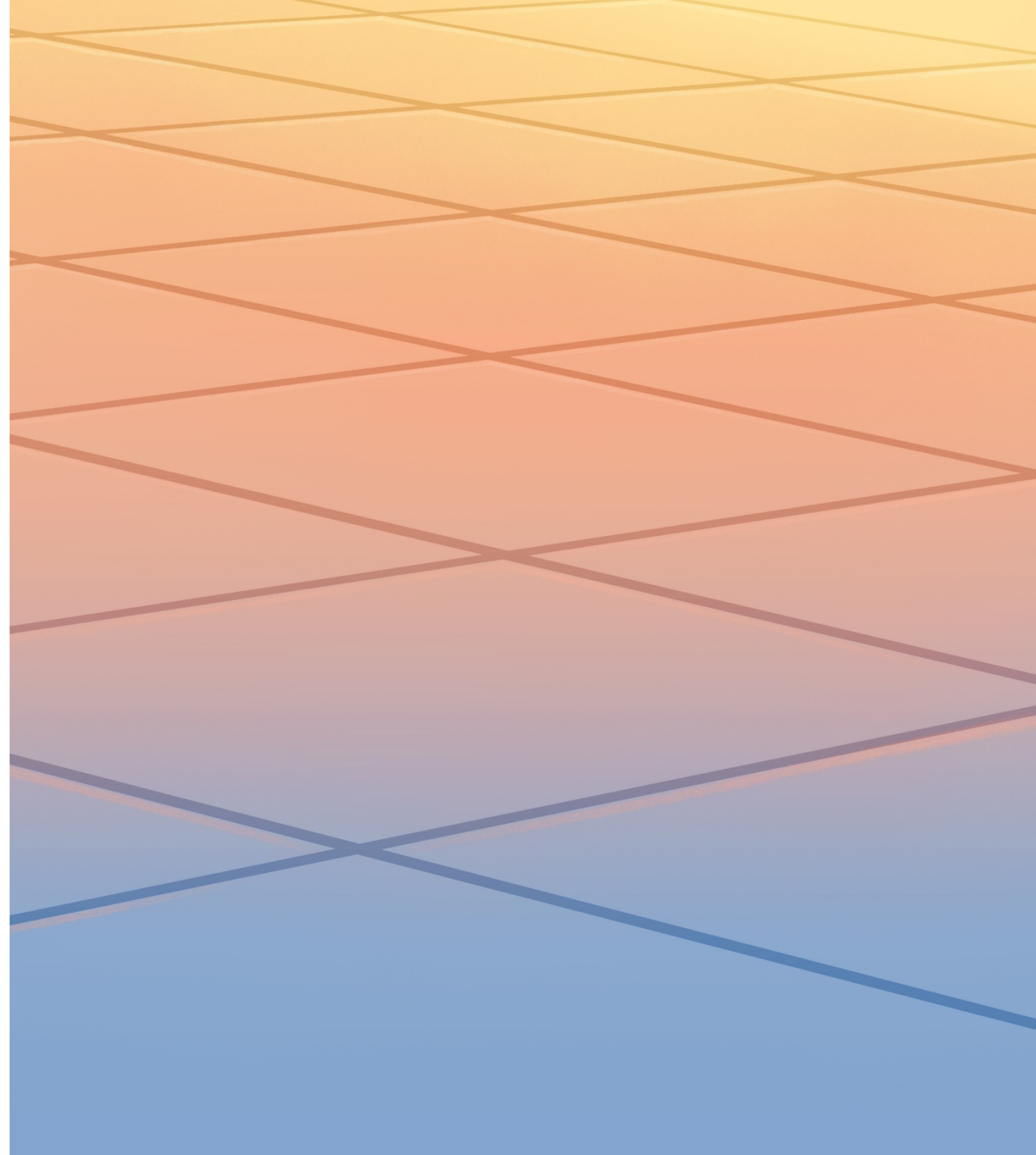


Getting Retirement Ready



Agenda


Envision your Next Phase	1
Understand the Basics of Retirement	2
Prepare your Finances	3
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Envision Your Next Phase



Everyone Has Questions About Retirement

What do I need to do first?




