What Happens After the Paychecks Stop?
A Retirement Income Primer
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Themes
What does retirement look like for you?
Where will your retirement income come from?
What are some of the potential risks?
How can you address those risks?

How Do You Expect to Spend Retirement?
Where would you like to be?
What would you like to do?
What's important to you?
Who would like to share what they envision when they retire?
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Sources of Income
1. Outside sources of income
2. Savings and investment income

Outside Income Sources
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Monthly Benefit Amounts Differ Based on Age You Start Receiving Benefits
(Assumes $1,000 Monthly Benefit at Full Retirement Age of 66)

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

The Income Gap

Expenses — Income

Income Gap
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Savings and Investment Income
- Withdrawal rate
- Reliance rate

Withdrawal Rate
The percentage of your portfolio you use every year

\[
\text{Withdrawal Rate} = \frac{\text{$ Withdrawn from Portfolio (pretax)$}}{\text{Total Portfolio Size}}
\]
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Reliance Rate

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

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

Addressing Risks to Retirement Income
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Outliving Your Retirement Savings

Incorporate or Insure?
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Rising Withdrawal Guidance

<table>
<thead>
<tr>
<th>Age in Retirement</th>
<th>More Conservative</th>
<th>Less Conservative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early 60s</td>
<td>3.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Late 60s</td>
<td>3.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Early 70s</td>
<td>4.0%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Late 70s</td>
<td>5.0%</td>
<td>7.0%</td>
</tr>
<tr>
<td>80s+</td>
<td>6.0%</td>
<td>8.0%</td>
</tr>
</tbody>
</table>

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.

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.
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Outliving Your Retirement Savings

Consider Social Security and/or other investment options.

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.

Market Declines

Incorporate or Insure?
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Sequence of Returns and Withdrawal Rates

<table>
<thead>
<tr>
<th>Year</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
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</thead>
<tbody>
<tr>
<td>Ending Portfolio Value</td>
<td>$500,000</td>
<td>$500,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scenario 1</td>
<td>25%</td>
<td>16%</td>
<td>8%</td>
<td>15%</td>
<td>0%</td>
<td>-8%</td>
<td>4%</td>
<td>12%</td>
</tr>
<tr>
<td>Scenario 2</td>
<td>-12%</td>
<td>4%</td>
<td>-8%</td>
<td>0%</td>
<td>15%</td>
<td>8%</td>
<td>16%</td>
<td>25%</td>
</tr>
</tbody>
</table>

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

Market Declines

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

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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The Impact of Inflation

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


Inflation

Incorporate

- Use a modest withdrawal rate.
- Include investments with the potential for rising income.
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Inflation

Insure
Consider Social Security and/or other investment options.

Health Care and Long-term Care Costs

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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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Health Care and Long-term Care Costs

Incorporate
Saving toward the potential cost

Health Care and Long-term Care Costs

Insure
- Long-term care insurance
- Life insurance with long-term care benefits
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Staying on Track

1. Where am I today?
2. Where would I like to be?
3. Can I get there?
4. How do I get there?
5. How can I stay on track?

MY FINANCIAL NEEDS