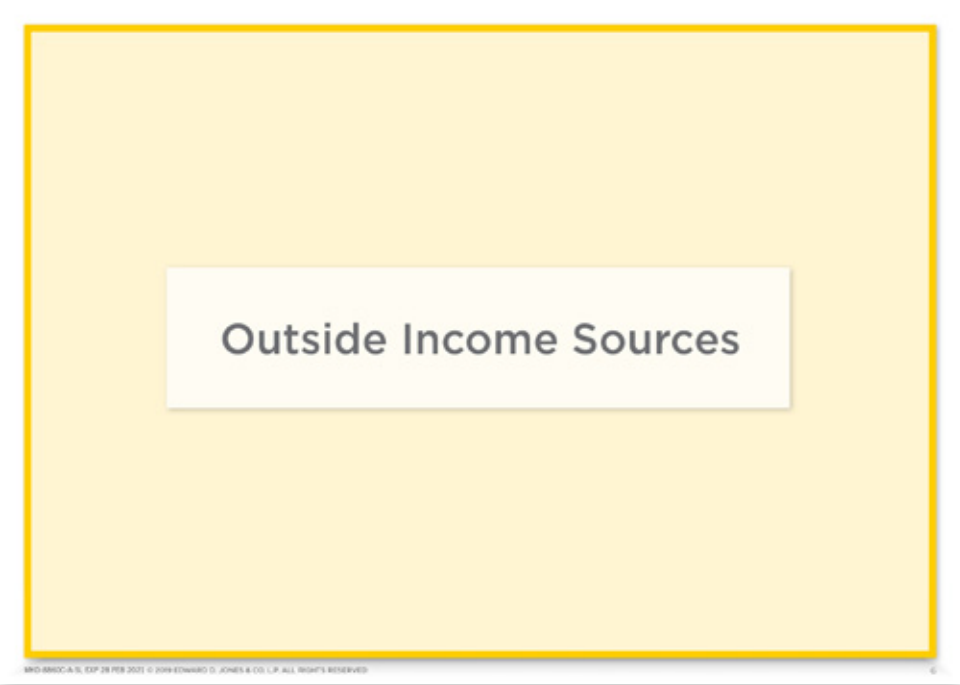
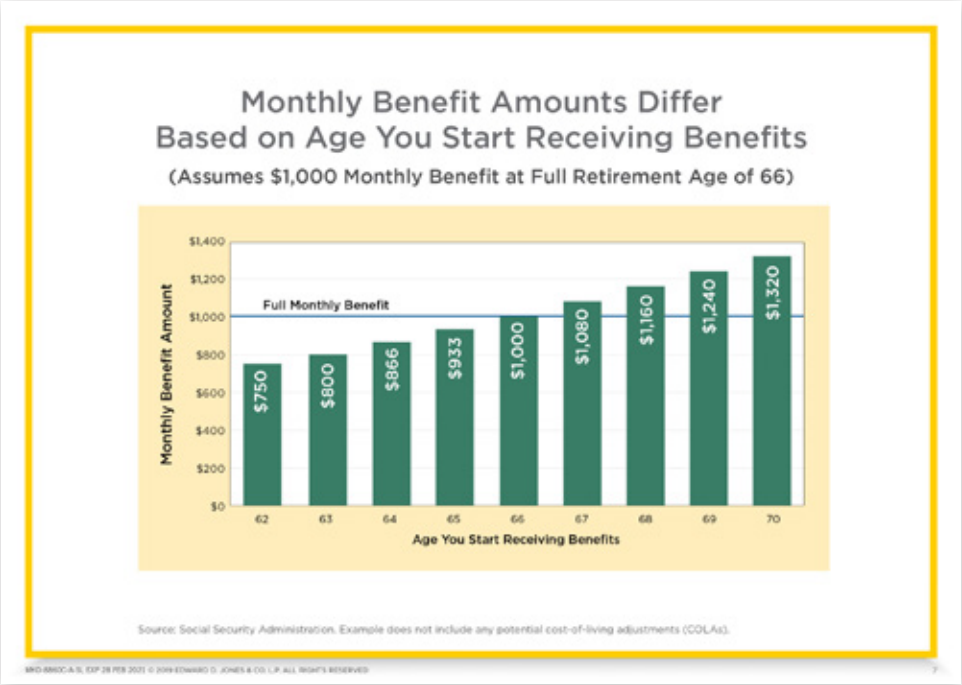
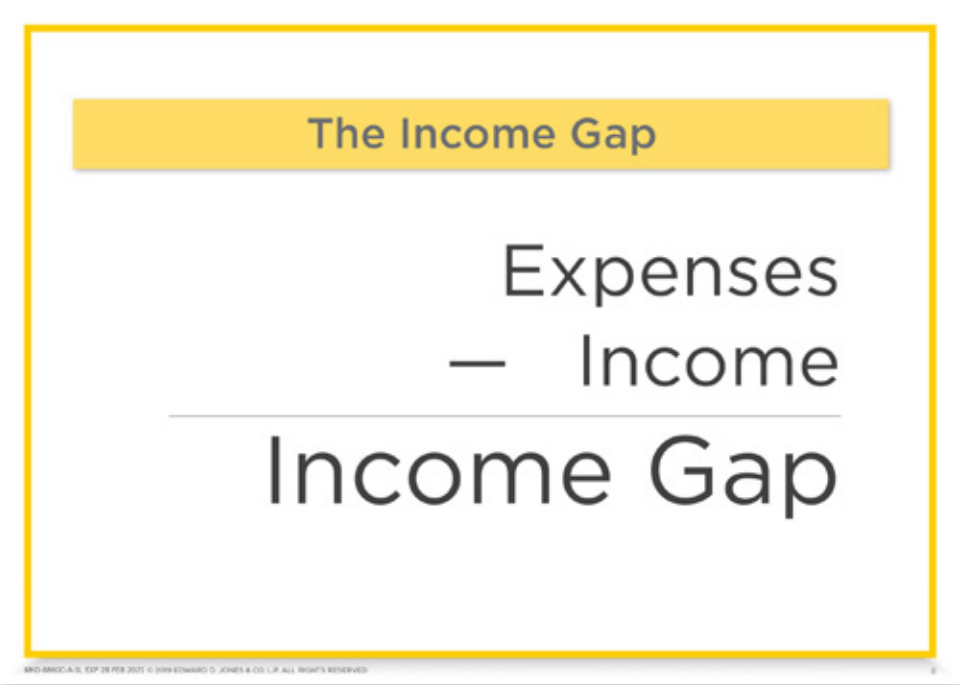
What Happens After the Paychecks Stop?
A Retirement Income Primer

