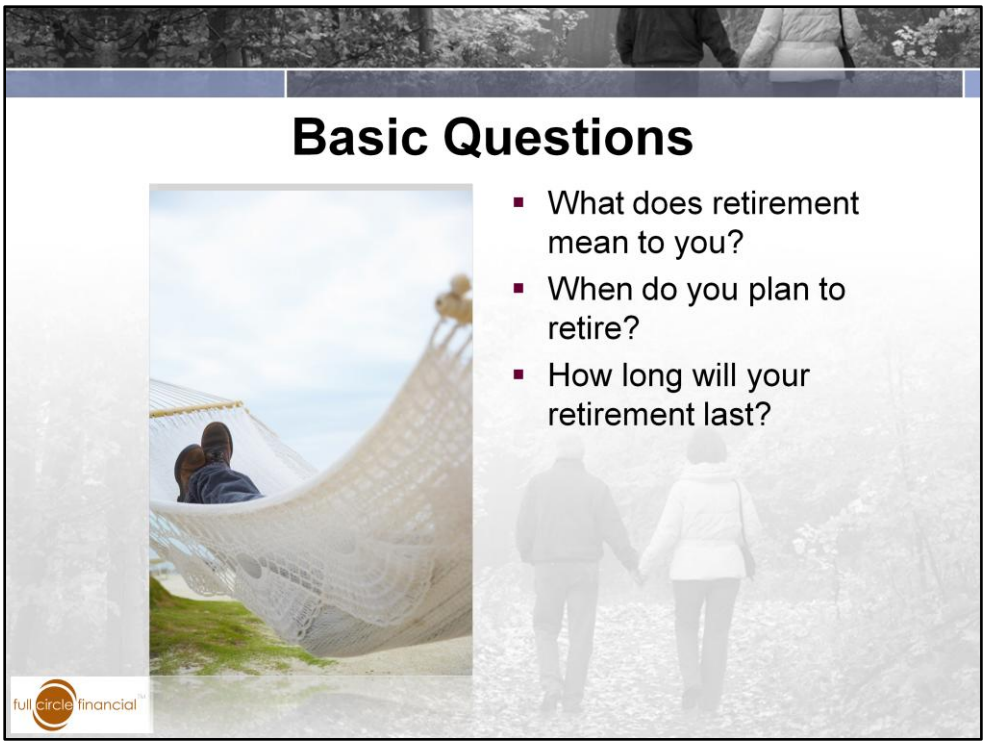
Retirement Income Planning

Planning for a Financially Successful Retirement



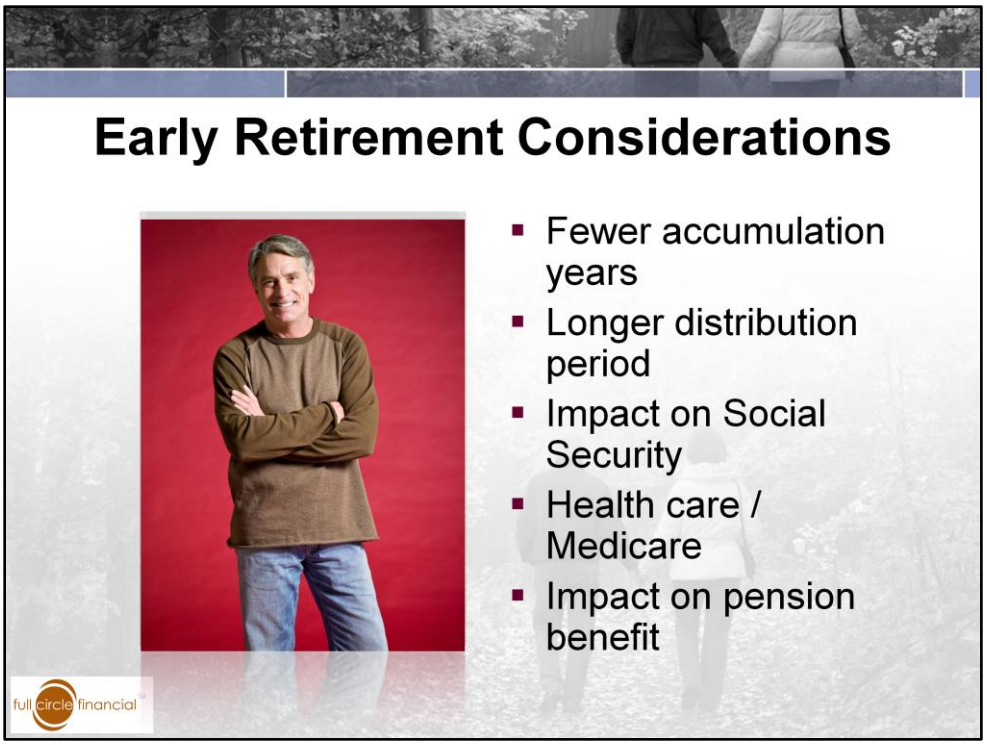
Planning for retirement income starts with three basic questions:

- <CLICK>What does retirement mean to you? That is, what is it that you want and expect in retirement? Do you plan to travel? Pursue a hobby? Volunteer your time, or start a new career or business? It's important to consider your expectations carefully, because your retirement income plan will be designed to support the retirement lifestyle that you envision.

- <CLICK>When do you plan to retire--as we'll discuss, the age at which you plan to retire can have an enormous impact on your overall retirement income situation.

•<CLICK>How long will your retirement last--in other words, how long a distribution period should you plan for?

Let's spend a few minutes now discussing the last two questions …

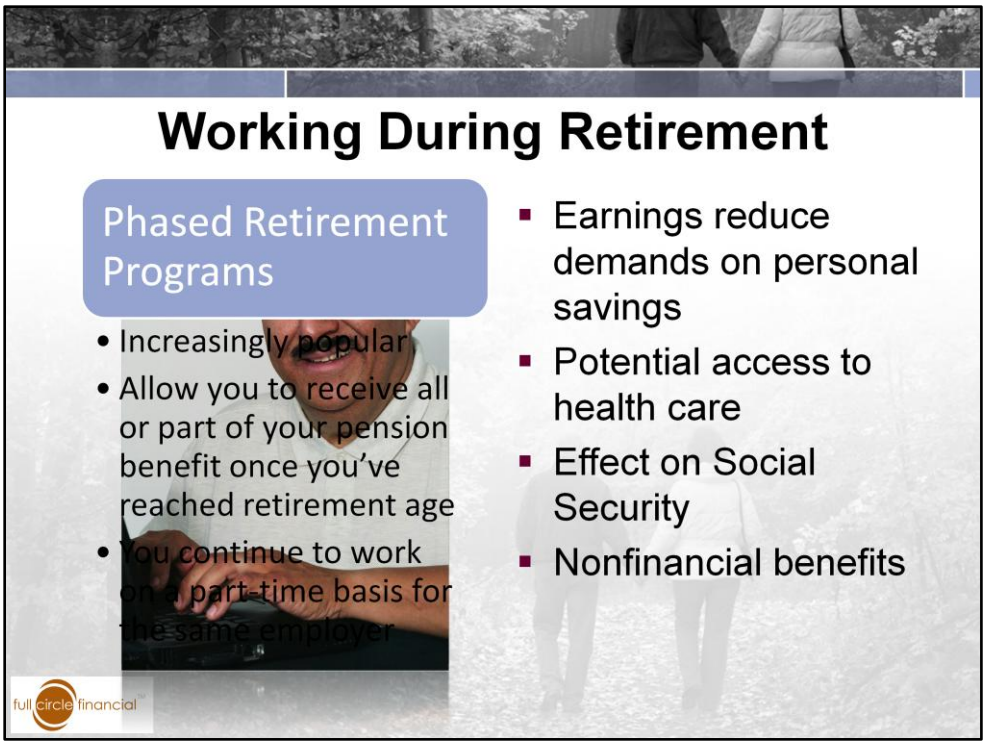


As we've mentioned, *when* you decide to retire can have an enormous impact on your overall retirement income situation. Let's consider early retirement. Most of us would like the chance to retire early, but early retirement can have significant financial repercussions.

<CLICK> First, when you retire early, you're giving up what could be prime earning years. These are years during which you could be making significant additions to your retirement savings. <CLICK> In addition, the earlier you retire, the longer the period of time that your retirement assets will need to provide for your support, and the greater the risk that you will outlive your money.
<CLICK>You can begin receiving Social Security retirement benefits as early as age 62. However, if you elect to start receiving benefits at age 62, your benefit may be as much as 20% to 30% less than if you waited for normal retirement age (65 to 67, depending on the year you were born). We'll discuss Social Security in more detail later on.
<CLICK>You're not eligible for Medicare until you turn 65. Unless you'll be eligible for retiree health benefits through your employer, have coverage under a spouse's plan, or take another job that offers health benefits, you'll want to factor in the cost of paying for insurance or health care out-of-pocket, at least until you qualify for Medicare at age 65.
<CLICK>Additionally, if you're fortunate enough to be covered by an employer pension plan, you'll want to check to make sure that it won't be negatively affected by your early retirement. Because the greatest accrual of benefits under a pension plan generally occurs during your final years of employment, it's possible that early retirement could effectively reduce the benefit you receive.

As you may suspect, delaying retirement presents certain advantages when it comes to retirement income planning.

<CLICK>The longer you work, the longer you'll be able to continue contributing to your retirement savings.
<CLICK>Even if you're no longer adding to your retirement savings, delaying retirement postpones the date that you'll need to start withdrawing from your savings. And a shorter distribution period could significantly enhance your savings' potential to last throughout your lifetime.
<CLICK>In addition, delaying retirement may mean that you can delay taking Social Security retirement benefits, potentially increasing your annual benefit when you do begin taking payments.
<CLICK>Continued employment may also mean continued access to company-sponsored health insurance.