Do I have enough money saved for retirement?



When should I start collecting Social Security benefits?




What about health insurance?



Should I stay in my home or move elsewhere?



Should I work part time? Do I need to?



As You Approach Retirement, Take Stock of Your Goals

The ideal retirement looks different for everyone.

As retirement transforms from a faraway abstraction to a short-term reality, consider your **lifestyle goals**, any **charitable activities** that have piqued your interest and the **level of support** you would like to provide to your loved ones.



TRAVEL



START OR FUND
A BUSINESS



GIVE TO CHARITY



NEW LIFESTYLE



Build Your Support Team



There are professionals available to help you assess your options and prepare for the years ahead.



ACCOUNTANT

Advises you on tax tactics and strategies that are specific to your financial situation



ATTORNEY

Safeguards you and your family's interests. Can objectively and unemotionally deal with complex issues that may arise



FINANCIAL ADVISOR

Helps you understand your assets and your cash flow needs. Identifies strategies to help you reach long-term objectives, like managing income in retirement

Map Out Your Assumptions

You can't predict the future, but you can make some core assumptions that will influence how you—and your team – plan your retirement.



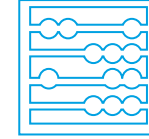
HOW LONG ARE YOU PLANNING FOR?

There are many variables to consider, but start to think about how many years your retirement might last. Women may need to plan for a longer retirement than men.¹



WHEN WILL YOU BE SPENDING?

Think about how your lifestyle in retirement will impact *when* you will incur larger expenses. Don't forget to account for medical and care expenses.



IS YOUR BUDGET REALISTIC?

Before you retire, try out what it will be like to live on your planned retirement budget.

1. Harvard Health Publishing. [Why Men Often Die Earlier Than Women](#). 2020.

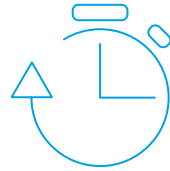
Understand the Basics of Retirement



Understand Social Security

Social Security is a source of secured retirement income for eligible Americans. It can supplement a pension, personal investments and savings.

WHEN YOU WORK AND PAY SOCIAL SECURITY TAXES, YOU EARN CREDITS TOWARD YOUR BENEFITS.



Monthly benefits are based on your lifetime earnings.



To qualify, you must accumulate a minimum of 40 credits, ~10 years of work.¹



There are limits on earnings used to calculate benefit - \$142,800 for 2021.

Social Security Administration. [Social Security Changes Fact Sheet](#). 2020

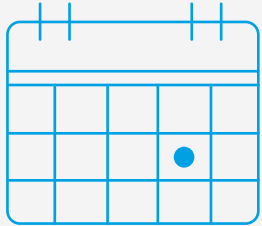
1. For those born 1929 or later.

Social Security benefits aren't automatic upon retirement.
You must apply online, by phone or in person

You may also be entitled to various spousal Social Security benefits. Learn more at www.ssa.gov.



