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Financial Planning for Retirement

Retirement: A Journey that Triggers Lots of Questions

The market’s up – should I buy?

The market’s down – should I buy?

Is my investment portfolio beating the market?

Am I taking too much risk… or maybe not enough?

Interest rates are so low – how can I earn higher yields?

Do I have the right mix of stocks, bonds, and other investments?

Am I saving enough in my 401(k)?

Should I be saving more?

The market’s down – should I sell?

The market’s up – should I sell?

What you need to do changes based on how close (or far) you are to retirement. You don’t need to have it all figured out in your 30s!

This presentation will walk you through the full retirement journey so you can start planning for what you need to do today, as well as how to prepare for the future.

Agenda

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Retirement Basics

Steps To Consider for Planning

EARLY CAREER

Get started on retirement savings

MID CAREER

Reflect on your *idea of retirement*

Determine sources of income + how much money you will need

LATE CAREER

Address potential risks in reaching your goal + create strategies to help mitigate them

Questions to Consider at Each Step

EARLY CAREER

- How do you start saving for retirement?

MID CAREER

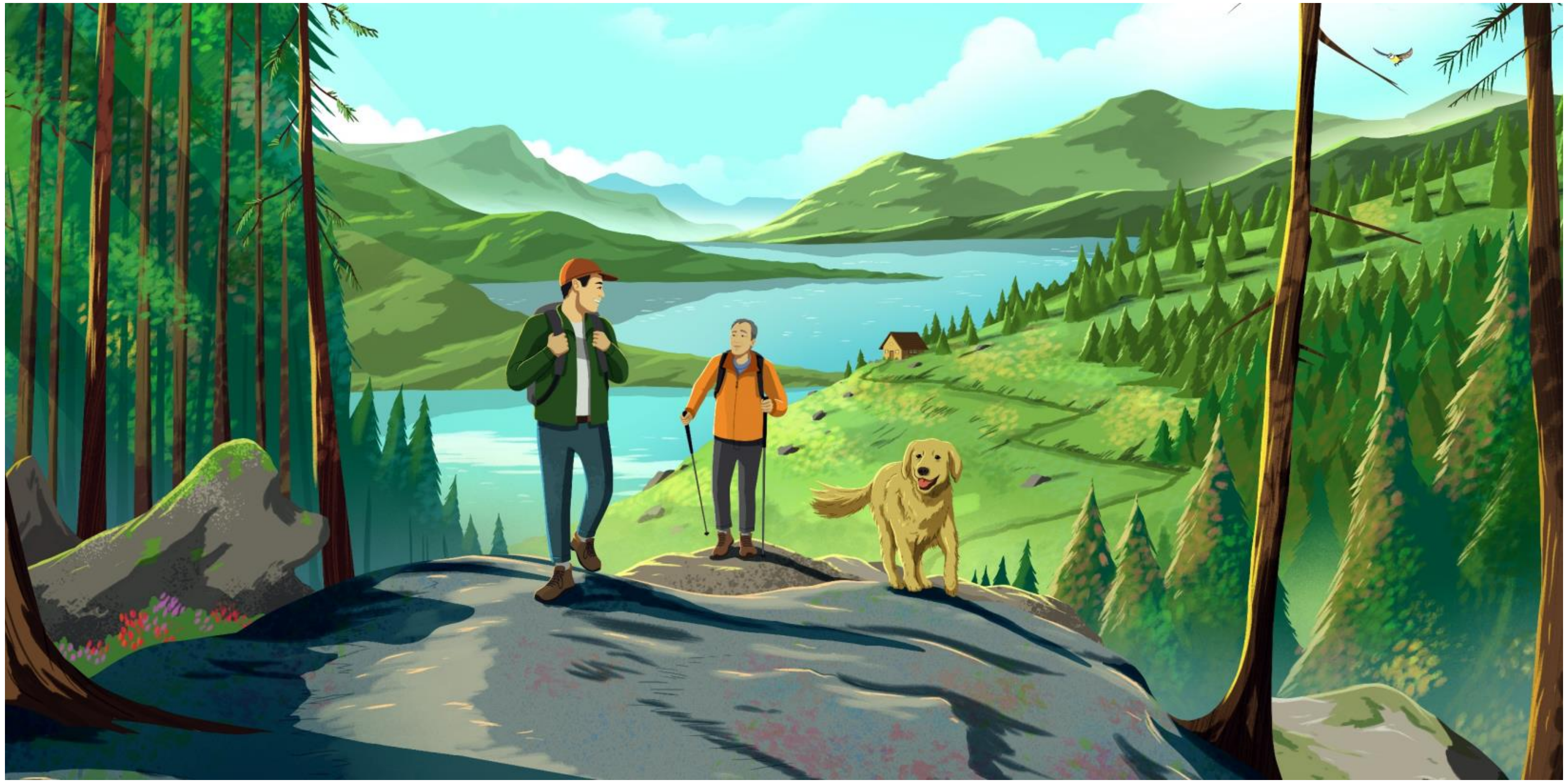
- When do you want to retire?
- How much income will you need in retirement?
- How do you calculate how long you might live?
- Do you wish to leave an inheritance?

