Edward Jones®

Living in retirement

A successful foundation

Plan for
the expected

Prepare for
the unexpected

Position
your portfolio
for both

Developing your strategy

The process for creating a strategy for a secure retirement

1	2	3
Plan for the expected	**Prepare** for the unexpected	**Position** your portfolio for both

Everyone has different expectations on how to spend retirement. Even the meaning of the word "retirement" is changing because many people don't plan to slow down much when they retire. Whatever your plans, our goal is to develop a strategy that can help fulfill your expectations and protect against things that could get you off track.

1 Plan for the expected

Your retirement journey

It all starts with you. We want to discuss what your expectations are — what's important to you, including when you plan to retire, your desired lifestyle, spending goals and key concerns. In addition, to determine the proper mix of investments for you, we'll discuss your objectives, investment experience and comfort with risk.

Estimate your expenses ...

The next step is to outline what your expenses will be. Since how much you spend is a key factor in the success of your strategy, it's important to develop a reasonable estimate of your spending.

Consider separating expenses into necessary (mortgage, utilities, food) and discretionary (travel, entertainment), which can highlight your flexibility. Don't forget major expenses such as taxes and health care.

... and where the money will come from

Then analyze your sources of income, including:

- Outside sources: Social Security, pensions, part-time employment, etc.
- Investment sources: 401(k), IRA, Roth IRA, taxable investment accounts, etc.

When you plan to retire can affect your income from outside sources, such as Social Security. So, review your Social Security and pension options, including the effects on payment levels, spousal benefits and taxes — especially if you're considering taking Social Security early.

In retirement, your investments will need to cover any gap between expected spending and outside income. We'll identify which assets can fill this income gap, broken down by tax treatment (taxable, tax-deferred, tax-free), to understand the cash they can provide on an after-tax basis. For example, if most of your investments are in a traditional 401(k) or IRA, you may need to withdraw more on a pretax basis to get the after-tax income you desire.

We'll help you understand how much income you'll need, where it will come from and personalized strategies for having the money you need to live the lifestyle you want.

A sustainable withdrawal strategy

Two key ratios will help determine whether your spending strategy is achievable:

Portfolio withdrawal rate — How much you withdraw from your portfolio each year plays the biggest role in determining the sustainability of your spending strategy. The table below shows suggested withdrawal rates in the first year of retirement. These rates assume yearly withdrawal increases for inflation and living to approximately age 92. These rates aren't guarantees, and your situation will be unique. However, they're a good starting point to determine whether your strategy is realistic. So, where should you start within the table below? Page 4 offers some considerations.

Portfolio reliance rate — Your portfolio's reliance rate indicates how much you rely on your portfolio for income. For instance, if you need $50,000, and $30,000 comes from your portfolio, your reliance rate is 60% ($30,000 ÷ $50,000). The more you rely on your portfolio, the greater the chance that risks such as market declines could derail your strategy. For example, if you relied on your portfolio for 60% of your income, you would likely be more sensitive to market fluctuations than if you relied on your portfolio for only 20% of your income needs.

Calculating portfolio withdrawal and reliance rates

A. Expected spending	$50,000
B. Outside sources of income	$20,000
C. Income gap: Income from investments (A – B)	$30,000
D. Total investment portfolio	$750,000
Initial portfolio withdrawal rate (C ÷ D)	**4%**
Portfolio reliance rate (C ÷ A)	**60%**

The income gap should be "grossed up" to include potential taxes if portfolio withdrawals are coming from tax-deferred or taxable accounts. The portfolio withdrawal rate is a pretax number and should incorporate potential withdrawals needed to cover taxes.

Initial withdrawal guidance

		More conservative	Less conservative
Starting age for withdrawals	Early 60s	3.0%	3.5%
	Late 60s	3.5%	4.0%
	Early 70s	4.0%	5.0%
	Late 70s	5.0%	7.0%
	80s+	6.0%	8.0%

Withdrawal rate guidance is based on estimates of the probability of different portfolio allocations lasting to age 92. Assumes withdrawals increase by 3% annually for inflation. We assume the portfolios have a mix of cash, fixed income and equities. Expected returns based on long-term capital market expectations for cash of 2.46%, fixed income of 3.10% to 5.56%, U.S. stocks of 6.72% to 8.19%, and international stocks of 8.49% to 9.72%. We also assume an annual fee of 1%. Withdrawal rates can include the withdrawal of principal. If preservation of principal is a high priority, you may need a lower withdrawal rate. In general, the higher your withdrawal rate, the greater the risk your money may not last throughout your time horizon.

