Envision your future

Retirement readiness workbook: five steps to help get you on your way

Now that retirement is on your horizon, it's time to start preparing — mentally as well as financially — for a more secure life after work. The worksheets and resources on the following pages can help you take smart, specific steps for understanding what's ahead, what it could cost and how you'll pay for it — so you can retire on your terms.

Step 1: What lifestyle do I want — and how much will it cost?

Envision your lifestyle

In the spaces below, write some thoughts about how you'd like to live in retirement.

How will you spend your time, and with whom will you spend it?

Will you continue to work?

Where will you live? Will you sell or buy a home?

Things to consider

- Leisure activities
- Travel
- Career goals
- Volunteer work
- Mental fitness
- Physical fitness
- Family time
- Entertainment/friends

Consider planning your budget

How much could living in retirement cost you each year? Consider which expenses will be "must haves" and which may be "nice to haves." Then estimate how much each may cost you. Keep in mind that some expenses may fall into both categories, as in the example below.

Expense	"Must have" (estimated annual cost)	"Nice to have" (estimated annual cost)
Example: clothing	**$ 1,000**	**$ 2,000**
Housing: mortgage or rent	$	$
Utilities: electricity, gas, oil, phone, cable, internet, etc.	$	$
Transportation: car payments, fuel, repairs, public transportation, etc.	$	$
Child care, elder care	$	$
Pets: care, vet, supplies, etc.	$	$
Food	$	$
Clothing	$	$
Travel	$	$
Medical bills: co-pays, deductibles, insurance premiums, etc.	$	$
Entertainment: dining out, theater, concerts, parties, etc.	$	$
Memberships: clubs and subscriptions	$	$
Charitable donations: church, schools, community, etc.	$	$
Other expenses	**$**	**$**

Helpful resources

More information, tools and financial calculators are at your fingertips. Go to **poweryourretirement.com** and click *Log in* to access your account and use the Retirement Income Calculator to help you determine the lifestyle you want, how much income you'll likely need to afford it, whether you're on track toward your goal — and what steps to think about if not.

Step 2: What will my healthcare expenses be?

Even when you're covered by Medicare, it may not cover all your healthcare costs. You may be eligible for benefits under other programs. If not, you may need to consider how you'll meet expenses not paid for by Medicare.

Alternatives would be supplemental health insurance, also known as gap coverage, from other organizations. This can pick up where Medicare or your other insurance leaves off.

Individual health insurance

Insurer ______________________ $ ____________ Annual premium

Insurer ______________________ $ ____________ Annual premium

Supplemental healthcare insurance

Insurer ______________________ $ ____________ Annual premium

Insurer ______________________ $ ____________ Annual premium

Long-term care insurance

Insurer ______________________ $ ____________ Annual premium

Insurer ______________________ $ ____________ Annual premium

Things to consider

Some couples could need as much as $320,000 to cover healthcare costs in retirement.

Source: Employee Benefit Research Institute Brief May 28, 2020, No. 506

Step 3: Where will my income come from?

Annual pension from current and past employers	$	**A. Total estimated annual income** $
Annual Social Security benefit, depending on when you retire	$	
Annual payments from annuities	$	

Your personal income sources

I. Taxable	Current value	
☐ Bonds	$	**B. Total taxable sources** $
☐ Part-time income	$	
☐ Real estate	$	
☐ Savings/CDs	$	
☐ Stocks	$	

II. Tax deferred	Current value	
☐ 401(k), 403(b), 457	$	**C. Total from tax-deferred sources** $
☐ Annuity	$	
☐ Traditional IRA	$	

III. Tax-free	Current value	
☐ Life insurance (cash value)	$	**D. Total from tax-deferred sources** $
☐ Roth IRA/401(k)*	$	
☐ Municipal bonds	$	
Grand total (A+B+C+D)		**$**

Things to consider

- Estimate your Social Security benefit at ssa.gov.
- If you have a pension, contact your provider to estimate your benefit.
- Some financial professionals suggest it may be preferable to withdraw from taxable accounts first, and then draw down proceeds from an IRA or employer-sponsored plan.

* Federal tax-free if the Roth 401(k) or Roth IRA (individual retirement account) has been established for at least five tax years and one of these conditions applies: age 59½ or older, disability, death or qualified first-time home purchase (Roth IRA only).

Step 4: How can I save more for retirement?

Consider supplementing your savings with an IRA

Will you have enough income to meet your needs in retirement? Is your spouse not covered by a retirement plan? Consider supplementing your retirement savings by contributing to a traditional or Roth IRA.

	Traditional IRA	Roth IRA
Who can contribute?	Anyone who earns income	Anyone who has earned income and whose total 2023 income doesn't exceed $228,000 for married couples filing jointly; $153,000 for single filers
Are contributions taxed?	No, unless you exceed certain income limits	Yes
Are earnings taxed?	No, any earnings are tax deferred until withdrawal, which may help your money grow faster	No, which may help your money grow faster
Are withdrawals taxable?	Yes, at ordinary income tax rates	No, as long as certain conditions are met**

** The account must be established for at least five tax years and one of the following must apply: age 59½ or older, disability, death or qualified first-time home purchase.

Things to consider

If your salary exceeds the limits for a Roth IRA, you can always open a traditional IRA. While your contributions may not be tax deductible, they can still grow tax deferred. Also, there are no income limitations on converting a traditional IRA or Roth 401(k) to a Roth IRA.

IRA contribution limits:

- 2023: $6,500 ($7,000 if age 50+)
- 2024: indexed to inflation in $500 increments

Step 5: How can I help protect my future income?

Consider balancing your investment and withdrawal strategies

Will you have enough income to meet your needs in retirement? Is your spouse not covered by a retirement plan? Consider supplementing your retirement savings by contributing to a traditional or Roth IRA.

Helping preserve income

Investment strategy	Withdrawal strategy
Consider how much you hope to earn each year on your remaining savings and investments — without investing either too conservatively or too aggressively.	Consider balancing expected earnings against how much you hope to withdraw from your remaining assets each year — so that you don't withdraw too much, too soon.

Think about earmarking your taxable income sources to cover your "must-have" expenses

Annual income from guaranteed sources (refer back to step 3A)		$
Annual "must-have" expenses (refer back to step 1A)	-	$
Annual income surplus (gap)	=	$

Things to think about ...

Investment strategy

Your retirement could last 20 to 30 years or more. So, consider keeping some of your money invested in stocks, which — although past performance is not an indicator of future results — historically have provided the best opportunities for growth.

Withdrawal strategy

Many experts suggest no more than a 4% withdrawal rate per year.

Consider these ways to help address an income gap:

- "Ladder" bonds and CDs — hold issues with varying maturities to help manage interest-rate risk and increase liquidity.
- Invest in dividend-paying stocks.
- Create a systematic withdrawal plan.
- Consider an annuity.

› You can visit **poweryourretirement.com** for more tips or call us at **877-778-2100**