Of course, if you plan to work during your retirement, it can have an impact.

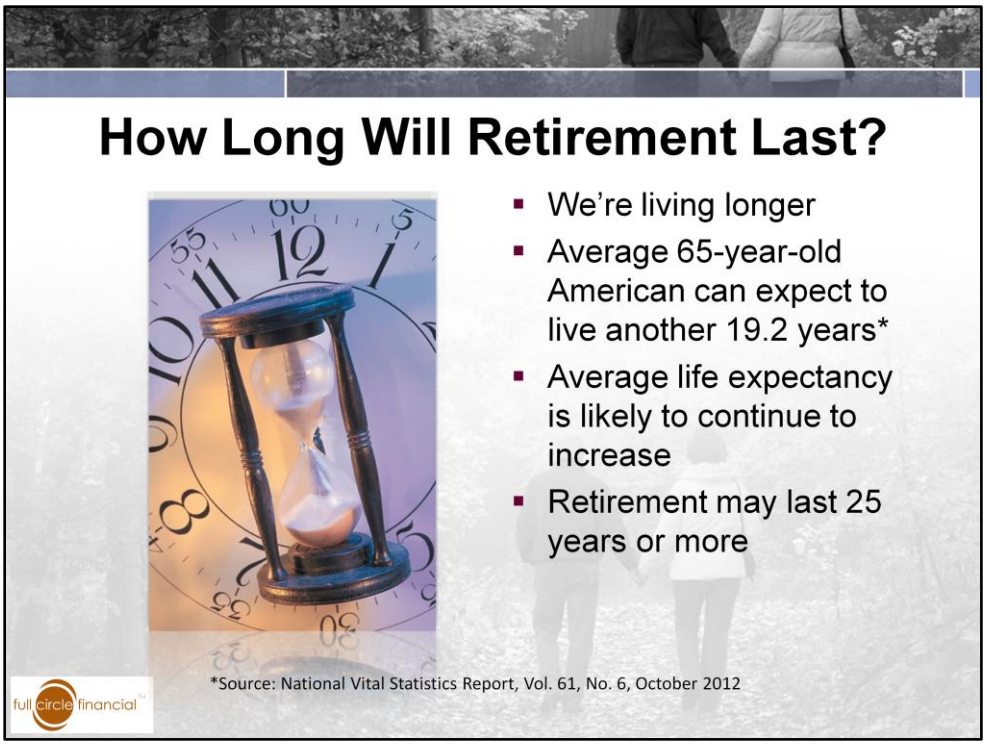
<CLICK>The obvious advantage of working during your retirement is that you'll be earning money and relying less on your retirement savings, leaving more of your savings to potentially grow for the future and helping to stretch your personal savings.

<CLICK>In addition, full- or part-time work during retirement could potentially provide access to affordable health care (more and more employers are offering health benefits to part-time employees as well as full-time employees).

<CLICK>If you do work during retirement, you will want to make sure that you understand how the income you earn might affect your Social Security benefits. While your earnings may increase your Social Security retirement benefits in future years, current benefits could be reduced. For example, for years before you reach full retirement age, $1 in Social Security retirement benefits will generally be withheld for every $2 you earn over the annual earnings limit ($15,120 in 2013). Special rules apply in the year that you reach full retirement age.

<CLICK>It's worth noting that there are a number of nonfinancial reasons that motivate individuals to work in retirement. For example, you may value the social interaction, sense of accomplishment, and structure that your career provides, and ultimately decide that full- or part-time work, launching a new career, or starting your own business is the right decision for you.

<CLICK>One last observation on the topic: If you're working for an employer that offers a traditional pension, determine whether working part-time will impact your benefits. If your benefit is based on your final average pay, it's possible that working part-time could reduce your benefit. It could also be worth inquiring about any phased retirement program that your employer might offer. These programs allow you to receive all or part of your pension benefit while you continue to work on a part-time basis.



When it comes to your retirement, how long a period should you plan for?

<CLICK>The good news is that we're living longer lives. The bad news? That generally translates into a longer period of time that you'll need your retirement income to last.

<CLICK>According to the National Center for Health Statistics, the average 65-year-old American can expect to live for another 19.2 years.

<CLICK>Life expectancy has increased at a steady pace over the years, and is expected to continue increasing. According to the U.S. Census Bureau, by 2030, 1 in 5 Americans will be 65 or older, which translates into 72 million people. (U.S. Census Bureau, 65+ in the United States: 2005)

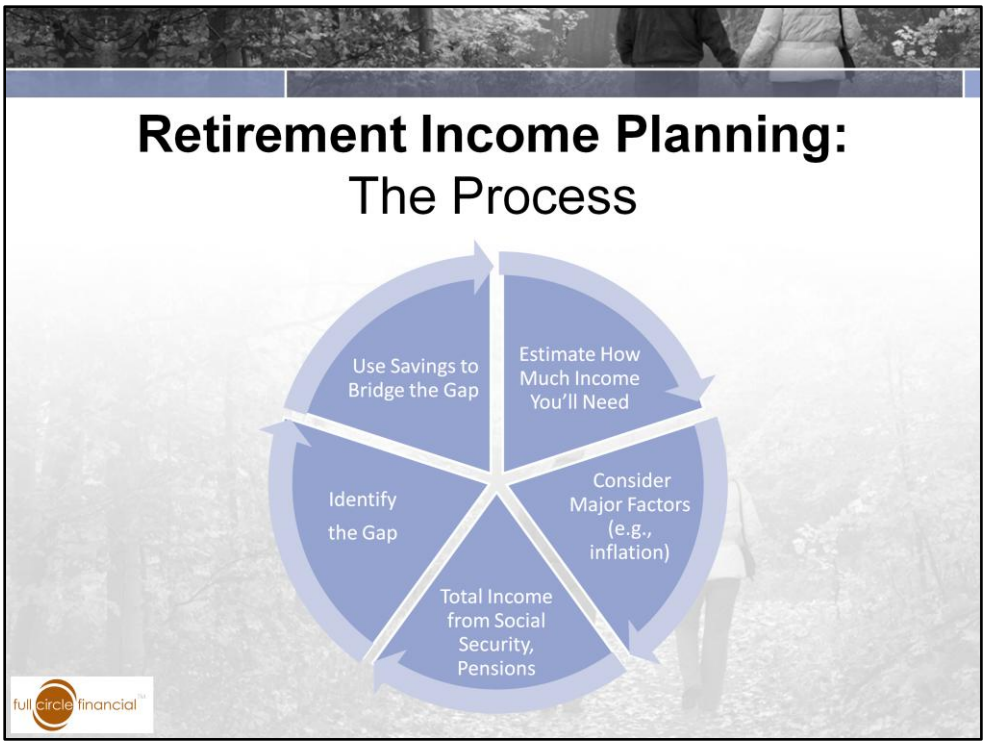
<CLICK>The point I want to make is that, for many of us, it's not unreasonable to plan for a retirement that lasts for 25 years or more, which means your income and savings will need to last that long as well.

Every retirement income plan has to balance three main goals:

<CLICK> Maximize your ability to enjoy your retirement. That means making sure you have the financial ability to do the things that you want to do.

<CLICK> Minimize the chance that you will outlive your money.

<CLICK> Manage the financial risk of unwelcome life events such as serious illness, the need for long-term care, or other unanticipated expenditures for yourself or your family.



Once you know when your retirement will start, how long it may last, and the type of retirement lifestyle you want, it's time to estimate the amount of money you'll need to make it all happen.

<CLICK>First, you'll want to estimate your future retirement expenses to determine how much annual income you'll need during retirement, factoring in the potential cost of health care and long-term care.

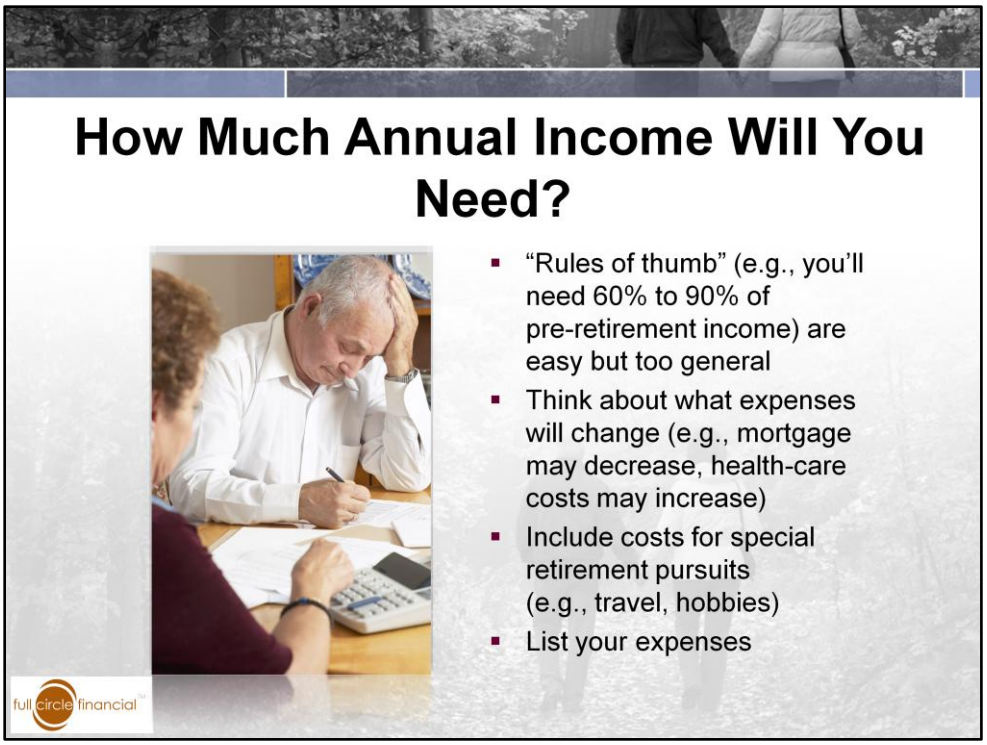
<CLICK>Then, you'll want to consider the major factors that will affect your retirement income plan. For example, you'll need to adjust your annual income estimate to account for inflation. You'll also want to understand the potential impact of taxes and investment risk.