Edward Jones®





Source: Social Security Administration. Example does not include any potential cost-of-living adjustments (COLAs).



Withdrawal Rate

The percentage of your portfolio you use every year

$ Withdrawn from Portfolio (pretax)

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Total Portfolio Size

=

Withdrawal Rate (%)

Reliance Rate

The percentage of your income that comes from your portfolio (how much you ***rely*** on your portfolio for income)

$$1 - \left(\frac{\text{Income from Outside Sources (e.g., Social Security, pension)}}{\text{Total Income Needed}} \right) = \text{Reliance Rate (\%)}$$

Addressing Risks to Retirement Income


Incorporate
versus
Insure


Outliving Your
Retirement Savings
Incorporate or Insure?

Rising Withdrawal Guidance

Age in Retirement	More Conservative	Less Conservative
Early 60s	3.0%	4.0%
Late 60s	3.5%	4.5%
Early 70s	4.0%	5.5%
Late 70s	5.0%	7.0%
80s+	6.0%	8.0%

The above withdrawal rates can include the withdrawal of principal. If preservation of principal is a high priority, you will likely need to use a lower withdrawal rate. In general, the higher your withdrawal rate, the greater the risk that your money may not last throughout your time horizon. The above withdrawal rates are based on estimates and assume a diversified portfolio – 50% equities, 50% income – and a life expectancy to at least age 90. Assumes increased withdrawals each year to combat inflation, which is based on a 3% annual rate.

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Outliving Your Retirement Savings

Incorporate

- Age plays a role.
- Allow expense flexibility, reliance rate and risk tolerance to influence withdrawal rate.
- Asset allocation is critical.
- Desire to leave a legacy should be considered, as appropriate.

Edward Jones operates as an insurance producer in California, New Mexico, and Massachusetts through the following subsidiaries, respectively: 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.