What rate makes sense for me?

While there is no one withdrawal rate that works for everyone, where you start within the table on Page 3 may be influenced by the following:

Spending flexibility — The more your withdrawals are closer to the less conservative column, the more flexible you may need to be with your withdrawals. This would include being able to forgo annual raises or potentially reduce your withdrawals, particularly after years where the markets decline.

Portfolio reliance rate — A higher reliance rate could increase the likelihood of emotional decisions when the market declines. It could also mean you'll need to be more flexible and start with a lower initial withdrawal rate.

Longevity — The longer you expect to live, the more conservative your initial withdrawal rate should be.

Risk tolerance — If you have a lower tolerance for risk, you may need a more conservative withdrawal rate.

Legacy — The more you want to leave to your heirs, the more conservative your withdrawal rate should be.

Making the right adjustments

We'll help you determine whether your withdrawal and reliance rates are appropriate, or if you need to make some adjustments, including cutting expenses, working part time or delaying retirement. These adjustments may have other benefits.

For example, delaying retirement may allow your portfolio to grow and potentially increase your Social Security benefits. Other options, such as immediate annuities, might help increase your cash flow and provide a floor for your income. You may need to make some difficult decisions, but you'll likely be in a better position to achieve your goals.

Be flexible

Starting out with a modest withdrawal rate can provide you flexibility to better handle market declines and unexpected expenses. But you may still need to make adjustments until the markets (and your portfolio) recover, such as:

- Determining where you can cut back on spending
- Not taking an annual raise (not increasing withdrawals to adjust for inflation)

Being flexible with your spending can help your money last as long as you need it.

2 **Prepare** for the unexpected

While you can't predict, you can prepare

Your financial advisor includes expectations for items such as inflation, market declines and health care as part of "Plan for the expected," shown in the table below. But unexpected events can still occur and take you off track if unaddressed. Your financial advisor can also help you prepare for the unexpected.

For instance, you can control the flexibility of your strategy. Retirement risks can be viewed as expenses to incorporate into your budget or risks that you can try to insure against. Below we outline the major retirement risks and expenses, and how you could potentially address them.

Plan for the expected	Prepare for the unexpected	
Risks/expenses and assumptions	**Incorporate**	**Insure**
Live longer than expected — Withdrawal rate guidance assumes living to at least age 92	Reduce withdrawal rate to plan for living longer	Consider immediate, fixed or variable annuity with guaranteed lifetime income[1]
Inflation — Balanced allocation to equities based on risk tolerance; withdrawal rate guidance assumes 3% inflation rate	Consider investments with the potential for rising income Reduce withdrawal rate to incorporate higher inflation rate	Consider immediate or variable annuity with guaranteed increases in income[2]
Market declines — Diversified portfolio; withdrawal rate guidance incorporates Investment Policy Committee volatility expectations	Consider CD/short-term fixed-income ladder Be flexible with spending, and don't automatically increase for inflation during down years Reduce withdrawal rate to provide more flexibility	Consider immediate, fixed or variable annuity with guaranteed income[1]

Health care — Incorporate Medicare/health care premiums and expenses into budget	Include additional health care expense estimates to help buffer unexpected costs Reduce withdrawal rate to provide more flexibility Consider a health savings account (HSA) to help cover health care costs	Supplemental health insurance to bridge gaps Medicare doesn't cover
Long-term care — Outline desired care and how to handle decisions, including who is responsible for them and where care will occur	Include projected care costs in budget Specifically identify assets designated to cover potential long-term care to "self-insure"	Long-term care insurance Life insurance with long-term care benefits
Legacy — The amount remaining at death	Reduce spending to provide for larger legacy Specifically identify assets designated for legacy that are not intended for retirement spending	Life insurance to provide desired legacy amount
Providing for your surviving spouse — Outline expected income and expenses should either spouse die, and assess impact to pensions and Social Security; ensure legal documents are current	Emergency cash to cover final expenses Be flexible with spending; reduce spending if necessary after a spouse dies Consider delaying Social Security benefits, which could help increase potential survivor benefits	Life insurance to cover any income gap created due to death of spouse (i.e., pension reduction/elimination, less earned income, etc.)