<CLICK>Then, total all fixed income sources you expect to receive, including Social Security and any employer pension plan that you can count on.

<CLICK>When you compare your adjusted income needs to your anticipated fixed income sources, you'll likely find that you won't have enough income to meet your needs and goals. Closing this difference, or "gap," is an important part of your retirement income plan.

<CLICK>To supplement your fixed income sources, you'll have to rely on your retirement savings. How you should go about this, including the products and strategies that you should consider, depends upon your current retirement assets, the amount of additional income that you need to generate, and the ability of you (and your plan) to tolerate risk.

Let's look at step one in the process--estimating how much income you'll need.



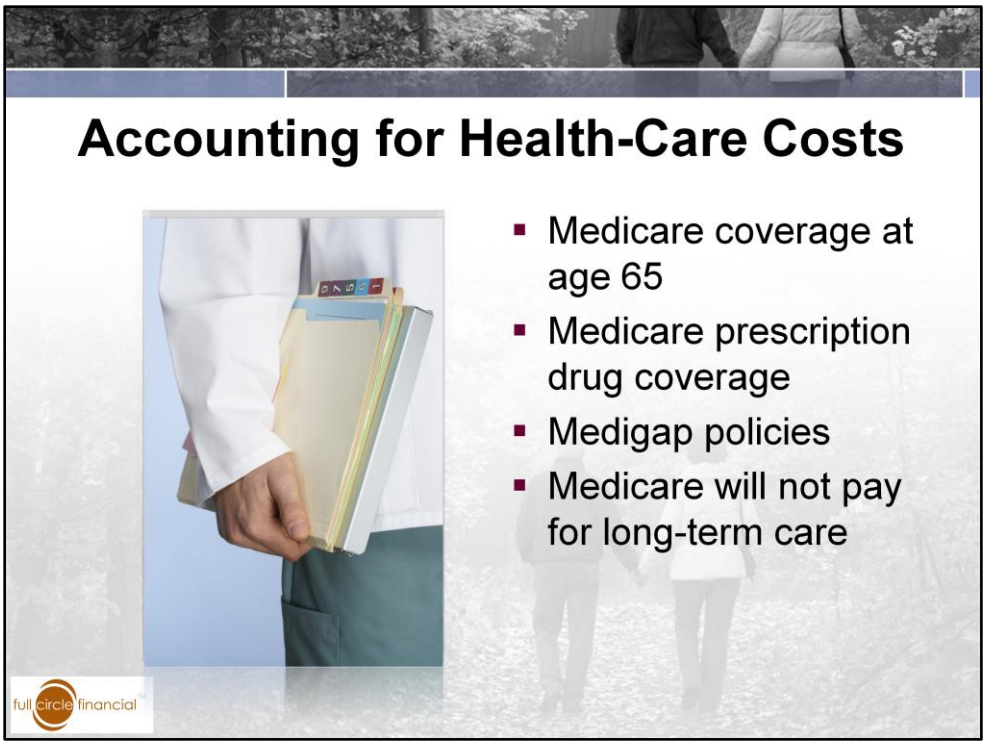
When trying to figure out how much annual income you'll need in retirement, you may be tempted to rely on some general rules of thumb.

<CLICK> For example, you may hear that you should plan on needing somewhere between 60% and 90% (depending on who you are talking to) of your pre-retirement income when you retire. But using a rule of thumb like this one, while easy, really isn't very helpful because it doesn't take into consideration your unique circumstances, expectations, and goals.

<CLICK> Instead of basing an estimate of your annual income needs on a percentage of your current income, focus instead on your actual expenses today and think about whether they'll stay the same, increase, decrease, or even disappear by the time you retire. While some expenses may disappear, like a mortgage or costs for transportation to and from work, new expenses may arise, like yard care services, snow removal, or home maintenance--things that you might currently take care of yourself but may not want to (or be able to) do in the future.

<CLICK> Additionally, if travel or hobby activities are going to be part of your retirement, be sure to factor these costs into your retirement expenses.

<CLICK> While it may be painstaking, try to detail every potential expense you can think of.



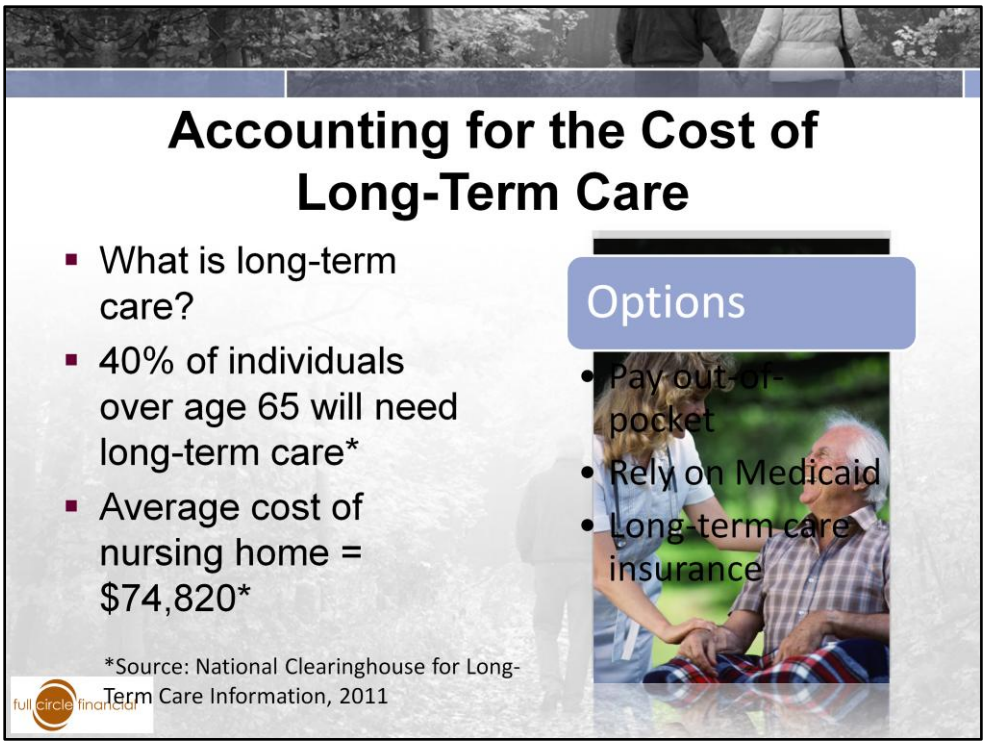
One major retirement expense to consider is health care. Once you retire, you're likely to focus more on health care than ever before, and there's a greater chance that your health will decline.

<CLICK>Most Americans are automatically entitled to Medicare coverage once they turn 65. When you're eligible for Medicare, you've got to make some coverage elections. For example, you have to decide whether you want to purchase Part B coverage for medical care including physician care, laboratory tests, and physical therapy.

<CLICK>You may also want to consider joining a Medicare prescription drug plan offered in your area by a private company or insurer that has been approved by Medicare.

<CLICK>It's important to understand that Medicare won't cover all of your health-care expenses. For some types of care, you'll have to satisfy a deductible and make co-payments. That's why you might consider purchasing a Medigap policy that offers additional coverage.

<CLICK>It's also important to understand that Medicare won't pay for long-term care if you ever need it.



Because Medicare doesn't cover long-term care, it's also important to consider the potential impact of a prolonged stay in a nursing home. Let's begin by talking about what's meant by the phrase "long-term care."

<CLICK>Long-term care refers to the ongoing services and support needed by people suffering from chronic health conditions or disabilities.