LATE CAREER

- Will you work part-time or enjoy a life of leisure?
- Who do you need to consider or care for? *(Just you? Partner? Kids? Parents?)*
- What is your ideal living situation? *(Do you need to downsize? Where will you retire and how does this impact taxes?)*

Early Career: Laying the Groundwork

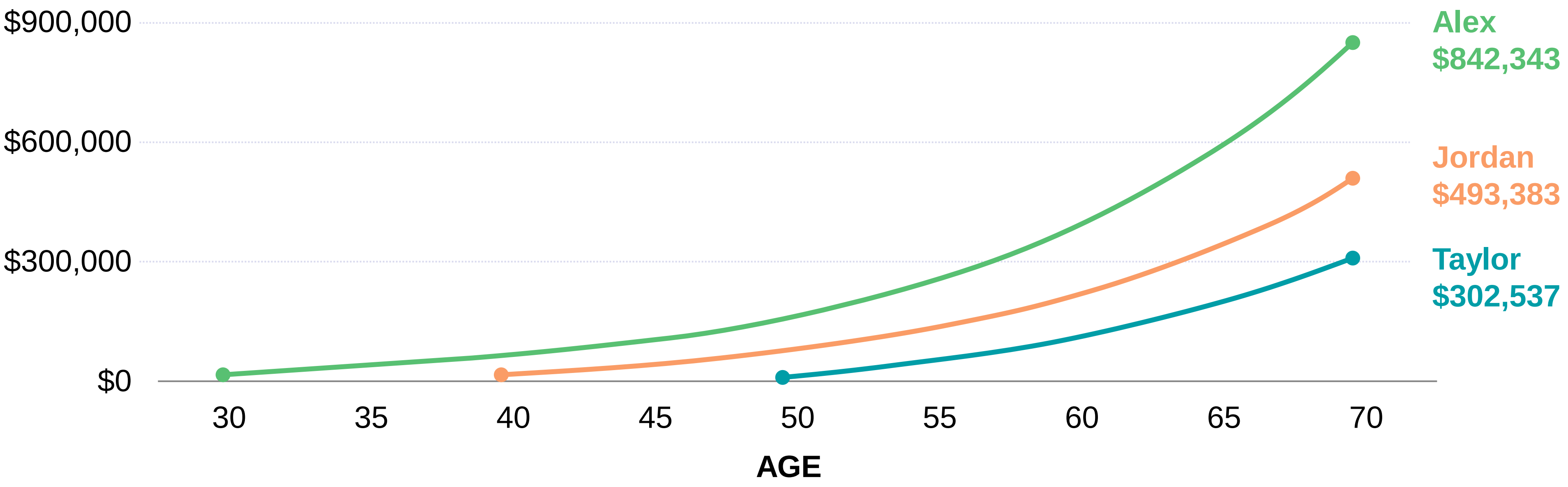
- **Start early**, save often
- **Build** retirement planning into your budget (i.e. 401(k) contributions)
- **Supplement** retirement savings when you get bonuses, equity comp payouts, and other windfalls
- As you build out **financial portfolios** (i.e. investment, savings) – consider how these can help you meet shorter term goals (education, home purchase) and longer term goals (retirement)



Remember, you can borrow to fund expenses like education, but you can't borrow to fund retirement when you get there.

With Markets, Time is Money

The power of investment interest over different time horizons can yield dramatically different results.



Each person contributes about the same total amount.

