't stop just because you retire, however. You could live for decades in retirement. During that time, you could face inflation, market volatility, medical and long-term care costs, and more. You also may be thinking about your legacy and how to pass assets on to your loved ones after you pass away.

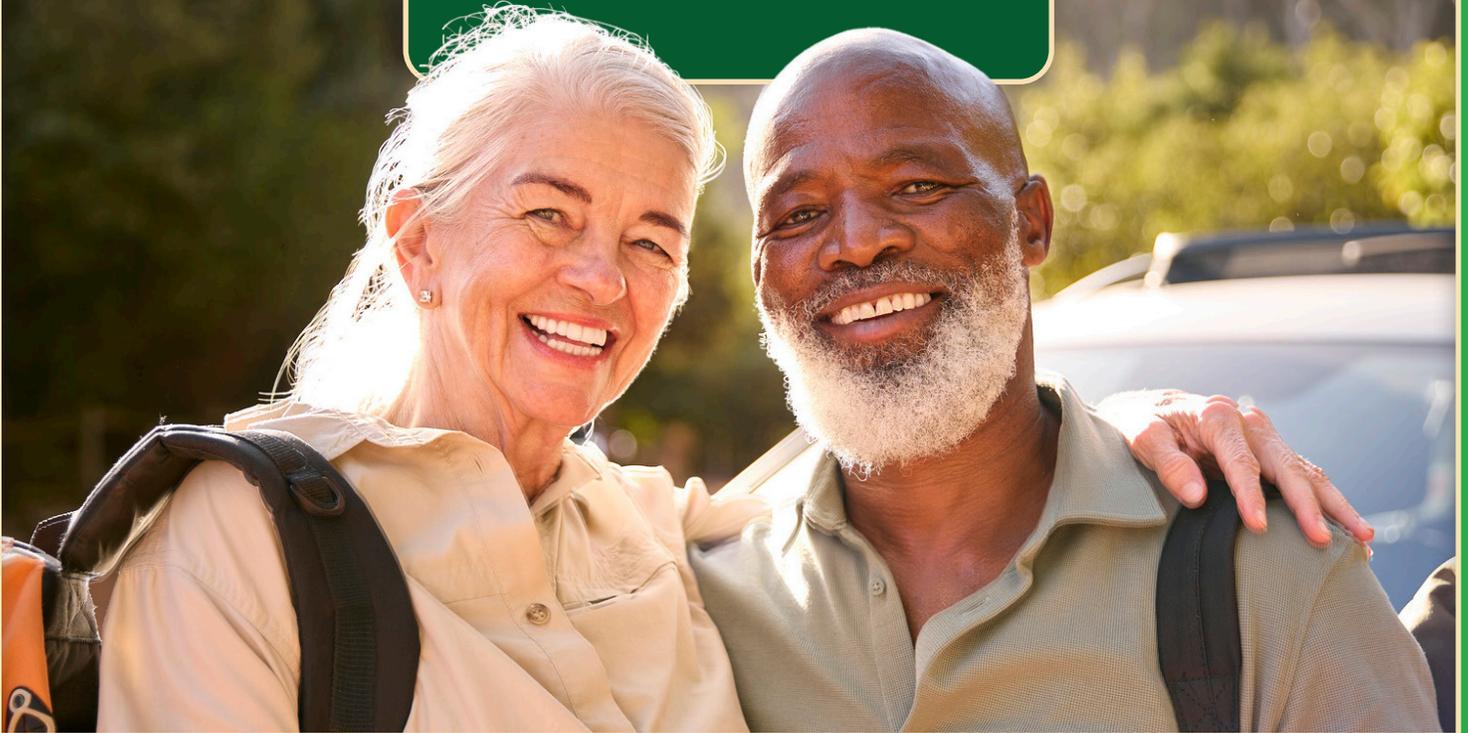
Schedule a consultation with us today to plan your next chapter. The day you retire is just the beginning. Let's connect today and make sure you enjoy the retirement you've always dreamed of.





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[MYPATHTORETIREMENT.COM](https://www.mypathtoretirement.com)



¹<https://www.bankrate.com/investing/what-is-time-horizon/>

²<https://www.investopedia.com/ask/answers/041015/what-history-sp-500.asp>

³<https://www.cnbc.com/2023/03/10/85-year-harvard-happiness-study-found-the-biggest-downside-of-retirement-that-no-one-talks-about.html>

⁴<https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf>

⁵<https://www.fidelity.com/viewpoints/personal-finance/plan-for-rising-health-care-costs>

⁶<https://www.genworth.com/aging-and-you/finances/cost-of-care.html>

⁷<https://www.schwab.com/learn/story/market-correction-what-does-it-mean>

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This document is not intended to be legal or tax advice. Your financial advisor can provide information, but not advice related to social security benefits. Clients should seek guidance from the Social Security Administration regarding their particular situation. Your financial advisor may be able to identify potential retirement income gaps and may introduce insurance products, such as an annuity, as a potential solution. Social Security benefit payout rates can and will change at the sole discretion of the Social Security Administration. For more information, please consult a local Social Security Administration office, or visit www.ssa.gov.