[1] Options include annuitizing an existing annuity, purchasing a deferred or immediate annuity or purchasing a fixed or variable annuity with optional guaranteed income benefits. Income payments are backed by the claims-paying ability of the issuing insurance company. The principal value of the variable annuity can decline with the market and lose principal, but the income stream can be insured by the insurance company for life.

[2] Costs or structure of these options may limit the attractiveness of these options or reduce the ability to act as an inflation hedge. Immediate annuities with the annual increase option will typically start with a much lower initial payment. Deferred variable annuities typically only serve as an inflation hedge until income begins. Once income is started, the chances of a payment increase are minimal.

Edward Jones is a licensed insurance producer in all states and Washington, D.C., through Edward D. Jones & Co., L.P., and in California, New Mexico and Massachusetts through Edward Jones Insurance Agency of California, L.L.C., Edward Jones Insurance Agency of New Mexico, L.L.C., and Edward Jones Insurance Agency of Massachusetts, L.L.C.

Incorporate vs. insure

This is a personal decision, but the examples below could help illustrate whether you prefer to incorporate these risks or insure against them, potentially using an annuity.

Risk tolerance — If you're uncomfortable with short-term market declines, you may want to consider certain annuities to help reduce the impact of potential swings in your portfolio and income.

Health/life expectancy — The better your health and family history, the longer you could live — which may mean an annuity with a lifetime income stream is appropriate.

Portfolio reliance/outside sources of income — If your outside sources of income cover a majority of your expenses, an annuity with lifetime guaranteed income may not be as appropriate.

Flexibility to adjust expenses — If you can trim expenses or adjust your spending if necessary, you may not need the lifetime income streams from annuities to protect your income levels.

Legacy goals — Certain annuities have restrictions on withdrawals or involve the exchange of a lump sum to the insurance company for a lifetime income stream. The more you want to leave an inheritance to your heirs, the less appropriate certain annuities may be.

Annuities and retirement

Annuities purchased for retirement income can provide a lifetime payment stream, regardless of market performance or how long you live. Since initial payments from annuities can be higher than our withdrawal rate guidance, this could help increase your current income and reduce your reliance on your other investments. In fact, since you are paying for this "income insurance," consider these annuities as a starting point for income before taking withdrawals from your other investment accounts. In exchange for these benefits, you'll have lower inflation protection, less access to your principal and potentially higher fees. Your financial advisor can walk you through a questionnaire to help determine if you should consider annuities and insurance as part of your retirement income strategy.

Healthy financial strategies

Maintain health coverage through an employer or your spouse — If you retire before you're eligible for Medicare, find out if you can stay on your employer's plan or receive health insurance through your spouse, if he or she is still working.

Consider private insurance — Don't remain uninsured until you're eligible for Medicare. Seek a policy on your own. Once you are eligible for Medicare, consider supplemental insurance to cover what Medicare doesn't.

Know what's covered — Regardless of your insurance, make sure you know what's covered. Remember, Medicare doesn't pay for everything.

Prepare for additional health care costs — With the cost of in-home and nursing home care continuing to rise, your strategy should include a plan to cover potential long-term care costs should care become necessary.

3 **Position** your portfolio for both

The purpose begins to change

As you get closer to retirement, the purpose of your portfolio will begin to change. The portfolio no longer has to get you to retirement; it has to get you through retirement. Here are key items to help position your portfolio for this transition.

Growth still matters ...

Even if you retire, inflation doesn't, which has important implications for how your money is invested. Some people shift most of their money to fixed income and cash in retirement. We believe this is a mistake. Growth should remain an important part of your investment portfolio because of inflation. Your retirement strategy must help pay for today's expenses as well as those 25 years from now.