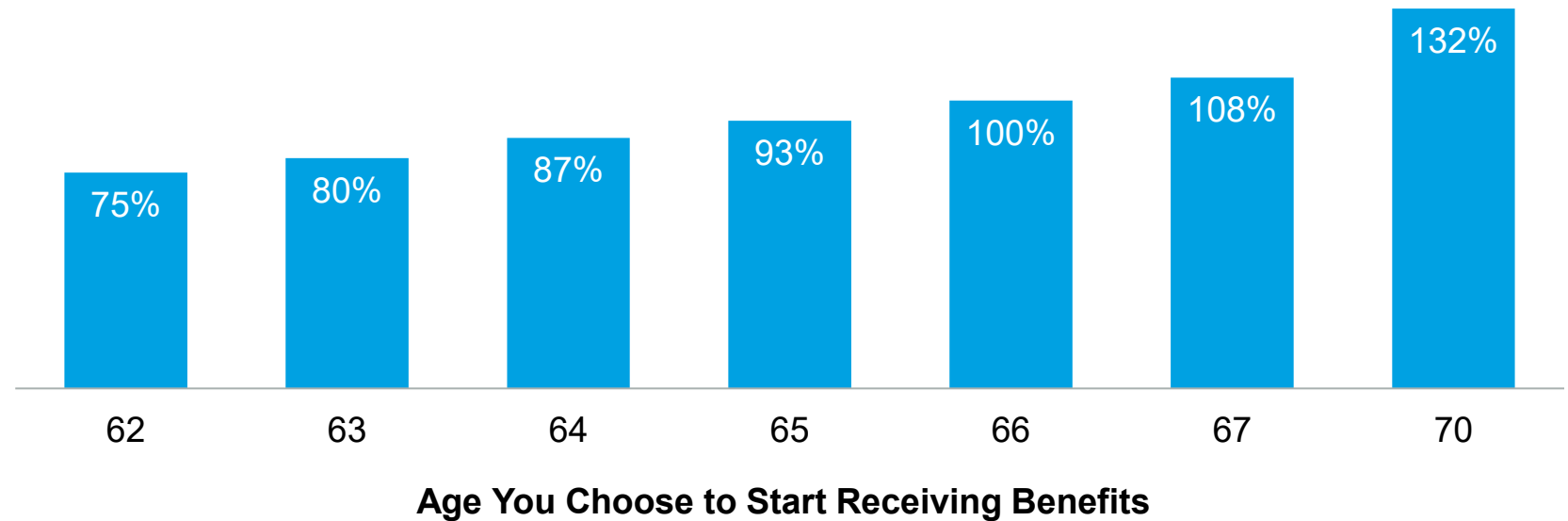
It Can Pay to Delay Social Security



Your monthly Social Security benefits can vary substantially depending on when you elect to start receiving benefits.

Percentage of Retirement Benefits Received by Age ¹

% of Retirement Benefits Received (%)



Postponing your retirement benefits can translate into more money later in life.

Source: Social Security Administration, Morgan Stanley Wealth Management GIC.

1. Assumes birth date between 1943 and 1954.

Understand Medicare

Medicare is the federal health insurance program, primarily for **people 65+** who have met certain qualifications.¹

An eligibility assessment tool and information about premiums are available online at **Medicare.gov**.

PART A

HOSPITAL INSURANCE

Coverage for inpatient hospital stays, care in a skilled nursing facility, hospice care, and some home health care

PART C

PRIVATE INSURANCE

Provides the same coverage as Medicare Parts A & B, often with extra coverage such as vision, hearing, dental and/or health & wellness programs

PART B

MEDICAL INSURANCE

Coverage for certain doctors' services, outpatient care, medical supplies, and preventive services

PART D

PERSCRIPTION DRUG INSURANCE

Coverage for the cost of prescription drugs (including many recommended shots or vaccines).

Source: Medicare.gov. [What is Medicare?](#) 2020

1. AARP. [Medicare Eligibility. Do you Qualify?](#) 2020



A healthy 65-year-old couple is expected to need **\$285,000** in today's dollars for health care expenses in retirement.

This does not include over-the-counter medications, most dental services, long-term care, or skilled nursing care at home or at a nursing care facility.¹

1. Annuity.org. [Health Care Costs in Retirement](#). 2020.

Understand the Tax Implications of Your Retirement Accounts

REQUIRED MINIMUM DISTRIBUTION (RMD)

is the minimum amount you must withdraw from your retirement accounts each year after you reach a certain age.

The amount of your RMD and at what age it must start is outlined by the IRS at www.irs.gov.¹

Traditional IRA



Reduces tax bill while working through deductible contributions



Tax-deferred growth potential



Pay taxes on withdrawals

Roth IRA



Tax diversification allowing flexibility in retirement



Tax-free growth potential



Federal income tax-free withdrawal ²



No required minimum distributions during the account owner's lifetime

1. IRS.gov. [Retirement Topics](#). 2020.

2. Must be at least 59 ½ years old and have held the account for at least 5 years

Assess Your Tax Obligations in Retirement

Talk to your Tax or Legal Advisor about when it makes sense to draw from which accounts based on the impact to your current and future tax obligations.

Your tax obligations may vary based on the account types you tap into.