Alex

- **$3,000** invested per year between ages 30 and 70
- Total Invested: **$123,000**

Jordan

- **$4,000** invested per year between ages 40 and 70
- Total Invested: **$124,000**

Taylor

- **$6,000** invested per year between ages 50 and 70
- Total Invested: **$126,000**

At 70, Alex has $340k+ more than Jordan and $540k+ more than Taylor.

HYPOTHETICAL EXAMPLE – FOR ILLUSTRATIVE PURPOSE ONLY
Source: Morgan Stanley Wealth Management GIC
Assumes 8% annual return and does not take into account impact of taxes. For more information about the risks to hypothetical performance please refer to the Risk Tolerance section at the end of this material

Budgeting

Calculate your income

Track current expenses

Separate needs and wants in the context of your overall goals and objectives

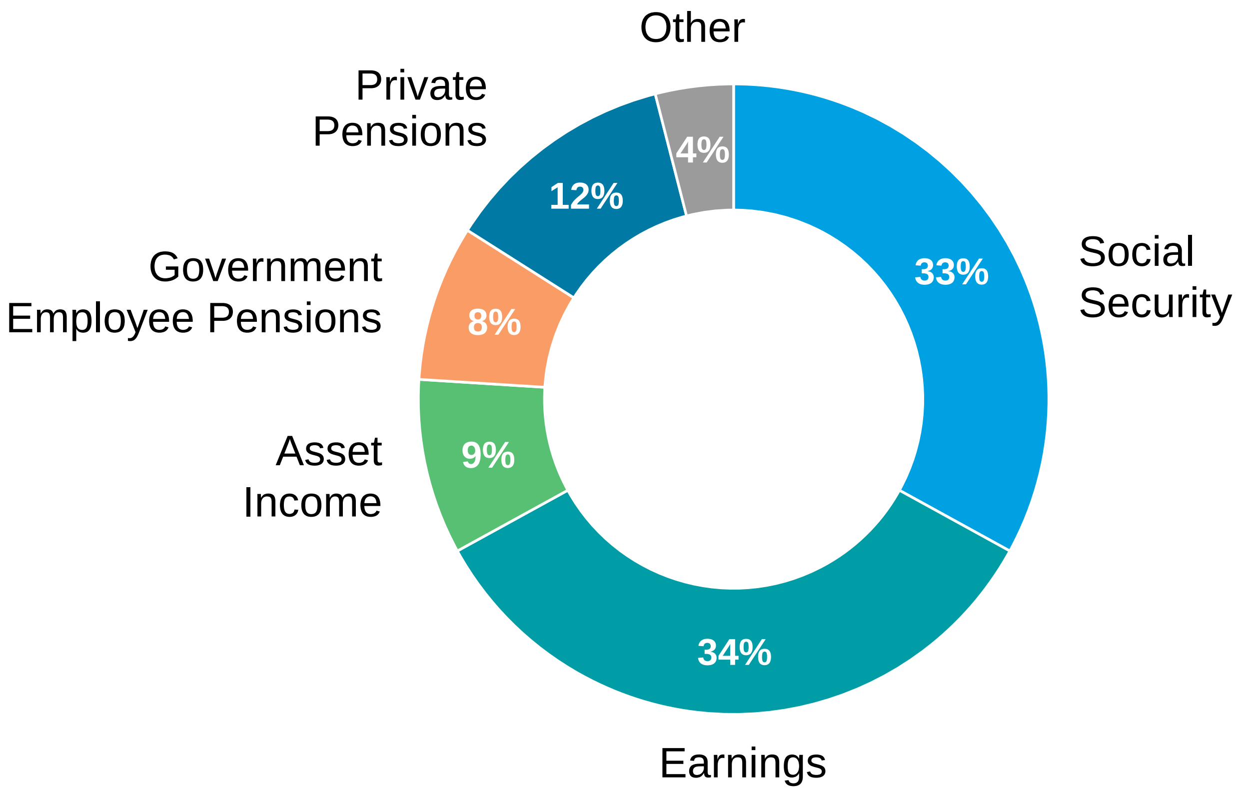
Plan for retirement account contributions in the “needs” category

Set your budget.

