



What Happens After the Paychecks Stop?

A Retirement Income Primer

Participant Workbook

Your Name: _____

www.edwardjones.com
Member SIPC

Edward Jones[®]
MAKING SENSE OF INVESTING

Welcome

What Happens After the Paychecks Stop? A Retirement Income Primer

What Happens After the Paychecks Stop? A Retirement Income Primer discusses income during retirement. We'll examine how to budget for retirement expenses and your potential sources of retirement income. We'll also identify some of the potential risks to your retirement income and ways to address them.

Seminar Contents

- Retirement Expectations 3
- Monthly Budget Worksheet 4
- Understanding the Numbers..... 5
- Average Life Expectancy 6
- Sequence of Returns and Withdrawal Rates 7
- The Impact of Inflation 8
- Health Care during Retirement 9
- Staying on Track 10
- Action Plan: Developing Your Strategy 11

Retirement Expectations

When do you plan to retire?

What are your spending goals?

What are your key concerns?

Monthly Budget Worksheet

Please complete this worksheet before your next appointment. With this information, we can understand where you are now and help guide you to where you want to be in the future.

Monthly Gross Income					Total \$	
Sources						
Amount	\$	\$	\$	\$	\$	\$

Monthly Expenses					Total \$	
Systematic Investing	Type					
	Payment	\$	\$	\$	\$	\$

Taxes	Income Taxes Paid	\$	Social Security/Medicare	\$
Housing	Mortgage/Rent	\$	Real Estate/Property Taxes	\$
	Maintenance	\$	Homeowner Fees	\$
	Homeowner's Insurance	\$	Furnishings	\$
Utilities	Water	\$	Gas	\$
	Electric	\$	Sewer	\$
	Trash	\$	Internet/TV	\$
	Cell Phone	\$	Landline Phone	\$
Other Necessities	Food/Groceries	\$	Medical/Dental/Vision	\$
	Elder/Child Care	\$	Education	\$
Insurance Premiums	Life Insurance	\$	Health Insurance	\$
	Disability Insurance	\$	Long-term Care Insurance	\$
	Auto Insurance	\$		
Transportation/Auto	Loans/Leases	\$	Fuel	\$
	Tolls/Train/Bus/Subway	\$	Parking	\$
	Service	\$	Inspections/Licenses	\$
Miscellaneous	Charitable Contributions	\$	Vacation/Travel	\$
	Movies/Entertainment	\$	Alimony/Child Support	\$
	Clothing	\$	Other Loan Payments	\$
	Gifts	\$	Legal	\$
	Lessons/Sports	\$	Newspapers/Magazines	\$
	Dry Cleaners	\$	Housekeeping	\$
	Dining Out	\$	Other	\$

Loans	Type				
	Payment	\$	\$	\$	\$

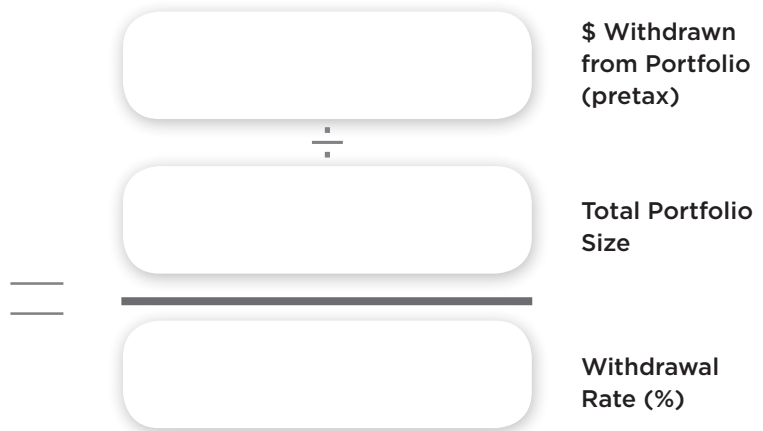
Monthly Discretionary Income (Shortfall) (Monthly Gross Income - Monthly Expenses)	Total \$

Understanding the Numbers

To determine how solid your income foundation is, start by calculating your withdrawal rate and your reliance rate.