TAXABLE

- Brokerage accounts
- Social Security
- Pension payments

TAX-DEFERRED

- Traditional IRA
- Traditional 401(k)
- Tax-sheltered annuity
- Health savings account (HSA)

TAX-FREE GROWTH POTENTIAL + TAX-FREE DISTRIBUTIONS¹

- Roth IRA
- Roth 401(k)

1. Must be at least 59 ½ years old and have held the account for at least 5 years for distributions to be federal-tax-free.

Consider Your Housing Situation

The decision to stay in or leave your home involves more than just the house's value. Emotional ties, maintenance costs and cash flow are all factors.

TO STAY OR GO?

- Can I afford to stay in my home?
- Will I be able to maintain the home, including mortgage, taxes, utilities, and general upkeep? Do I want to?
- What are the tax implications of selling my home? Of relocating?

BENEFITS OF RENTING

- Usually not responsible for repairs
- Increased flexibility/transferability
- Landlord bears the risk of decline in property value

BENEFITS OF OWNING

- Potential appreciation, equity and tax deductions
- Freedom to make improvements
- May have paid off mortgage

Prepare Your Finances



Think Critically About Your Financial Situation

60%

of workers say they feel confident or somewhat confident they will be able to enjoy the retirement they want.¹

As you approach retirement, evaluate your financial status.

CONSIDER

- How much does it cost every year to maintain my lifestyle?
- How much money is in all of my financial accounts?
- How much debt do I have?
- Do I want to work part-time in retirement? Should I?
- How much financial support do I want to provide to my family?

1. Investopedia. [6 Surprising Facts About Retirement](#). 2019

Be Strategic as You Prepare

There are best practices you may want to implement as you get ready to retire.



INCREASE CASH RESERVES

Delay Social Security and IRA/401(k) withdrawals as long as possible so your reserves stay invested longer



MAINTAIN AN EMERGENCY FUND

Be sure to keep 3-6 months' worth of living expenses available in easily accessible accounts



GET ADVICE

Retirement is a big change. There are professionals who can advise you on your specific situation

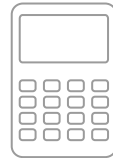


Start Strategizing About Your “Retirement Paycheck”

IDENTIFY INCOME SOURCES

- Current salary
- Working in retirement
- Social Security
- Pension
- Rental income
- Inheritance
- Retirement plan distributions
- Investment income: including interest, dividends, appreciation, principal

Consider creating **two budgets**: one for right now, and one for your retirement.



Calculate your
Income.



Track expenses.



**Separate needs
and wants** in the
context of your
overall goals and
objectives.

Add It Up

When you put pen to paper and map out your income needs vs. your anticipated expenses...

Is there a gap?

4 Options to help address a gap

1

Spend less
in retirement

2

Save more
now

3

Work a few
extra years

4

Revisit your
investment
strategy

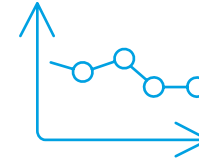
Identify and Proactively Prepare for Financial Risks

As you financially prepare for retirement, work with your team to proactively plan for known risks.