Stick with it, monitor your results and adjust if necessary

Mid Career: Identify Your Income Sources

- Savings
- Social Security
- Pension
- Working in retirement
- Rental income
- Inheritance
- Retirement plan distributions
- Investment income



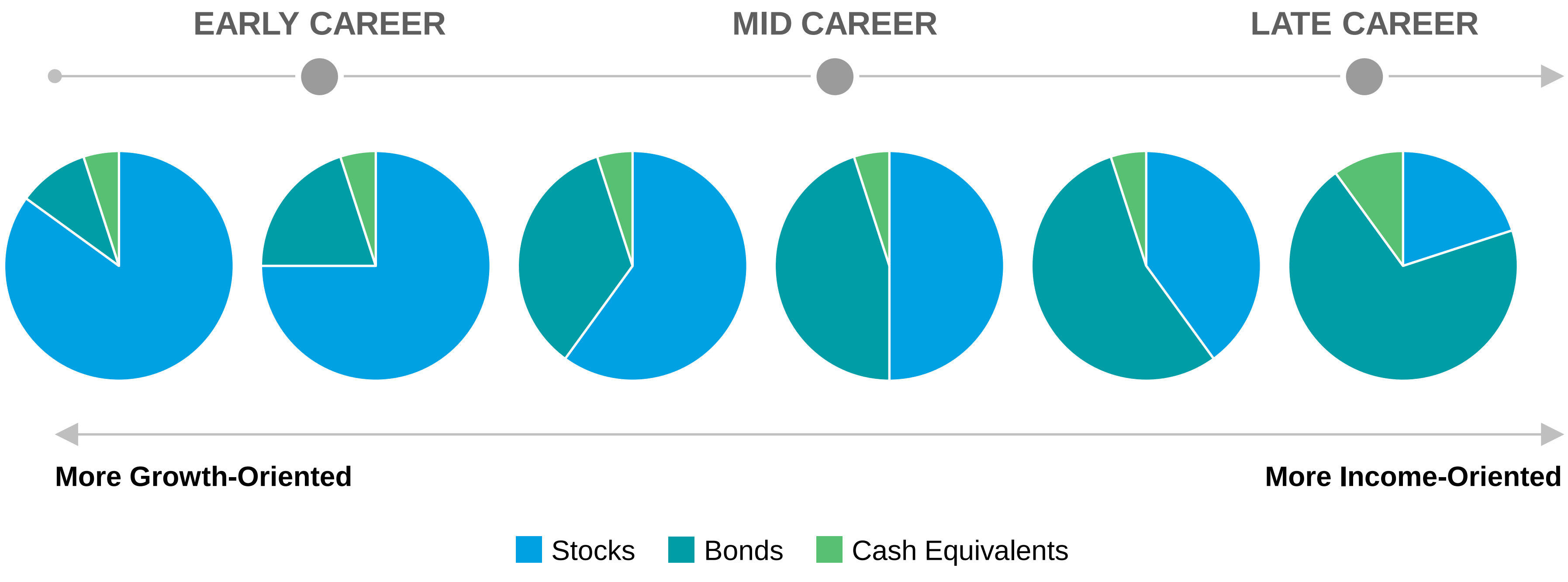
It is helpful to have a diverse portfolio of income sources as you approach retirement.

Source: Fast Facts & Figures about Social Security, 2017. Most recent data available as of September 2021.

Adjusting The Mix of Assets in Your Portfolio Over Time

As You Move Toward Retirement, The Mix of Assets in Your Investment Portfolio Will Generally Become More Conservative.

It will shift from a higher balance of growth assets like stocks, to more conservative options like bonds and cash equivalents that promise greater potential for protecting the money you have saved for retirement.



Mid Career: Itemize Your Anticipated Expenses

Examples of Nondiscretionary vs. Discretionary Expenses

NONDISCRETIONARY EXPENSES	DISCRETIONARY EXPENSES
Mortgage/Rent/Condominium Fees	Dining Out
Property Taxes	Gym Membership
Taxes (Federal, State, Local)	Charitable Donations
Utilities	Entertainment/Recreation
Food/Groceries	Subscriptions
Co-pays, Deductibles, Medical Services	Travel/Vacations
Medicare/Medigap Premiums	Hobbies
Prescriptions and Medical Supplies	Gifts
Dental, Hearing, Vision	
Insurance (Health, Life, Long-Term Disability)	

For illustrative purposes only.