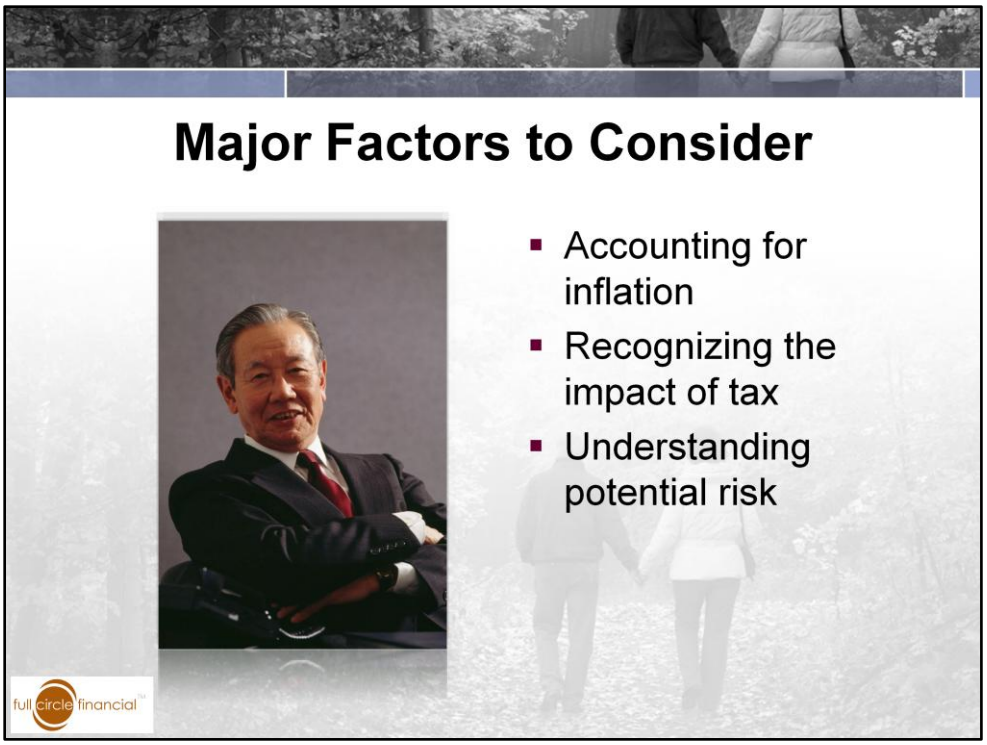
<CLICK>It's hard to face the fact that our health might decline, but statistics suggest that approximately 40% of us--that's two out of every five people here today--will need long-term care during our lifetimes at some point after we reach age 65.

<CLICK>Currently the nationwide average annual cost of nursing home care is $74,820, but in some states, it's much higher. And in the future, long-term care will likely cost even more. If costs rise at an average rate of 3% every year (and that's a pretty conservative estimate) in 20 years, one year in a nursing home could cost approximately $135,133.

<CLICK>If you needed it, how would you pay for this care? You might consider paying out-of-pocket, which means using your income, savings, investments, and assets (such as your home) to pay for any potential long-term care costs. But paying out-of-pocket is truly a gamble unless you're wealthy.

Many people assume that Medicaid will pay for long-term care costs. You may be able to rely on Medicaid, but there's a catch. To qualify for Medicaid, your assets and income must be low enough to allow you to qualify. You will have to use up most of your savings before you even qualify for Medicaid, and aside from a small personal needs allowance, you will have to use all of your retirement income, including Social Security and any pension payments to pay for your care before Medicaid pays anything.

Another option is to consider long-term care insurance, which may provide a source of funds for long-term care expenses but doesn't ensure that you won't have to pay for some of the long-term care costs out-of-pocket. And the premium for this insurance will need to be factored into your retirement income needs.

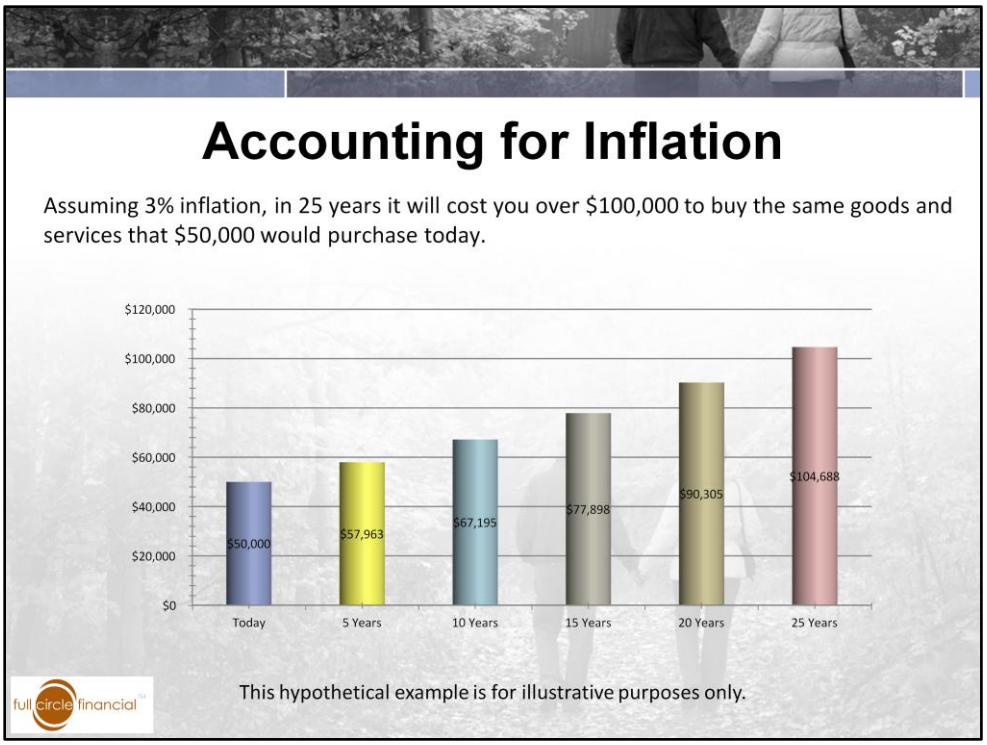


Before we move on to talk about your retirement income sources, let's briefly review some of the factors that make retirement income planning so challenging.

<CLICK> First, even if you can accurately predict your retirement expenses, and can calculate the exact amount of retirement income that you'll need each year, you have to adjust your calculations to account for inflation.

<CLICK> You'll also have to keep in mind, and account for, the effect that taxes will have.

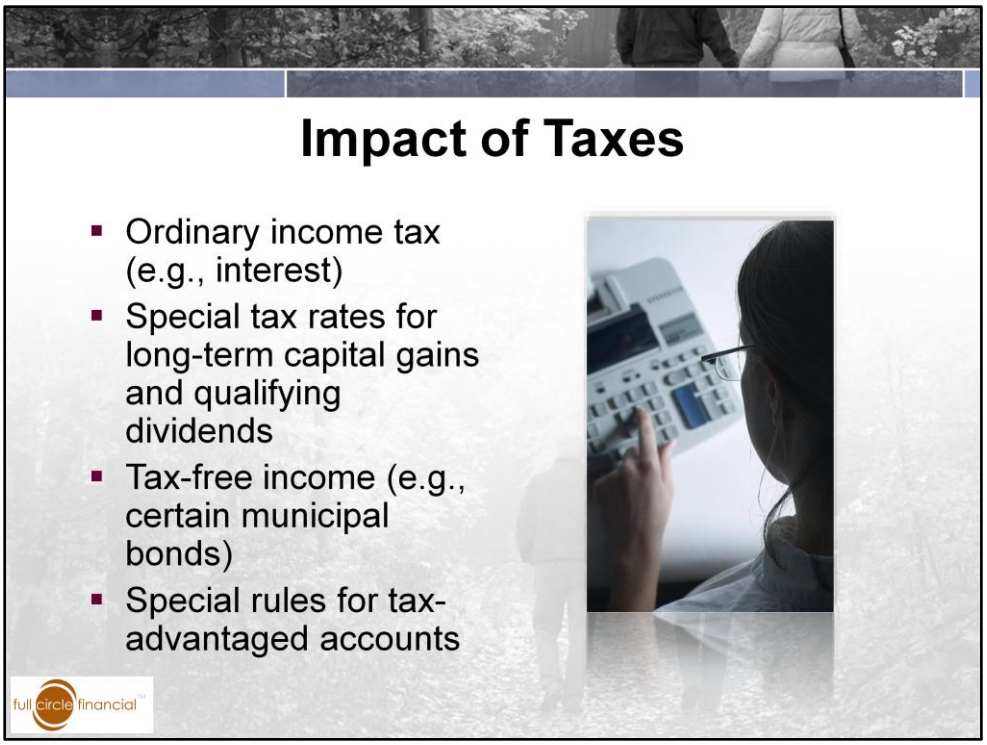
<<CLICK> Finally, your retirement income plan will have to balance your need for ongoing income with the level of risk that you're willing, or able, to accept.



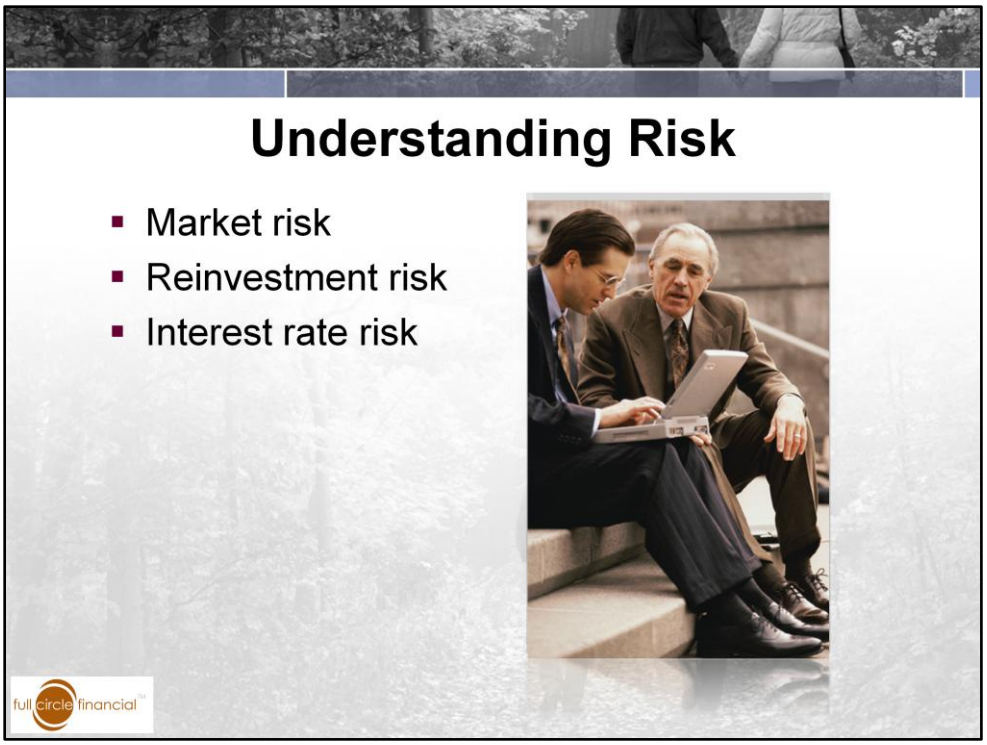
Unless you accurately account for inflation, you'll likely underestimate the amount of annual income that you'll need in retirement. Inflation is basically a general increase in the cost of goods over time. In other words, the purchasing power of a dollar will likely decline over time, due to the rising cost of goods and services. At 3% inflation, a given sum of money will lose over half of its purchasing power in a 25-year period. Put another way, at 3% inflation a gallon of milk that costs $4 today would cost $8.38 in 25 years.