LONGEVITY RISK

Planning for a longer-than-expected life



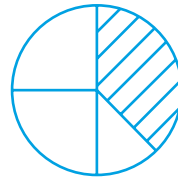
MARKET RISK

Timing of a bear market



INFLATION RISK

Preserving purchasing power over time



ASSET ALLOCATION RISK

Managing a portfolio with multiple objectives



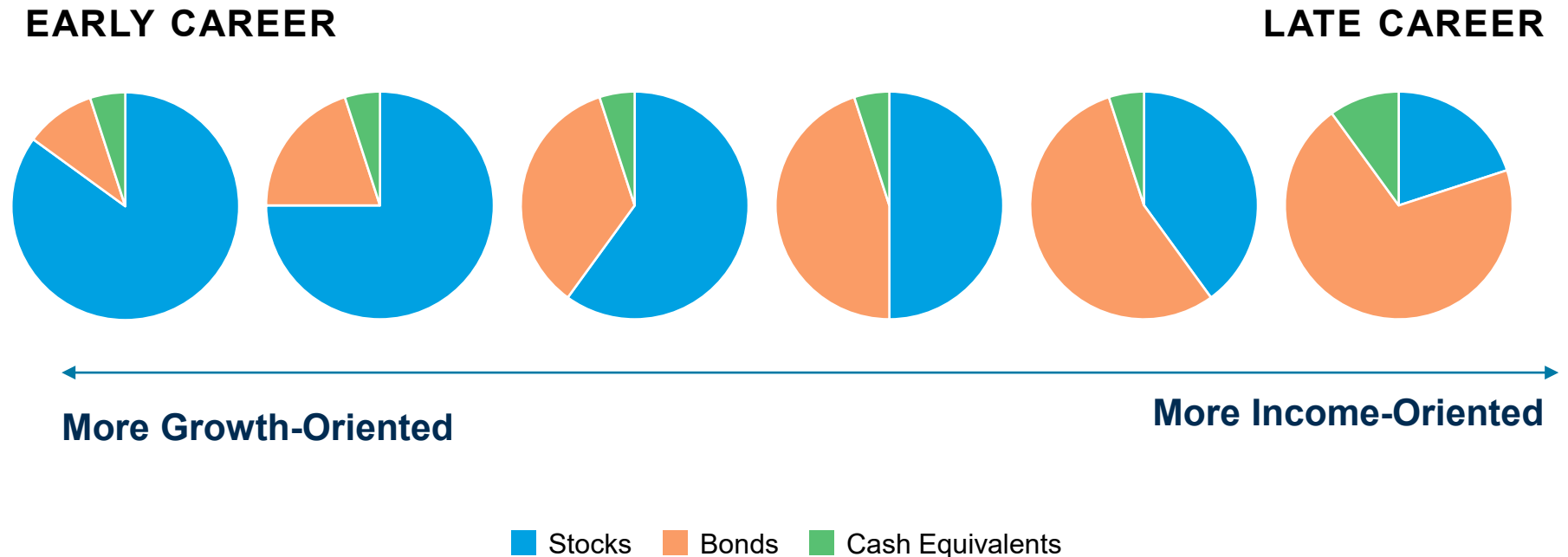
EXCESS WITHDRAWAL RISK

Funding your lifestyle without depleting your portfolio

Update Your Investment Portfolio

As you approach retirement, you may want your investment portfolio's asset allocation to become more conservative.

A shift in asset allocation from growth assets to income-oriented strategies may provide income and capital preservation.