... but balance is key

As you transition toward retirement, we believe a more balanced allocation between equities and fixed income is important to properly diversify your portfolio. Market declines, particularly those early in retirement, can jeopardize whether your money will last throughout your lifetime. Your focus should shift from maximizing your return to earning a return that balances the need for growth while being sensitive to risk.

Don't reach for yield

Some investors focus on investments with the highest interest rates. But there's no free lunch. An investment with an extremely high yield often comes with higher risk. Instead of focusing on the interest rate, consider total return potential. This includes yield and growth, which can generate current and future income.

Positioning your portfolio — Income for today, growth for tomorrow

The mix between equities and fixed income may not be the only aspect that changes as you approach retirement. The recommended solutions, such as investments, insurance and services, may change as well. We'll work to help position your portfolio to provide income for today and growth potential for tomorrow to help you live the retirement you desire. The information below is our general guidance for positioning an investment portfolio for retirement. This should be personalized to your situation after understanding your specific goals and comfort with risk.

Cash

- Up to 5% of your investment portfolio
- In addition, up to 12 months of total expenses (minus any amount received from outside income sources, such as Social Security or an annuity) plus three to six months of total expenses in emergency cash

Short-term fixed income

- Three- to five-year CD ladder or a short-term fixed-income ladder
- An amount in each CD in the ladder that can provide for each year's withdrawal needs from your portfolio, after factoring in outside sources of income and dividends/interest from the portfolio
- The amount in the short-term ladder should generally total 30% to 40% of your overall fixed-income investments

Intermediate/long-term fixed income

- Laddered by maturity (40% to 50% in intermediate; 15% to 25% in long-term, as a percentage of your overall fixed-income investments; the remaining in short-term)
- A focus on quality, with no more than 5% of the portfolio in any one issuer

Equities

- The majority in quality, large-cap, dividend-paying domestic stocks, with a smaller amount in international, mid-size and smaller-company stocks, as appropriate

Spending and strategy

How much you withdraw is just as important as your asset allocation. No investment strategy can prevent you from running out of money if you're withdrawing too much.

Investing in equities involves risks. The value of your shares will fluctuate, and you may lose principal. Special risks are inherent to international investing, including those related to currency fluctuations and foreign political and economic events. Small-cap stocks tend to be more volatile than large company stocks. Before investing in bonds, you should understand the risks involved, including credit risk and market risk. Bond investments are also subject to interest rate risk such that when interest rates rise, the prices of bonds can decrease, and the investor can lose principal value if the investment is sold prior to maturity.

The market, a CD ladder and your emotions

Short-term market declines are a normal part of investing. Unfortunately, during these times, some investors make major changes to their long-term strategies and move to the "safety" of cash. However, a long retirement, and the inflation that can come with it, could make this move anything but safe.

A short-term income or CD ladder could also help put you in a better position to handle the ups and downs of the market as well as address one of the biggest risks to your strategy: your emotions.

During a down market, consider covering your current expenses with maturing CDs and short-term bonds, along with dividends and interest from your portfolio.

During a strong market, cover some of your current expenses through your portfolio's growth and "restock" this ladder.