Mid Career: Determining Life Expectancy

Many People Underestimate their Lifespan and Risk of Outliving their Assets. Allow for the Possibility of Living Longer than You Think When Building Your Retirement Income Plan.

Life expectancy today is longer than you may realize

The Probability of Reaching Age 85

A 60-year-old man has a 62% chance of reaching age 85

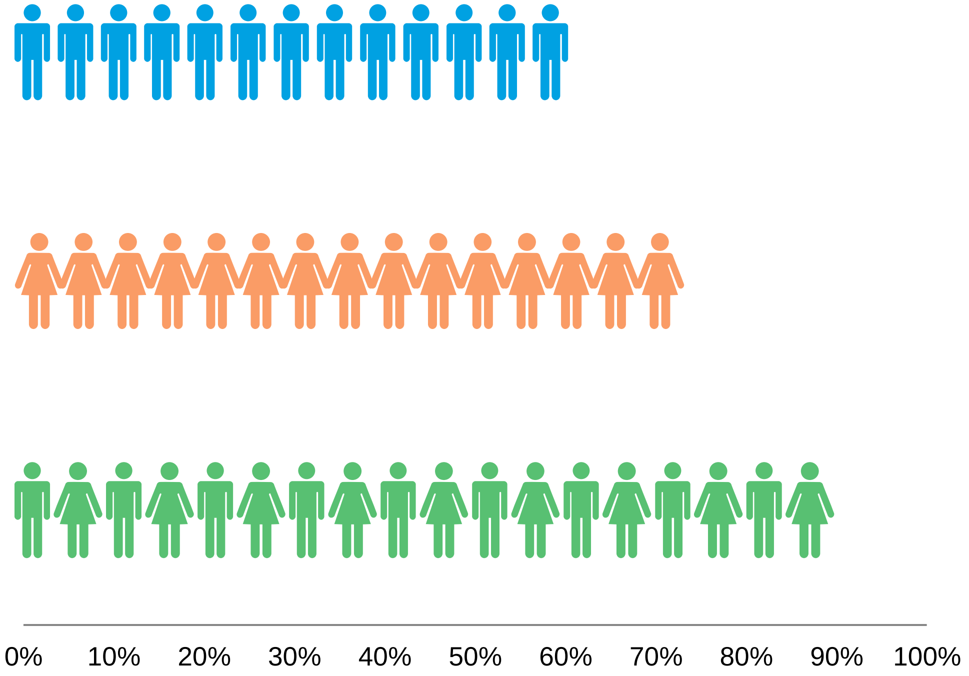
60-Year-Old Old Man

A 60-year-old woman has a 71% chance of reaching age 85

60-Year-Old Old Woman

And the probability that at least one of them will reach age 85 is 89%

One or the Other



Source: American Academy of Actuaries and Society of Actuaries. Actuaries Longevity Illustrator. http://www.longevityillustrator.org/. (accessed December 12, 2021).

Late Career: Key Risks to Consider

Key Risks that May Limit Your Ability to Achieve Your Retirement Income Goals

LONGEVITY RISK
Planning for a longer-than-expected life

MARKET RISK
Timing of a bear market

INFLATION RISK
Preserving purchasing power over time

ASSET ALLOCATION RISK
Managing a portfolio with multiple objectives

EXCESS WITHDRAWAL RISK
Funding your lifestyle without depleting your portfolio

HEALTH CARE COSTS
Catastrophic illness or long-term care

Health Care Cost Risks

- Projections do not include other health-related expenses, such as over-the-counter medications, most dental services, long-term care services, care at skilled nursing facilities or through a home care provider