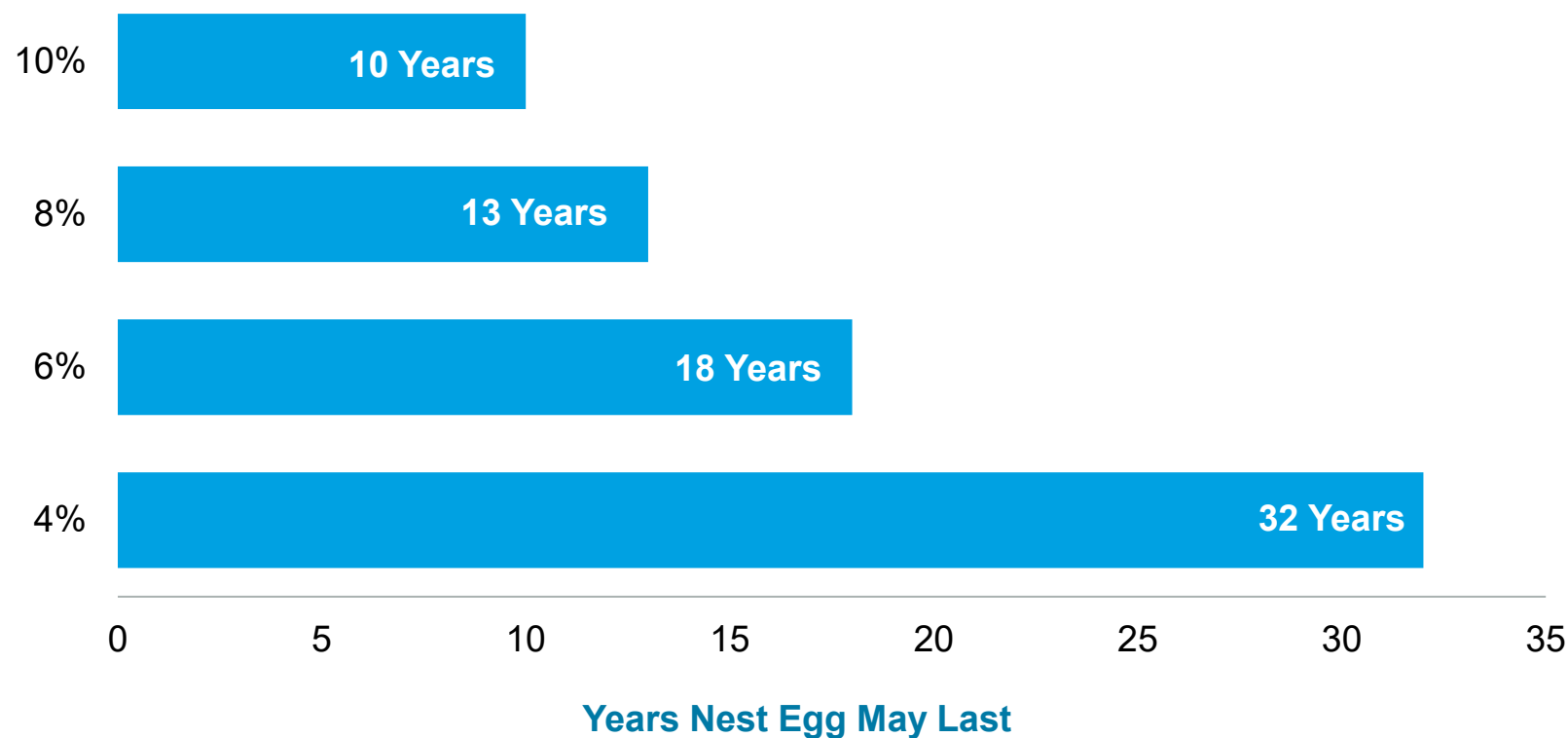


Asset allocation does not assure a profit or protect against loss in declining financial markets.

Be Thoughtful About Withdrawal Rates

How much you withdraw from your nest egg each year will directly impact how long it lasts. Be thoughtful about your income needs in relation to your overall savings.

Annual Rate of Withdrawal Adjusted for 4% Inflation



HYPOTHETICAL ILLUSTRATION. Not representative of any specific investment.

Source: Morgan Stanley. Hypothetical illustration of withdrawing varying percentages annually from a retirement account. Assumes a 6% annualized rate of growth in the account, a 4% rate of inflation applied to the withdrawal amounts and a distribution of the entire needed amount in the final year.



Depending upon your asset allocation, investments may continue to grow and provide income over time.

The amount you have at retirement isn't necessarily the amount you'll have for all of retirement.

All investments come with risks. Your portfolio may also decline in value due to market fluctuations.

Protect Against the Unexpected

4

Life Happens

Unexpected events can occur at any time, and there are best practices in **estate and insurance planning** that can help your family feel more prepared.



MEDICAL EMERGENCIES



**SIGNIFICANT MARKET
MOVEMENTS**



LEGAL PROCEEDINGS



MILESTONE LIFE EVENTS

Four Crucial Estate Planning Documents

Everyone should have an estate plan including four key documents that outline your wishes.

1 LAST WILL & TESTAMENT AND/OR REVOCABLE TRUST

Identifies the person you want to handle your affairs after you pass and how you want your assets distributed.

3 HEALTH CARE DIRECTIVE

Identifies the person (your health care agent) who you want to make health care decisions on your behalf when you are no longer able to make them for yourself.

2 DURABLE FINANCIAL POWER OF ATTORNEY

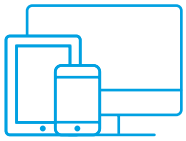
Appoints the person (your agent) who you want to make financial decisions on your behalf when you are no longer able to make them for yourself.