Keep in mind that inflation doesn't affect all goods and services equally. In fact, retirees can be affected by the disproportionate increase in the cost of some things. For example, the cost of health care has historically increased at a rate higher than the average rate of inflation.

Basically, all other things being equal, inflation means that you'll need more retirement income each year just to keep pace.



The impact that taxes can have is sometimes overlooked. Taxes can eat into your income, significantly reducing the amount you have available to spend in retirement. You'll want to make sure that you understand whether income that you're counting on is, or is not, subject to tax. For example, many are surprised to learn that a portion of Social Security retirement benefits may be subject to federal income tax, depending upon your filing status and total annual income. You'll also want to make sure that you understand how your income is taxed.
<CLICK> Keep in mind that some income, like interest, is taxed at ordinary income tax rates.
<CLICK> Other income, however, like long-term capital gains and qualifying dividends, currently benefit from special--generally lower--maximum tax rates.
<CLICK> And some specific investments, like certain municipal bonds, generate income that can be altogether exempt from federal income tax, and sometimes state tax as well.
<CLICK> You should also understand how distributions from tax-advantaged accounts like traditional IRAs and 401(k)s are taxed. Generally, to the extent that a distribution from the account or plan represents earnings or pre-tax contributions (or, in the case of a traditional IRA, deductible contributions), the distribution is taxed as ordinary income, regardless of whether investments within the account may have generated long-term capital gains or qualifying dividends. Special rules apply to Roth IRAs, Roth 401(k)s, Roth 403(b)s, and Roth 457(b)s: qualified distributions from these accounts are federal tax free. Also worth noting--if anyone here was born before 1936, there are special rules relating to lump-sum distributions from employer-sponsored retirement plans that you should be aware of.



Different types of investments carry different risks. Sound retirement income planning involves understanding these risks and how they can influence your available income in retirement. Risks that need to be accounted for include:

<CLICK> *Investment or market risk*--the risk that fluctuations in the securities market may result in the reduction and/or depletion of the value of your retirement savings.
<CLICK> *Reinvestment risk*--the potential that you may have to reinvest at a lower rate of return than the prior investment, or take on additional risk to achieve the same level of return. This type of risk is often associated with fixed interest savings instruments such as bonds or bank certificates of deposit. When the investment matures, comparable investments may not be paying the same return as that of the matured investment.
<CLICK> *Interest rate risk*--when interest rates rise, the price of some existing investments drop. For example, during periods of rising interest rates, newer bond issues will likely pay higher coupon rates than older bonds issued during periods of lower interest rates, thus decreasing the market value of the older bonds. You also might see the market value of some stocks and mutual funds drop due to interest rate hikes because some investors will shift their money from these stocks and mutual funds to lower-risk fixed investments paying higher interest rates compared to prior years.

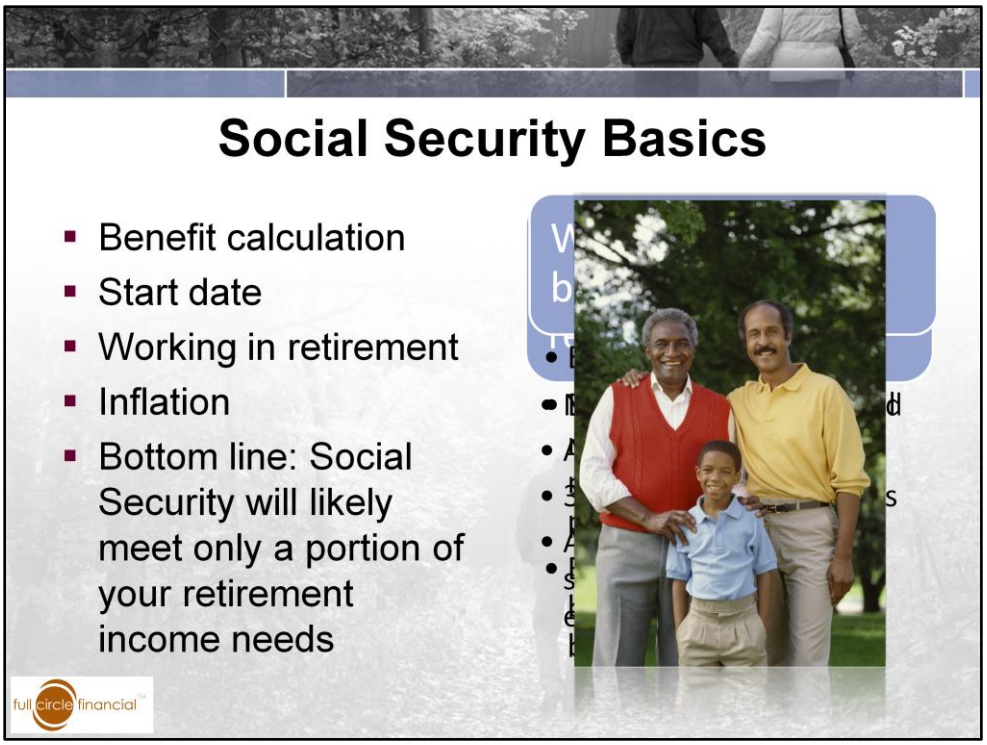
After you've estimated the amount of annual income that you're going to need in retirement, it's time to determine how much annual income you can already count on.

Traditionally, retirement income has been described as a "three-legged stool" comprised of <CLICK> Social Security retirement benefits, <CLICK> traditional employer pension income, and <CLICK> individual savings and investments.

The first two legs of the stool, Social Security retirement benefits and employer pensions, produce a steady or relatively "fixed" stream of annual income that you can depend on during retirement.

As we'll see, though, most people aren't going to be able to rely on Social Security to provide for all of their retirement income needs. And, you may not have an employer pension. That means the third "leg," individual savings and investments, is likely going to play a major role in funding your retirement.

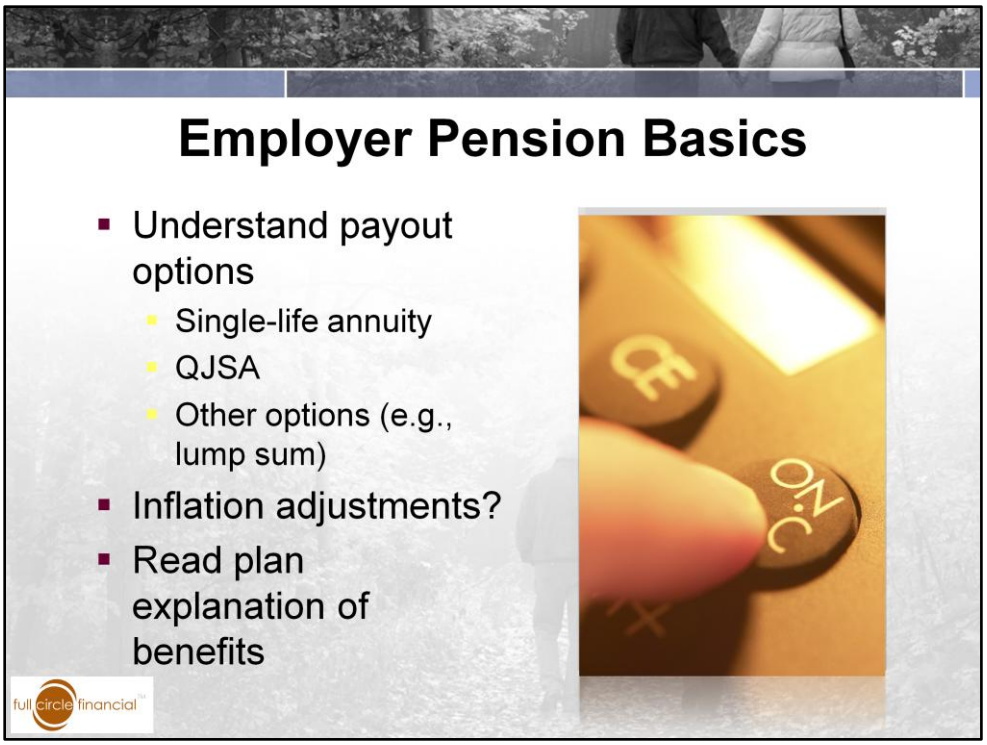
Let's look at the first two legs of the stool--Social Security and employer pension income.



Today, 93% of U.S. workers are covered by Social Security (Source: SSA--Social Security Program Fact Sheet, 2010). <CLICK> The amount of Social Security retirement benefit that you're entitled to is based on the number of years you've been working and the amount you've earned. Your benefit is calculated using a formula that takes into account your 35 highest earning years. The best way to know how much you can expect in benefits is by reviewing the statement that the Social Security Administration provides to you each year, summarizing your work earnings history and providing a benefit summary.