$288,400

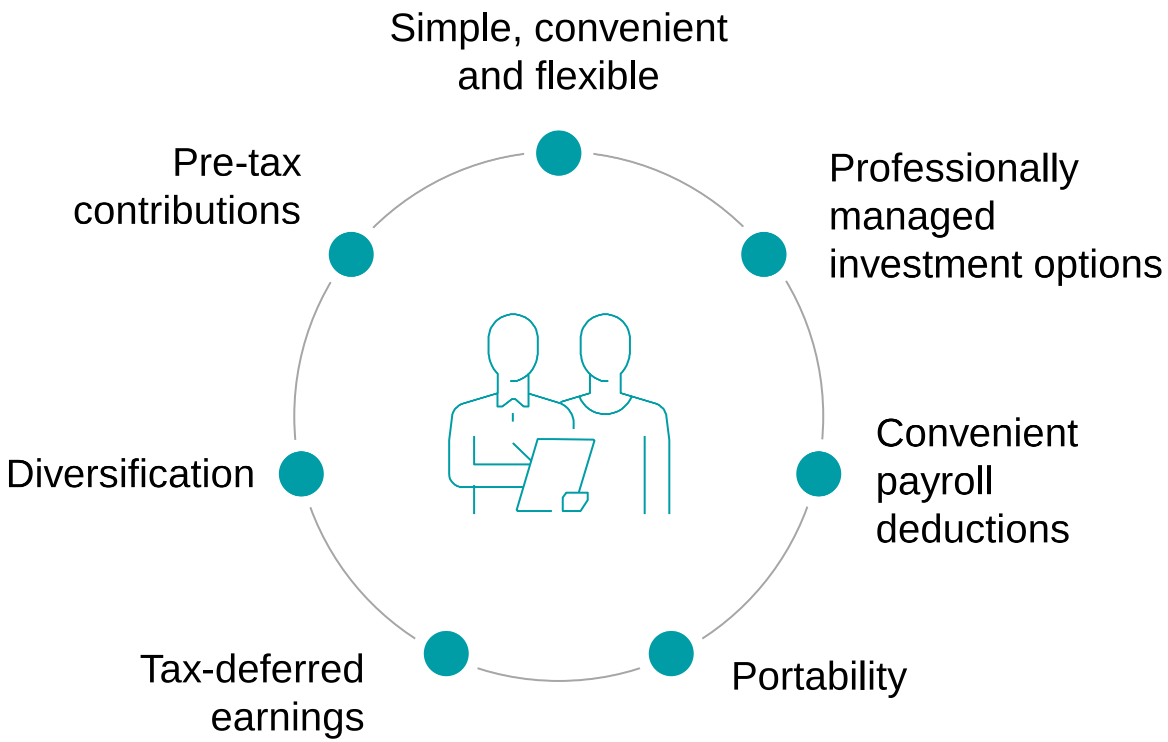
The average 65-year-old retired couple is expected to need approximately $300,000 in today's dollars for health care expenses in retirement

Source: Fidelity Retiree Health Care Cost Estimate; 2021.

Retirement Accounts Deep Dive: 401(k)s and IRAs

What is a Traditional 401(k) Plan and Why Consider Investing in One?

A traditional 401(k) plan is retirement plan that allows employees to defer a part of their compensation on a pre-tax basis.



Maximum Annual Employee Contribution for 2022

$20,500 (1)

Maximum Annual Employee Catch-Up Contribution for 2022 (2)

$6,500 (1)

Diversification does not guarantee a profit or protect against a loss.

1. Source: https://www.irs.gov/newsroom/irs-announces-401k-limit-increases-to-20500
2. For those age 50 and older at any time during the calendar year.

Tax Benefits from a Traditional 401(k)

	6% PRE-TAX CONTRIBUTION	NO CONTRIBUTION
Bi-Weekly Pay	$1,346.15	$1,346.15
Contribution	$80.77	$0.00
Federal Taxable Income	$1,265.38	$1,346.15
Federal Taxes	$316.35	$336.54
Take Home Pay	$949.03	$1,009.61
Federal Tax Savings	**$20.19 (***or $524.94 per year)*	

This chart assumes an effective income tax rate of 25%. Individual taxpayer income tax rates and circumstances may vary. **This is for illustrative purposes only.**

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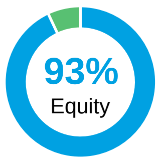
Diversifying Your 401(k) Investments

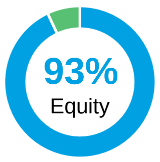
Target Date Portfolios Customized to Your Life Stage

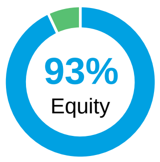
EARLY-TO MID-CAREER

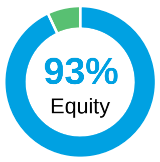
Higher Risk Tolerance

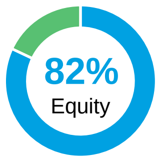
Stage: Early-/Mid-Career
Age: 25–50
Goal: Accumulate savings