Sequence of Returns and Withdrawal Rates

Beginning Portfolio Value: $500,000										Ending Portfolio Value	
	Annual Portfolio Returns								Average Return	4% Withdrawal Rate	6% Withdrawal Rate
Year	1	2	3	4	5	6	7	8			
Scenario 1	25%	16%	8%	15%	0%	-8%	4%	-12%	6%	$590,000	$500,000
Scenario 2	-12%	4%	-8%	0%	15%	8%	16%	25%	6%	$490,000	$355,000

Source: Edward Jones. Hypothetical illustration. Examples assume withdrawals increased by 3% each year for inflation. Ending Portfolio Value rounded to nearest thousand.

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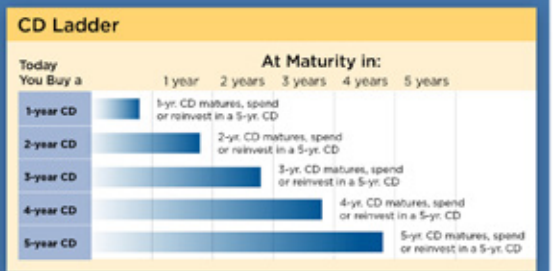
Market Declines

Incorporate

- Have one year's worth of your income needs.
- Short-term fixed-income or CD ladder
- Flexibility with spending



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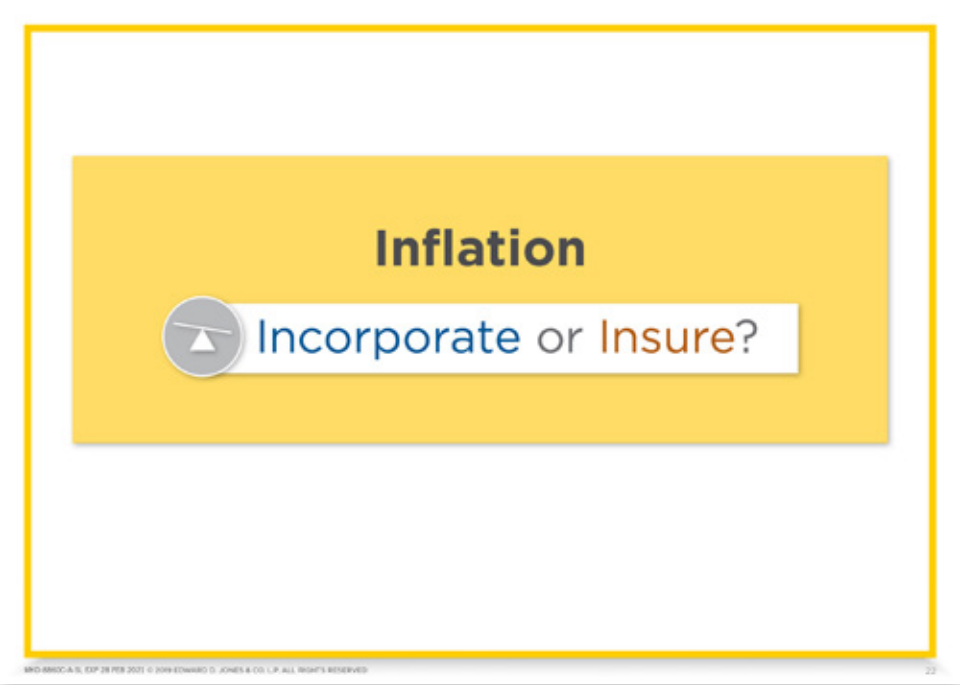

The Impact of Inflation

	1993	2018	2043 (est.)
Car	$17,600	$29,000	$47,784
Tank of Gas (17 gallons)	$18	$45	$110
Monthly Groceries	$224	$611	$1,664
Health Care (per capita)	$2,610	$6,723	$18,014

The inflation rate used to calculate 2043 prices is based on historical inflation rates from 1993 to 2018: car = 2.0%; gas = 3.7%; groceries = 4.1%; health care = 4.0%. Car: MSRP for automatic transmission Toyota Camry. Gas: national average for unleaded regular gasoline. Groceries: family of two with moderate cost plan. Health care: 2017 data; median household expenditure for 65- to 74-year-old couple from Consumer Expenditure Survey. Sources: Bureau of Labor Statistics, U.S. Department of Agriculture and Centers for Medicare & Medicaid Services.

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Inflation

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Budget

$4,500 to $6,500

Can You Afford Long-term Care?

Cost of nursing home care
$100,000+/year

Average nursing home stay
2.5 years+

Starting point
$250,000

Source: Genworth 2018 Cost of Care survey; Home Health Aide Services assumes $22/hr, 44 hours/week, 52 weeks

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