<CLICK> The earliest that you can begin to receive Social Security retirement benefits is age 62. If you decide to begin receiving benefits before normal retirement age (which ranges from 65 to 67, depending on the year you were born), there's a drawback: Your monthly benefit will be permanently reduced. [NOTE: Table illustrating full retirement age by birth year is provided in workbook]. In fact, if you begin taking benefits at age 62, each monthly benefit check will be 20% to 30% less than it would have been if you had waited until full retirement age. Conversely, you get a higher monthly payout by delaying benefits past your normal retirement age, up to age 70. Of course, even though by taking retirement benefits at age 62 you're getting a smaller monthly benefit, you will end up receiving more benefit checks. For example, if your normal retirement age is 66, opting to receive benefits at age 62 means you'll receive 48 additional monthly benefit payments.

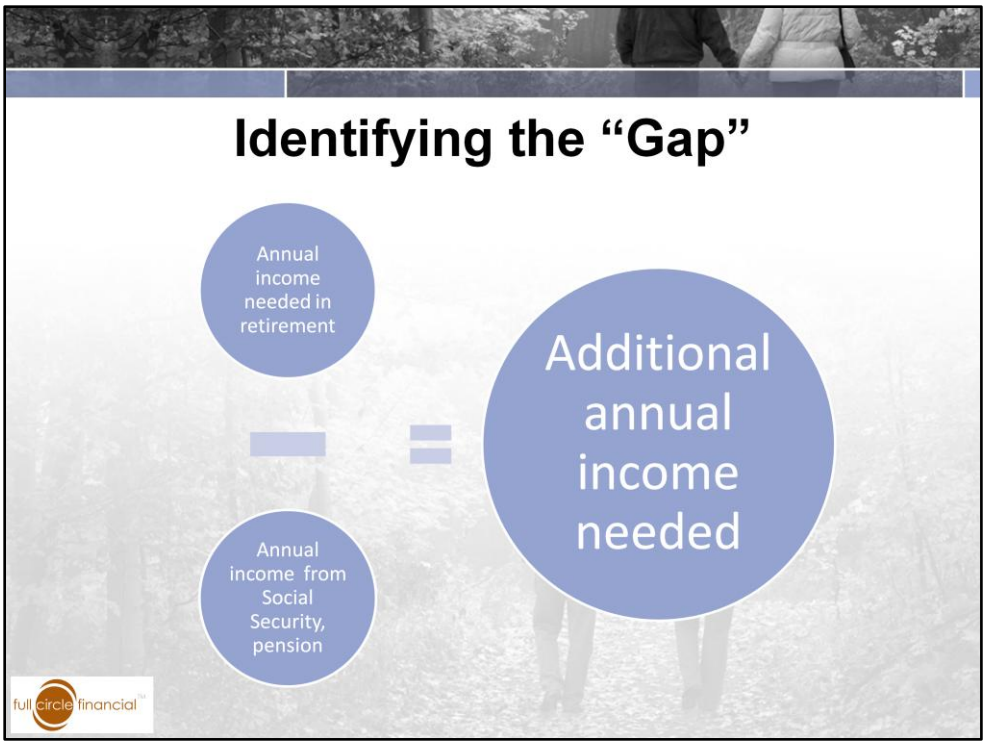
<CLICK> We've already mentioned that working in retirement can also affect your Social Security retirement benefits, and that's something that you'll want to keep in mind.
<CLICK> Also worth noting--the federal government periodically adjusts Social Security benefits for inflation.
<CLICK> The bottom line, though? For most people, Social Security alone isn't going to provide enough income in retirement. Consider: According to the quick calculator on Social Security's website, an individual born in 1952 who currently earns $100,000 annually can expect to receive approximately $26,800 annually in Social Security retirement benefits beginning at full retirement age, which in this case would be age 66. Of course, your actual benefits will depend on your work history, earnings, and retirement age.



Let's speak for a moment about employer pensions. If you're entitled to receive a traditional pension from an employer-sponsored pension plan, you're lucky. Fewer Americans are covered by such plans every year.

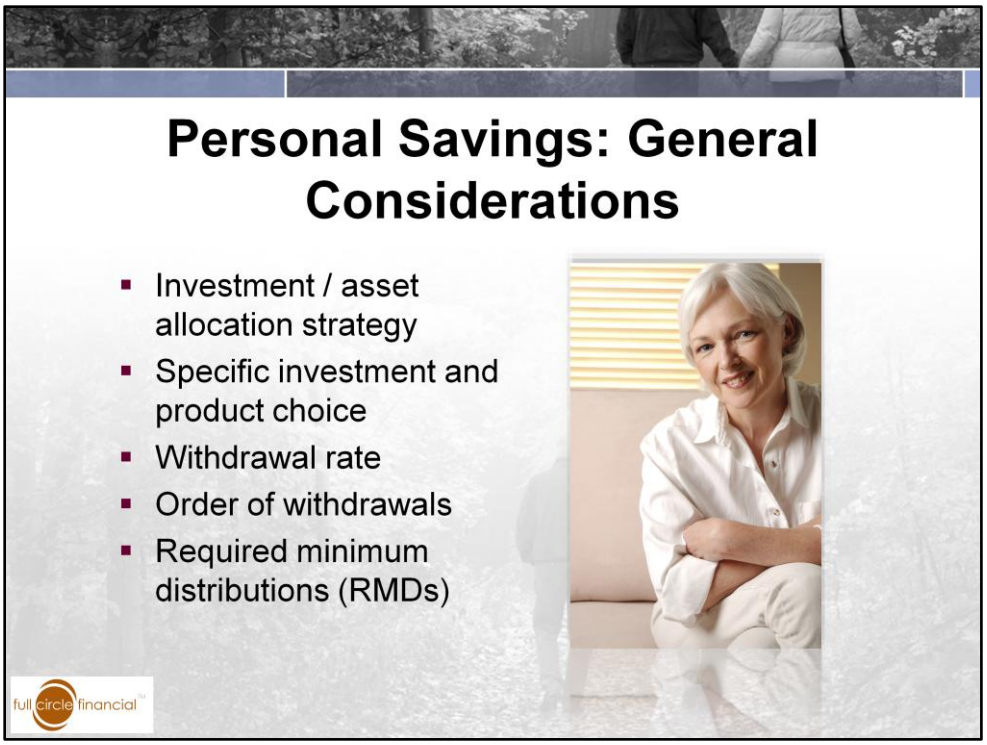
<CLICK> If you haven't already selected a payout option, you'll want to carefully consider your choices. <CLICK> Generally, your retirement benefit is an annuity, payable over your lifetime, beginning at the plan's normal retirement age (typically age 65). Many plans allow you to retire earlier, but will actuarially adjust your benefit to account for the fact that payments begin sooner, and will last for a longer period of time. <CLICK> If you're married, your plan must generally pay your benefits as a qualified joint and survivor annuity (QJSA). A QJSA provides a monthly payment for as long as either you or your spouse is alive. The payments under a QJSA are generally smaller than under a single-life annuity because they continue until both you and your spouse have died. Your spouse's QJSA survivor benefit is typically 50% of the amount you receive during your joint lives. <CLICK> Your plan may offer other options as well, including the possibility of taking a lump-sum distribution. The option that's right for you depends on your individual situation, including your (and your spouse's) age, health, and other financial resources. Make sure that you completely understand all of your options before making a decision.

<CLICK> You'll also want to make sure that you know whether or not your pension benefit will be adjusted periodically for inflation.
<CLICK> Prior to retirement, your pension plan will provide you with an explanation of all your options, and the relative values of any optional forms of benefits available to you. Be sure to read through this documentation carefully.



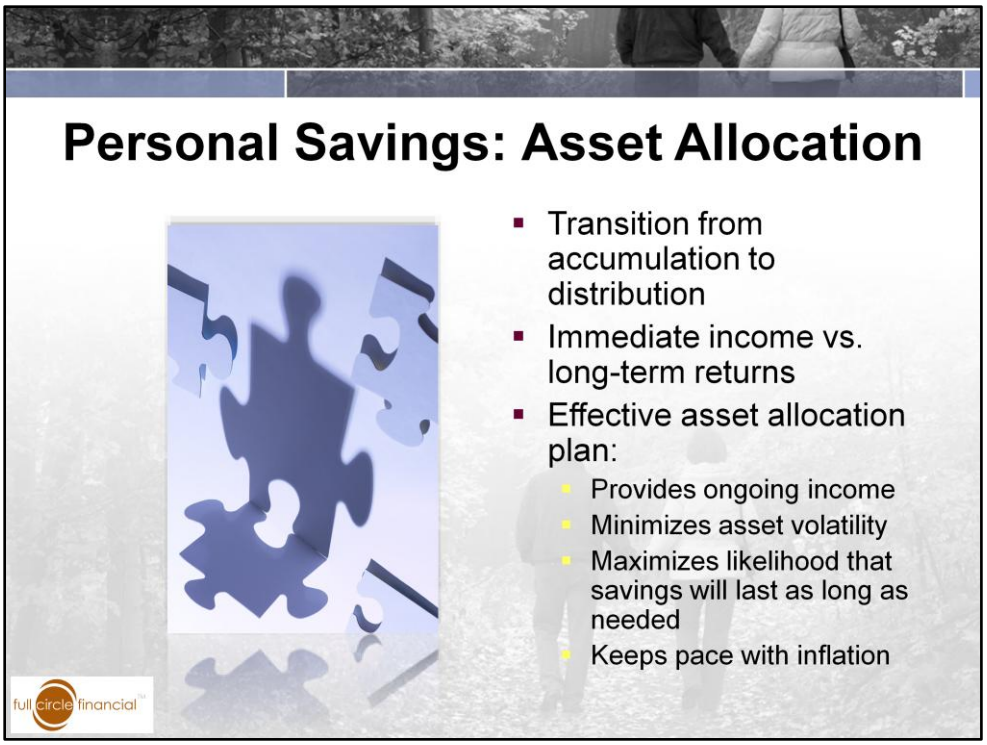
Let's pause for a moment.