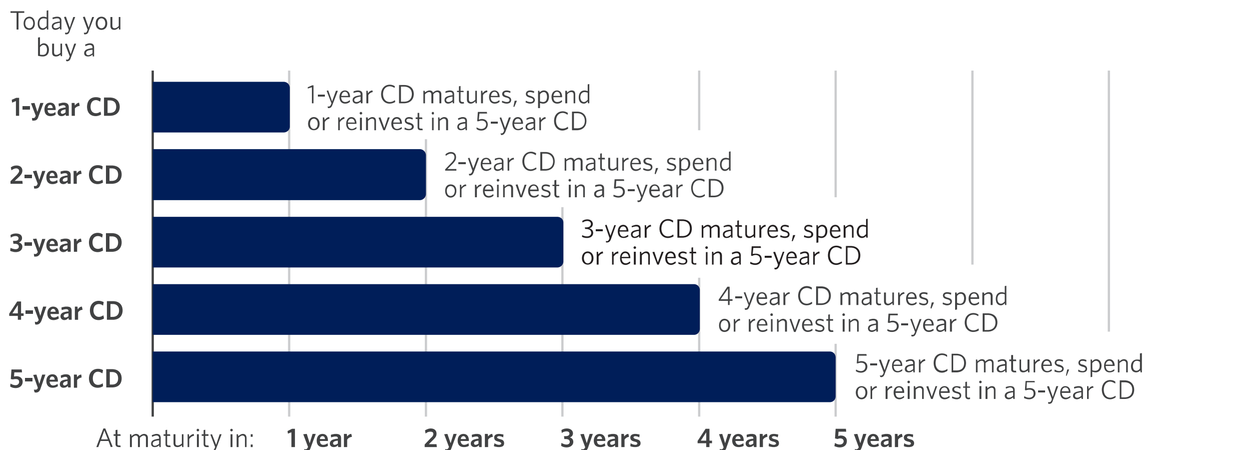
By helping ensure your current income needs are met, you may be less likely to make major emotional changes to your portfolio during a market downturn that could derail your long-term strategy.

Withdrawals and taxes

When you stop working full time or change careers in retirement, you may not receive a regular paycheck. You'll need to create your own. As you begin withdrawing money, a portion may be subject to taxes, depending on the type of account it's in. Every dollar you pay in taxes is one less you can spend. There are different strategies to help reduce taxes. When we develop a withdrawal strategy, we'll review the tax treatment of your assets. It's also important to work with your tax professional to help structure your withdrawals from a tax perspective.

Edward Jones, its employees and financial advisors are not estate planners and cannot provide tax or legal advice. Please consult your estate-planning attorney or qualified tax advisor regarding your situation.

CD ladder — example



Investors must evaluate whether a bond or CD ladder and the securities held within it are consistent with their investment objectives, risk tolerance and financial circumstances.

Did you know?

Many people live longer than expected — There's about a 60% chance that a 65-year-old couple will see one spouse reach age 90, spending 20 to 30 years in retirement, on average.[1] Your portfolio has to provide income for however long you'll need it.

Inflation doesn't retire — Expenses could double in 25 years, assuming a 3% annual inflation rate. During your working years, periodic raises helped offset inflation. In retirement, you'll be responsible for your own raises.

When market declines happen is important — Many people rely on their investments for a portion of their income and will need some growth to help counter inflation. However, market declines, especially early in retirement, can put a serious strain on the portfolio and can be very difficult to recover from.

Unexpected expenses can affect your strategy — Health care expenses are big concerns. In fact, out-of-pocket health care expenses could total more than $10,000 a year for a retired couple.[2] Other expenses, such as car repairs, a new roof or helping out family, can also affect your strategy.

A successful retirement strategy should take all these considerations into account. Your Edward Jones financial advisor can partner with you during your retirement journey to help you develop your strategy.

[1] Source: Society of Actuaries RP-2006 Mortality Table Projected to 2021 using Society of Actuaries Mortality Improvement Scale P-2021.

[2] Medicare.gov, Kaiser Family Foundation and Edward Jones estimates.

Remember your checkup

You'll need to adjust your strategy along the way — it can't run on autopilot. Reviewing your strategy could be the most important step. Once your portfolio is positioned for retirement, your spending and investment mix should be reviewed periodically, especially after a major market shift or life event. You and your financial advisor can focus on your investment mix and spending, as well as any changes to your goals and comfort with risk, to help your strategy remain on track.

Start today

Retirement planning should begin decades before you retire. But these discussions will become more serious five to 10 years before you plan to retire. Discussing your retirement goals, and addressing potential roadblocks with your financial advisor, will help you enter retirement with confidence. Even if you've already retired from your primary career, review your strategy to help ensure you're properly positioned. Your financial advisor has the tools to develop a strategy that can help you achieve your retirement goals.

Edward Jones®

> **edwardjones.com** | Member SIPC

ITEM# 7923 IPC-6523P-A EXP 30 NOV 2024 © 2023 EDWARD D. JONES & CO., L.P. ALL RIGHTS RESERVED. AECSPAD