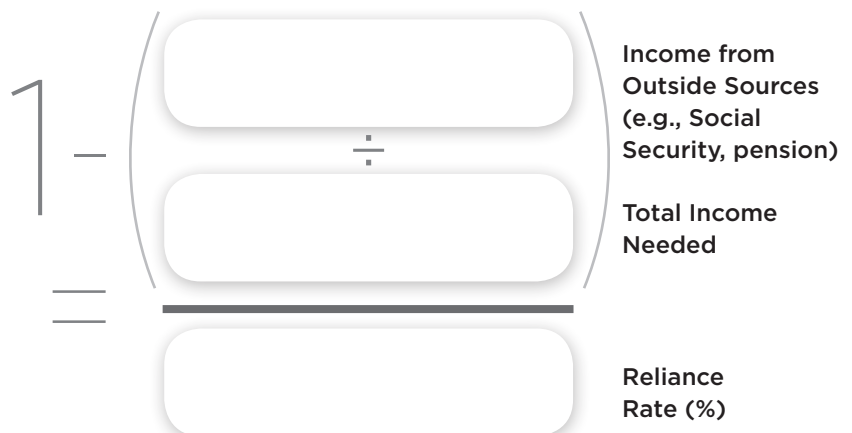
Withdrawal Rate | The percentage of your portfolio you use every year

A modest withdrawal rate (e.g., 4% for a 65-year-old) is a key part of a successful retirement strategy. While annuities can help provide a source of lifetime income and potentially increase income in the early years of retirement, they shouldn't be used to try to support an unsustainable spending and withdrawal rate. If withdrawals are too high, other options – such as work longer, spending less or saving more – should be primary considerations.



Reliance Rate | The percentage of your income that comes from your portfolio (how much you *rely* on your portfolio for income). These numbers can be pretax or after-tax – they just need to be consistent.

The higher your reliance rate, the more you'll rely on your investments for your income needs – and the more sensitive your retirement strategy could be to market fluctuations. Unless you have a lot of flexibility with your expenses, you may want to consider options like annuities to help reduce your reliance rate, especially if it is more than 50%.



Average Life Expectancy

In terms of the average life expectancy for a 65-year-old couple today:

- There's a ____% chance that one spouse will reach age ____.*
- If that 65-year-old couple were to retire today, that would mean ____ years or more in retirement.

• 20 to 30 years

• Age 90

• 60%

*Source: Society of Actuaries RP-2014 Mortality Table.

Answer key (in order of presentation):

NOTES

Sequence of Returns and Withdrawal Rates

Beginning Portfolio Value: \$500,000										Ending Portfolio Value	
Year	Annual Portfolio Returns								Average Return	4% Withdrawal Rate	6% Withdrawal Rate
	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.

NOTES

The Impact of Inflation

The annual inflation rate has historically averaged between 3% and 4%. With that being the case, prices of almost everything you buy will cost twice as much in about 25 years if the inflation rate averages 3%. In other words, if inflation remains at historical levels and you need \$70,000 per year to retire now, you may need more than \$140,000 in 25 years just to maintain your current standard of living. That's why the potential for rising income is so important.

The table below shows the importance of recognizing the need for rising income to help combat 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.

Health Care during Retirement



Traditional medical expenses

doctor care
prescriptions
dental care



Long-term medical care

assisted living
adult day care
nursing home care

NOTES

Staying on Track

Once you have a strategy in place, it's important to review it regularly to make sure you're on track and to see whether changes need to be made.

Things to consider:

Goals

It's important to make sure your goals and strategies align with your vision if it changes over time.

Life changes

A life change could be anything, including a move, change in employment status, marriage, inheritance, divorce or loss of a spouse.

Investments

You may need to rebalance your investments periodically to make sure your investment mix stays suited to your goals and risk tolerance.

Insurance

Making sure you have the appropriate amount and type of insurance is critical. You should also revisit your beneficiary designations and other legal documents regularly to make sure everything aligns and will work the way you intend.

The Time Is Now

Whether retirement is a few years away or just around the corner, having a strategy in place will better prepare you to reach your goals. Take the first step, and schedule an appointment today.

Action Plan: Developing Your Strategy

Don't just imagine the life you want. Take control and make it happen. Take the vision you identified at the beginning of this workbook, and plan something you can do NOW.

Retirement Vision

Action Plan Examples:

48 hours: Write down your vision for retirement as specifically as possible. Also write down what concerns you most as you think about having enough money to last throughout your retirement.

Week: Gather all your financial accounts and statements.

Two weeks: Develop your expected monthly budget for retirement.

Month: Schedule an appointment with a financial advisor to translate that information into some realistic goals so you can develop strategies that make sense for you.

Three months: Put your strategy into action.

Year: Review your strategy to see whether you are on target to reach your goals whether adjustments need to be made.

Action Plan: Developing Your Strategy

(continued)

What I can do in the next:

48 hours: _____

Week: _____

Two weeks: _____

Month: _____

Three months: _____

Year: _____

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.