If you compare the annual income that you're going to need in retirement to the annual income that you can count on from Social Security retirement income and employer-pension benefits, you're likely going to find a "gap." That is, unless you're lucky enough to have a very generous employer pension, you're going to have unmet retirement income needs that will have to be funded with the third leg of the retirement income stool--personal savings and investments.



When we're talking about your personal savings, we're talking about funds that you have in tax-advantaged accounts like IRAs, 401(k) plans, 457(b) plans, and 403(b) plans, as well as any investments you hold outside of tax-advantaged accounts.

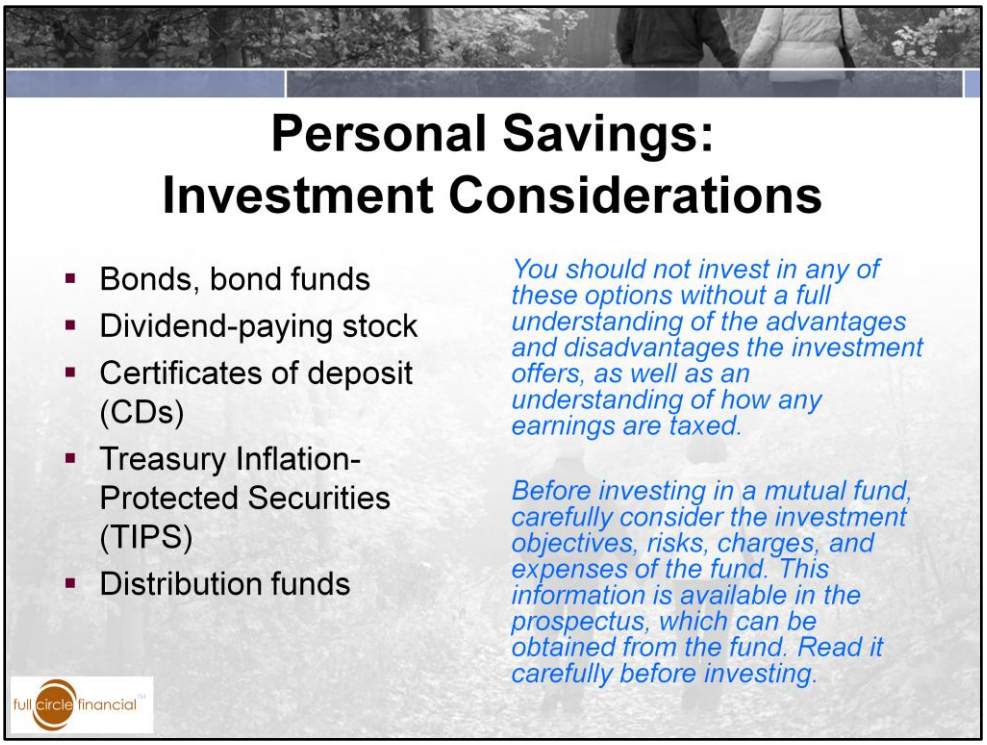
When it comes to putting together a plan to convert your personal savings into a source of retirement income that fits your needs, there are several factors to consider:
<CLICK> First and foremost, the challenge is to implement an investment strategy that provides, with reasonable certainty, for the annual income you will need, while balancing that need for regular income with other considerations, such as liquidity, your risk tolerance, and anticipated rates of return. Asset allocation--deciding how much you'll put into various types of investments--will be an important part of your strategy.
<CLICK> Beyond general asset allocation, you should become familiar with specific investments and products that can play a role in your overall investment strategy.
<CLICK> Your withdrawal rate is the portion of your portfolio that you liquidate each year for income. The question that you'll need to answer is how much can you withdraw each year without exhausting your savings.
<CLICK> Thought needs to be given to the order in which you tap various accounts. For example, tax considerations can affect which accounts you should use first, and which you should draw from last.
<CLICK> You'll also want to consider up front how you'll deal with required withdrawals from tax-advantaged accounts like 401(k)s and traditional IRAs, or whether they'll be a factor at all.



<CLICK> During your accumulation years, your asset allocation decisions may have focused primarily on long-term growth. But in retirement, the demands on your portfolio are likely to be very different. For example, when you were saving, as long as your overall portfolio was earning an acceptable average annual return, you may have been happy. However, now that you're planning to rely on your savings to produce a regular income, the consistency of year-to-year returns and your portfolio's volatility may assume much greater importance.

<CLICK> Balancing the need for both immediate income and long-term returns can be a challenge. Invest too conservatively, and your portfolio may not be able to grow enough to maintain your standard of living. Invest too aggressively, and you could find yourself having to withdraw money or sell securities at an inopportune time, jeopardizing future income and undercutting your long-term retirement income plan. Without proper planning, a market loss that occurs in the early years of your retirement could be devastating to your overall plan. Asset allocation alone does not guarantee a profit or ensure against a loss, but it can help you manage the level and types of risk you take with your investments based on your specific needs.

<CLICK> An effective retirement asset allocation plan:
<CLICK> · Provides ongoing income needed to pay expenses
<CLICK> · Minimizes volatility to help provide both reliable current income and the ability to provide income in the future
<CLICK> · Maximizes the likelihood that your portfolio will last as long as you need it to
<CLICK> · Keeps pace with inflation in order to maintain purchasing power over time



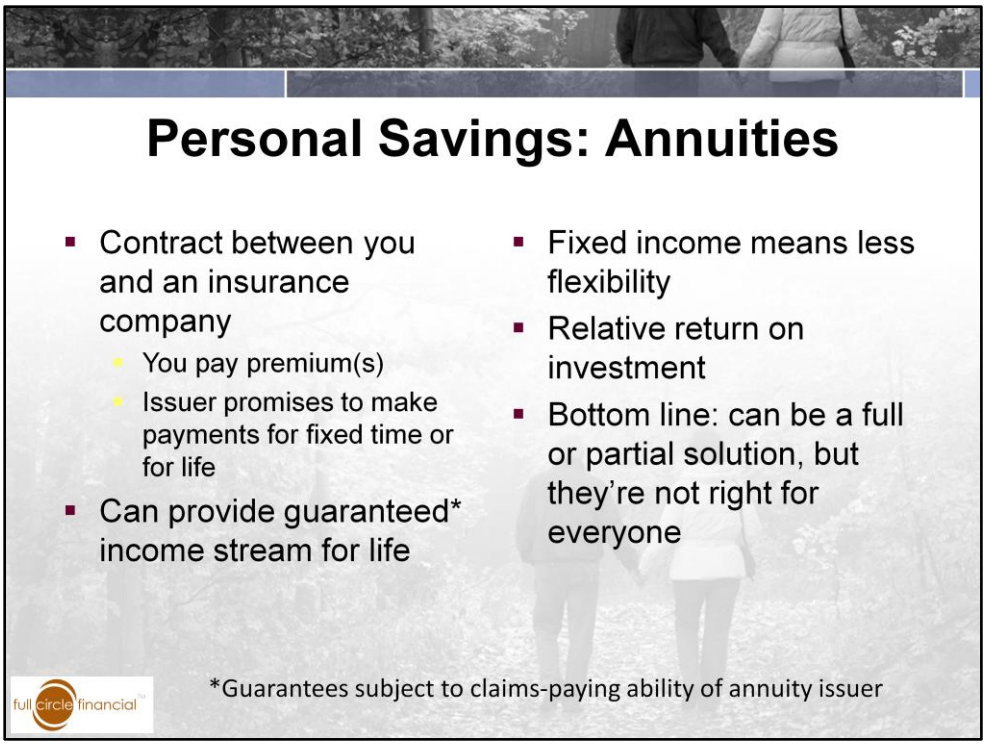
A well-thought-out asset allocation plan is essential both before retirement and after. But consideration must also be given to the specific investments that you choose. There are many different investment options, and it's impossible to discuss them all here. Nevertheless, it's worth mentioning a few choices that might have a place in the income-producing portion of your overall investment strategy.

<CLICK>Bonds can help you address investment goals in many ways. Buying individual bonds at their face value and holding them to maturity can provide a predictable income stream and the assurance that you'll get your principal back once the bond matures unless, of course, the bond issuer defaults. You also can buy bonds through mutual funds or exchange-traded funds, although these funds have no specific maturity date and fund values can fluctuate.