4 LIVING WILL

Expresses your end-of-life wishes which will guide the action of your health care agent appointed under your health care directive.

Consider an “Emergency Manager”

Your Emergency Manager is someone you trust to manage your personal affairs in the event of an emergency.



DIGITAL INFORMATION

Username, passwords –
don’t forget computers,
cell phones and tablets!



ACCOUNT INFORMATION

Account numbers,
passwords,
vendors/issuers



LEGAL DOCUMENTS

Copies of all your
important legal
documents



KEYS

Keys to your home, car,
safe and other important
items and places

Evaluate Your Life Insurance Needs

People often aim for a life insurance policy that pays **10-15 times their annual income.**

Many people receive life insurance through their employer, and coverage will change upon retirement. Speak to a professional to determine what's best for you and your beneficiaries.

$$\begin{array}{ccccc} \text{Financial} & & \text{Liquid} & & \text{How Much Life} \\ \text{Obligation} & \ominus & \text{Assets} & \ominus & \text{Insurance You May} \\ \text{(expenses + debt)} & & & & \text{Need (aka "coverage gap")} \end{array}$$

Life Insurance Can Make a Difference¹

Common payout uses include:



FINAL COSTS

Funeral, outstanding medical bills, settlement costs, etc.



FUTURE EDUCATION COSTS

For children, grandchildren, others



PAYING OFF DEBT OR REPLACING INCOME OF THE DECEASED



FEDERAL OR ESTATE TAXES



INHERITANCE



CHARITABLE CONTRIBUTIONS

TERM LIFE INSURANCE

- Only active for a certain time period (usually 10-30 years)
- If you pass away during that time period, your beneficiaries get the payout (assuming all required premiums are paid)

PERMANENT LIFE INSURANCE

- Active for full life of policy holder (assuming all required premiums are paid)
- Different variations within this category in terms of premiums and beneficiary payouts

1. Source: <https://www.iii.org/article/what-are-principal-types-life-insurance>



70% of people turning 65 will need some type of long-term care service in their lifetime.¹

Long-term care insurance helps to pay for the broad range of medical and personal services for individuals who need assistance with daily activities for an extended period of time.

1. Association for Community Living. [How Much Care Will You Need?](#) 2020

Understanding Long-term Care Insurance

Long-term care insurance policies can help cover nursing home, assisted living or home care expenses.

Phrases to know

MONTHLY BENEFIT AMOUNT

Maximum benefit available for any given month.

ELIMINATION PERIOD

Amount of time you are willing to pay out of pocket before benefits begin. Frequently 30 or 90 days.

BENEFIT PERIOD

Amount of time the policy provides benefits. It may be a fixed number of years or the lifetime of the policyholder.

INFLATION PROTECTION

Policy rider that can increase the monthly benefit amount in line with inflation for an extra cost.

The Bottom Line



Structure a Well-rounded Plan

Creating a retirement plan before you need it can help you feel more confident and ready for any changes that life may present.

Considerations for a sound retirement plan:

- **Customized** for your priorities.
- **Accounts for risks** beyond market volatility—like inflation—that can make expenses difficult to meet.
- **Mitigates behavioral risks** like panic-selling or overspending.
- **Has evaluated the appropriateness of hedging products**, like annuities, to address insufficient income risk.
- **Minimizes taxes and fees.**
- **Is responsive** to changes in both your life and the financial markets.

Your Retirement Planning Timeline

It's never too early, or too late, to focus on retirement. Here's an example of the milestones you may want to consider at different stages.





