

Retirement Income Planning

You have a unique vision for your retirement. Proper, proactive planning is the first step toward bringing that vision to life.

Envisioning the Next Chapter

Rather than planning your life around your money, plan your money around your life. The first step in planning for retirement is defining what retirement means to you. As you develop your vision of retirement, ask yourself:

- What does retirement mean to me?
- How old will I be when I collect my last paycheck?
- How do I feel about possibly working in retirement?
- Can I afford long-term care if I need it?
- Will I need to care for my parents?
- Are there charities I would like to support?
- How do I want to be remembered?

Determining Your Retirement Income Needs

To help determine how much you will need for the retirement you envision, follow these steps:

- 1. Itemize your anticipated expenses in retirement.** Consider dividing up your expenses into two categories—nondiscretionary expenses (i.e., things you need) and discretionary expenses (i.e., things you would like to have).
- 2. Identify your income sources.** Your sources of income during retirement may include:
 - Social Security
 - Pension
 - Income from working in retirement
 - Rental income
 - Inheritance
 - Retirement plan distributions
 - Investment income (interest, dividends, appreciation, principal)

Social Security Statistics

71.6M people received benefits from programs administered by the Social Security Administration in 2023.

5.8m people were newly awarded Social Security benefits in 2023.

55% of adult Social Security beneficiaries in 2023 were women.

Source: Social Security. Fast Facts & Figures About Social Security, 2024. Available at https://www.ssa.gov/policy/docs/chartbooks/fast_facts/index.html.

Understanding the Risks

Key factors that can potentially impact your ability to achieve your retirement income goals include:

LONGEVITY. With medical advances and increased emphasis on wellness, people are living longer, healthier lives. As a result, many people underestimate their lifespan and risk outliving their assets. When building your retirement income, consider allowing for the possibility of living longer than you expect.

MARKET RISK. This involves not just the possibility that the market will move against you, but that it will move against you immediately before or after you retire and begin withdrawing assets to meet expenses. However, keep in mind that, over the long term, stocks have outperformed other asset classes.¹

INFLATION. If your assets do not grow as fast as the inflation rate, you could lose your purchasing power. Consider allocating a portion of your retirement portfolio to investments with the potential to outpace inflation.

ASSET ALLOCATION. This strategy is the process of combining various asset

classes—such as equities, fixed income and cash equivalents—into your portfolio to meet your unique risk preferences and return objectives. As you move toward retirement, the focus of your asset allocation strategy will generally become more conservative, shifting from equities and growth to fixed income and cash equivalents that provide income and capital preservation.

EXCESS WITHDRAWAL RISK. Withdrawing too much from your retirement nest egg early on can increase your chances of outliving your assets. Generally, your withdrawal rate should be based on your asset allocation, life expectancy, time of retirement and portfolio value.

HEALTH CARE COSTS. For many people approaching retirement, potential future health care costs are a source of anxiety as medical costs are rising faster than inflation. In addition, fewer individuals are covered by employer-sponsored health care plans.



\$395,000

Projected health care expenses in retirement for a healthy 65-year-old couple

Developing a Strategy for the Retirement You Envision

At Morgan Stanley, we help you define and achieve your vision of retirement. We support you every step of the way, from identifying your income needs and allocating your investment portfolio to monitoring tracking the progress of your plan and adjusting your strategy as your life evolves or priorities change.

Let's have that conversation.

¹ Investopedia. Benefits of Holding Stocks for the Long Term, October 29, 2024. Available at <https://www.investopedia.com/articles/investing/052216/4-benefits-holding-stocks-long-term.asp>.

² National Association of Plan Advisors. Here's How Much Retirees May Need for Healthcare Costs, July 25, 2024. Available at <https://www.napa-net.org/news/2024/7/heres-how-much-retirees-may-need-healthcare-costs/>. Accessed March 22, 2025.

Asset allocation does not assure a profit or protect against loss in declining financial markets. Equity securities/stocks may fluctuate in response to news on companies, industries, market conditions and general economic environment.

Past performance does not guarantee future results. Actual results may vary.

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