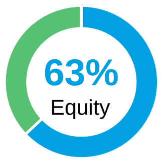


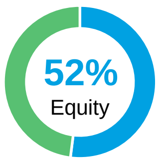
Retirement Year: **2060** **2055** **2050** **2045** **2040**

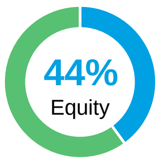
MID-TO LATE-CAREER

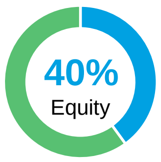
Moderate Risk Tolerance

Stage: Mid-/Late-Career
Age: 50–70
Goal: Accumulate savings; manage risk







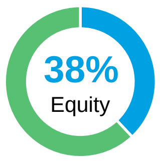


Retirement Year: **2035** **2030** **2025** **2021**

RETIRED

Lower Risk Tolerance

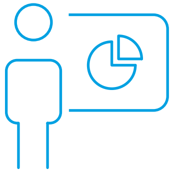
Stage: Retired
Age: 70+
Goal: Withdraw savings; manage liquidity



Retirement Year: **2021**

Equity ***Fixed Income***

Key Features of a Traditional IRA



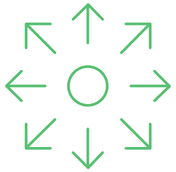
TAX-DEFERRED GROWTH POTENTIAL

Contributions, earnings and any rollovers have the potential to reach considerable amounts over time through tax-deferred growth.

DEDUCTIBLE CONTRIBUTIONS

A contribution to a Traditional IRA may be deductible on your tax return.

(Your deduction may be reduced or phased out if you or your spouse is a participant in an employer sponsored retirement plan and your modified adjusted gross income exceeds certain thresholds based on your tax return filing status).



DISTRIBUTIONS WITHOUT 10% ADDITIONAL TAX

Starting at age 59 ½, you can begin taking money out of your retirement accounts without owing an additional 10% tax on early withdrawals. Keep in mind that you'll have to pay any federal or state income taxes that might be due.

Key Features of a Roth IRA

Federal Income Tax-free Withdrawals

After-tax contributions have the potential to grow tax-deferred[1], and qualified withdrawals are typically income tax-free if minimum holding periods[2] and certain conditions are met[3].

Tax Diversification

Holding an account with potentially tax-free distributions, like a Roth IRA, in addition to a taxable and tax-deferred account (e.g. Traditional IRA), provides flexibility to take income from different sources to potentially keep taxes low in retirement.

Tax-free, No 10% Additional Tax (Qualified Distributions)

In general, contributions may be withdrawn tax-free at any time. Earnings are tax-free if withdrawn after the five-tax-year holding period[2] and certain conditions are met.[3]

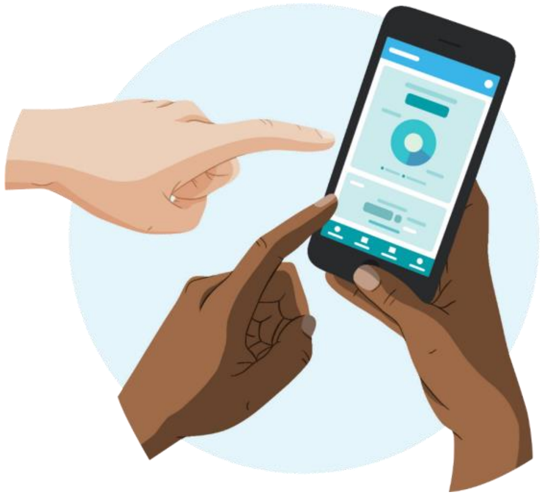
No Required Minimum Distributions (RMDs) During Roth IRA Owner's Lifetime

There are no required minimum distributions from a Roth IRA for the owner, i.e., no rule that you must begin tapping your account at age 72 (Note, however, the post-death required minimum distribution rules generally apply.)

Note, however, the state and local income tax treatment of your Roth IRA and the distributions from it may vary based on your state of residence. You should consult with and rely on your own independent tax advisor with respect to such.

1. Traditional IRA assets may also be converted to a Roth IRA, but the tax deductible contributions and tax deferred earnings will be taxed as ordinary income upon conversion. Note, however, a Roth IRA conversion isn't right for everyone. Before converting to a Roth IRA, you should consult with your independent legal and tax advisor.
2. The 5-tax-year holding begins the first day of the first year for which a regular contribution (or in which a rollover or conversion contribution) is made to any Roth IRA established for the individual as owner.
3. The distribution must generally be made on or after age 59 ½ or due to death or disability.