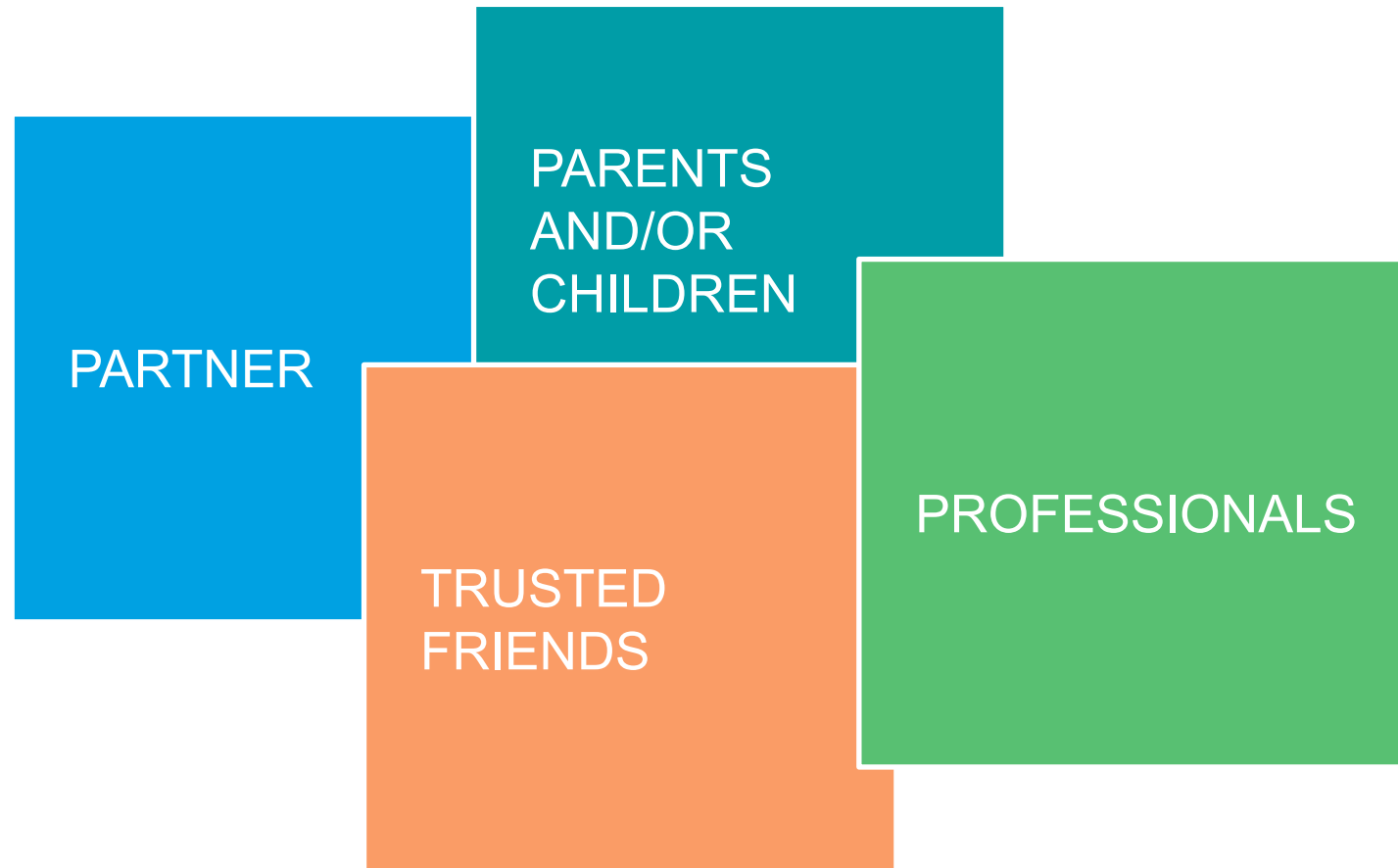
There are no rules about what retirement should look like. Understand your options and do what works for you.

You can always make adjustments as your situation evolves.

Communicate, Communicate, Communicate



Discuss your plans with people who matter to you.



The Bottom Line



GET ORGANIZED

Think about your goals and understand your financial situation so you can create a realistic vision of your retirement.



DOCUMENT YOUR PLAN

Once you have determined your path forward, work with your team to document your plan and help you make adjustments as needed.



BUILD YOUR TEAM

Identify an Accountant/Tax Advisor, Financial Advisor and potentially an Estate Attorney who can help you understand your options.



COMMUNICATE

As you determine what you want your retirement to look like, maintain an open dialogue with your partner, family and team to help everyone remain on the same page.



CONSIDER YOUR CHOICES

As you go through this process, you will have to make a lot of decisions. Walk through them one by one and remember you have your team to help.

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