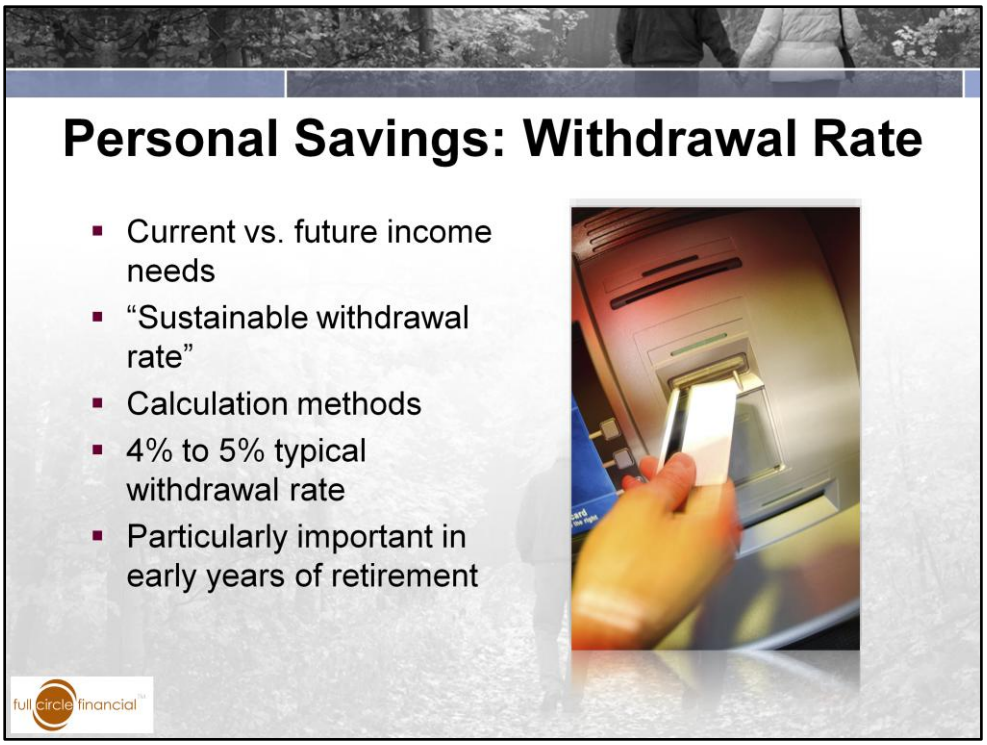
<CLICK>Other investments that provide income are dividend-paying stocks and mutual or exchange-traded funds that invest in them. However, dividends may not provide as predictable a source of income as bonds, because they are issued at the discretion of the company's board of directors. Preferred stock dividends, though, pay a fixed dividend before any dividend is available for common stockholders.

Some other alternatives include <CLICK> bank certificates of deposit, <CLICK> Treasury inflation-protected securities, and <CLICK> distribution mutual funds that are designed to provide an income stream from year to year, but with no guarantee that the income will last as long as predicted by the fund.

There's one other investment option that has become somewhat synonymous with retirement income: annuities.

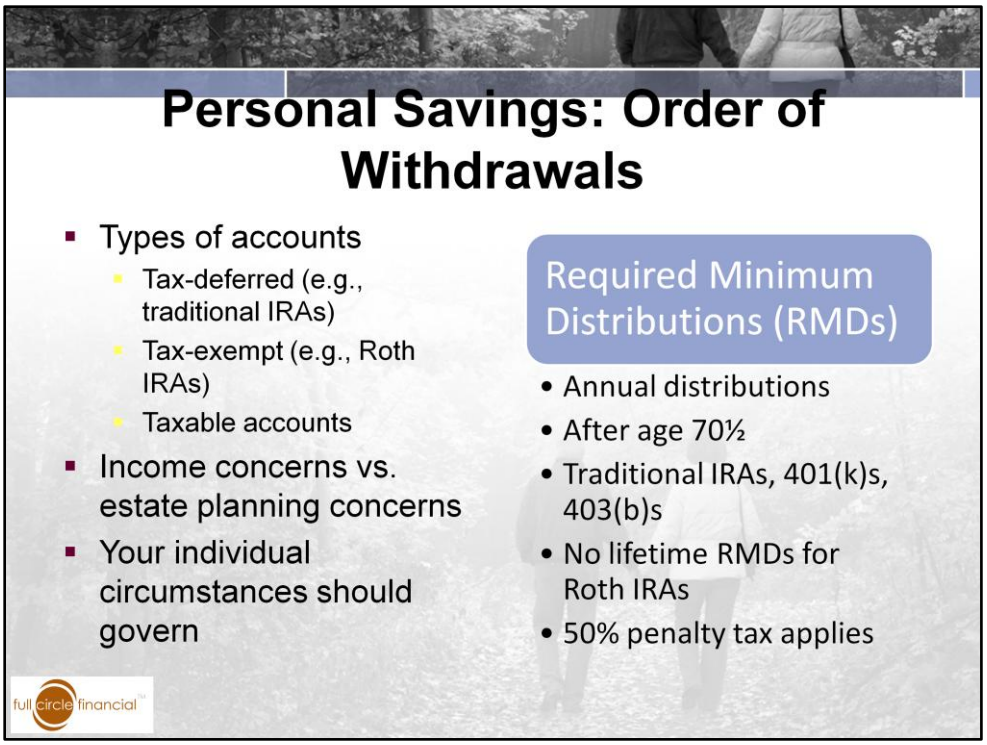


<CLICK> An annuity is a contract between you and an annuity issuer (that is, an insurance company).
<CLICK> In the most general terms, you pay money--a premium or premiums--<CLICK> in exchange for the issuer's promise to make payments to you for a fixed period of time or for the rest of your life.
<CLICK> Annuities are able to offer something unique--a guaranteed income stream for the rest of your life or for the combined lives of you and your spouse (although that guarantee is subject to the claims-paying ability of the issuer). The obvious advantage in the context of retirement income planning is that you can use an annuity to lock in a predictable annual income stream, not subject to investment risk, that you can't outlive.
<CLICK> In return for this guaranteed income stream, you generally give up control of your funds, so annuities are not as liquid as other investment options; you get a fixed income, but you may not have the ability to withdraw extra cash if you need it.
<CLICK> And, annuities often do not provide as great a potential return as other investment options--especially when fees and expenses are factored in.
<CLICK> The bottom line? Annuities can be a full or partial solution when it comes to retirement income planning, since they can offer stable, predictable income payments, but they're not right for everyone.



Your retirement income plan depends not only upon your asset allocation and investment choices, but also on how quickly you draw down your personal savings.

<CLICK> Basically, you want to withdraw enough to provide the current income you need, but not so much that you run out too quickly, leaving nothing for later retirement years.
<CLICK> The percentage you withdraw annually from your savings and investments is called your withdrawal rate. The maximum percentage that you can withdraw each year and still reasonably expect not to deplete your savings is referred to as your "sustainable withdrawal rate."
<CLICK> There are many strategies and models that are used to calculate sustainable withdrawal rates. Some suggest withdrawing a fixed percentage each year; some promote a rate based on your investment performance each year; and some recommend a withdrawal rate based on age. Factors to consider include the value of your savings, the amount of income you anticipate needing, your life expectancy, the rate of return you anticipate from your investments, inflation, taxes, and whether you're planning for one or two retired lives.
<CLICK> To give you some idea, though, of the percentage that we're talking about, for many there is a basic assumption that an appropriate withdrawal rate falls in the 4% to 5% range.
<CLICK> Finally, it's worth noting that your withdrawal rate is particularly important in the early years of retirement. That's because withdrawing too much early on can have a significant impact on how long your savings will last.



<CLICK> You may have assets in accounts that are tax deferred (for example, traditional IRAs) and potentially tax free (for example, Roth IRAs), as well as taxable accounts. Given a choice, which type of account should you withdraw from first?

<CLICK> One approach to consider is withdrawing money from taxable accounts first, then tax-deferred accounts, and lastly, any tax-free accounts. The idea is that, by using your tax-favored accounts last, and avoiding taxes as long as possible, you'll keep more of your retirement dollars working for you on a tax-deferred basis. That's not always the best strategy, though. If you're concerned about leaving assets to beneficiaries, estate planning concerns might influence your withdrawal decisions. For example, if you have appreciated or rapidly appreciating assets, it may make sense for you to withdraw those assets from your tax-deferred and tax-free accounts first. The reason? These accounts will not receive a step-up in basis at your death, as many of your other assets held in taxable accounts will.

<CLICK> As with so many other things when it comes to retirement income planning, there's no easy answer. The decision over the order in which you should make withdrawals depends on your individual circumstances, including your asset allocation, and any tax consequences, withdrawal fees, surrender charges, or other costs potentially associated with each specific option.

<CLICK> There is, though, one aspect of retirement withdrawals that isn't discretionary. With some accounts, even if you don't want to withdraw funds, you may have to. You're required to start taking annual distributions, called required minimum distributions, from traditional IRAs (but not Roth IRAs) by April 1 of the year following the year you turn 70½. The same rule applies to employer plans like 401(k)s and 403(b)s unless you continue to work for the same employer that's sponsoring the plan, in which case you can generally defer taking required withdrawals until the year you retire, even if it's after age 70½ . The penalty for getting this wrong is severe: if you withdraw less than your required minimum distribution, you will pay a penalty equal to 50% of the amount that you failed to withdraw. Required minimum distributions can affect your income and need to be considered when planning to withdraw from savings.

Finally, although we haven't discussed it at all, there are other sources of retirement income that might potentially be available to you. For example, if you have built up substantial home equity, it's possible that you could tap that equity as a source of retirement income, either by selling the home (and possibly downsizing) or by borrowing against the value of the home (a course that should be explored with caution). Another example: an existing permanent life insurance policy that has cash value can sometimes be a source of retirement income, although policy loans and withdrawals can reduce the cash value, reduce or eliminate the death benefit of the policy, and have negative tax consequences--so, again, proceed with caution.

Recap

- When do you plan to retire?
- How long a period should you plan for?
- How much annual income will you need?
- How much annual income can you expect from Social Security? Employer pension?
- Personal savings
  - Investment plan / asset allocation
  - Investment considerations
  - Withdrawal rates
  - Order of withdrawals
  - Other potential income sources

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[Presenter add summary or closing points]

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