Selecting the Option That's Right for You



TRADITIONAL 401(K) OR IRA	VS.	ROTH IRA [1]
Pay taxes later		Pay taxes now
Reduce current tax bill		Higher current tax bill
Taxes due when monies withdrawn		No taxes due upon withdrawal [2]

1. Depending on your employer's retirement plan, a Roth 401(k) option may also be available.
2. Must be at least 59 ½ years old and have held the account for at least 5 years. Other requirements and exceptions may apply.

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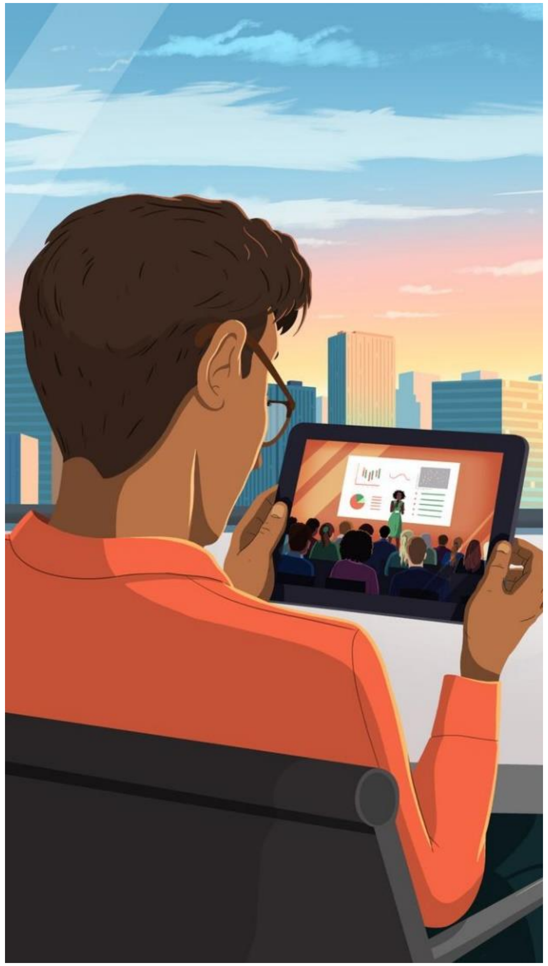
Final Thoughts

Staying on Track



DETERMINE YOUR UNIQUE GOALS

- Short-term and long-term goals
- Time horizon
- Risk tolerance

INVEST WISELY

- Asset classes
- Diversification
- Finding the right balance

MONITOR AND ADJUST

- Periodically rebalance portfolio
- Ongoing process

Structuring a Well-Rounded Planning Approach

We Believe that a Successful Retirement Planning Strategy Must Meet the Following Criteria

Your plan should be **customized** to reflect what you care about most. It should address both the goals you hope to achieve and the risk of outliving your assets.

Your plan should **address the shifting nature of issues and unknowns** you face at different stages of your life.

Your plan should **consider risks beyond market volatility** – inflation, for example – that can make expenses more difficult to meet.

Your plan should **seek to mitigate judgment and behavioral risks** such as panic selling in difficult markets or overspending.

Your plan should **seek to mitigate taxes and fees.**

Your plan should **evaluate the appropriateness of hedging products** such as annuities or other strategies that can help reduce the risk you won't have sufficient income at retirement.

Your plan should be **responsive to changes** in both your life and the financial markets.

Helpers Along on Your Journey

TAX PROFESSIONAL

- Prepares and files your tax return(s)
- Identifies applicable deductions
- Provides strategic advice on how to potentially lower your tax burden

ATTORNEY

- Drafts or revises important documents like Wills, Estate Plans, Trusts, and Prenuptial Agreements
- Negotiates real estate transactions and divorce settlements
- Represents you in court, arbitration, or other legal hearings

FINANCIAL PROFESSIONAL

- Provides investment advice
- Buys or sells securities on your behalf and/or provides you recommendations
- Recommends strategies to pay off your debt and/or save for education or retirement
- Provides estate planning and insurance planning support

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Questions about this presentation or want to speak to us about your finances?

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