

# Fundamentals of Retirement Income Planning

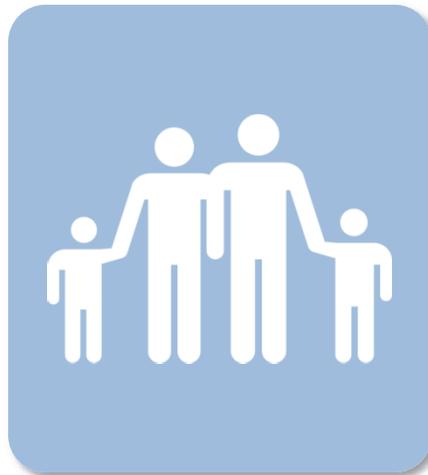
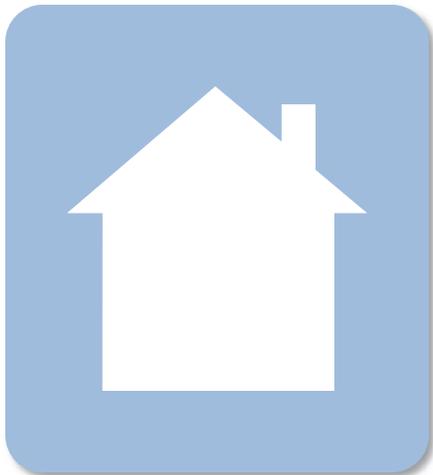
Imagining  
tomorrow.



# How will you know you're ready to retire?



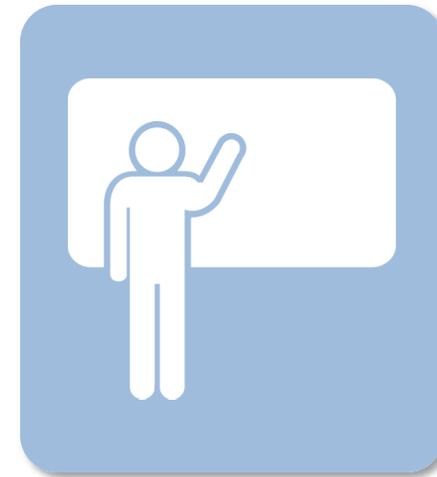
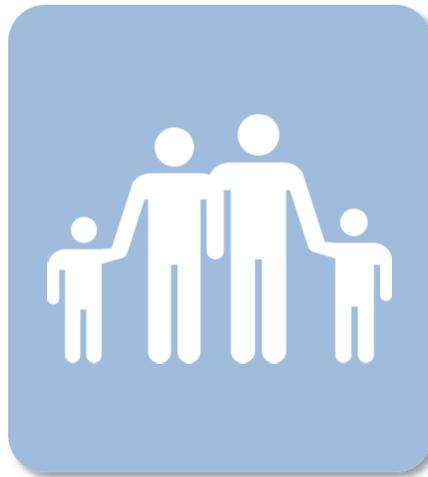
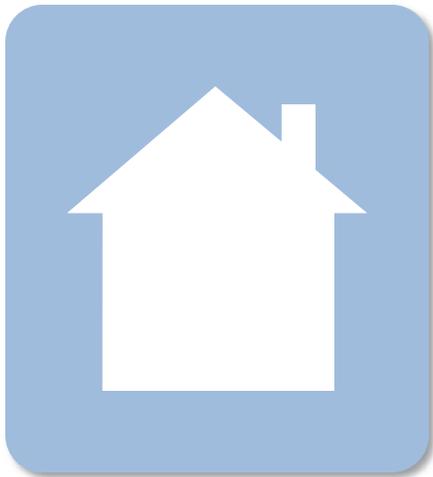
A simple question...  
...without a simple answer



# How will you know you're ready to retire?



A simple question...  
...without a simple answer



Let's talk.



- What might your retirement look like?
- Do you know your financial risks?
- How can you create a plan you'll use?
- What are the four steps to creating your retirement income plan?
- See how the pieces fit together.
- Q&A

What might your retirement  
look like?

# The “good stuff”

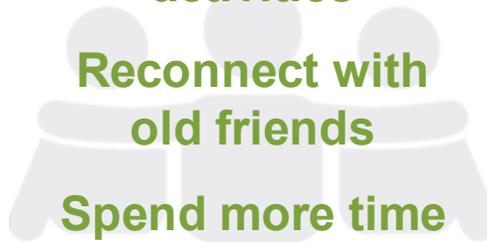


## Time



You own it  
You control it  
You need to fill it

## Family and Friends



Engage in more activities  
Reconnect with old friends  
Spend more time with grandchildren

## Pursue Dreams



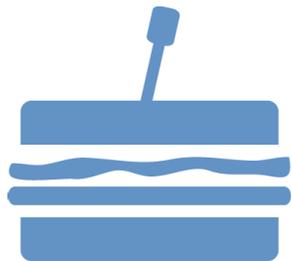
Make a difference  
Learn something new  
Start a new career

# The “not-so-good stuff” (some drawbacks)



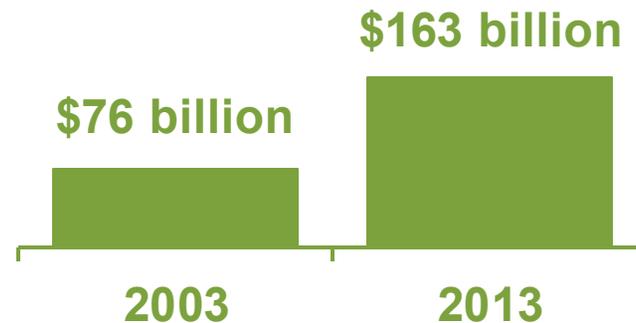
## The “Club Sandwich”

**47%** Middle-aged adults support a parent and a minor or adult child—or grandchild<sup>1</sup>



## Debt Remains a Factor

**114%** Increase in debt<sup>2</sup>



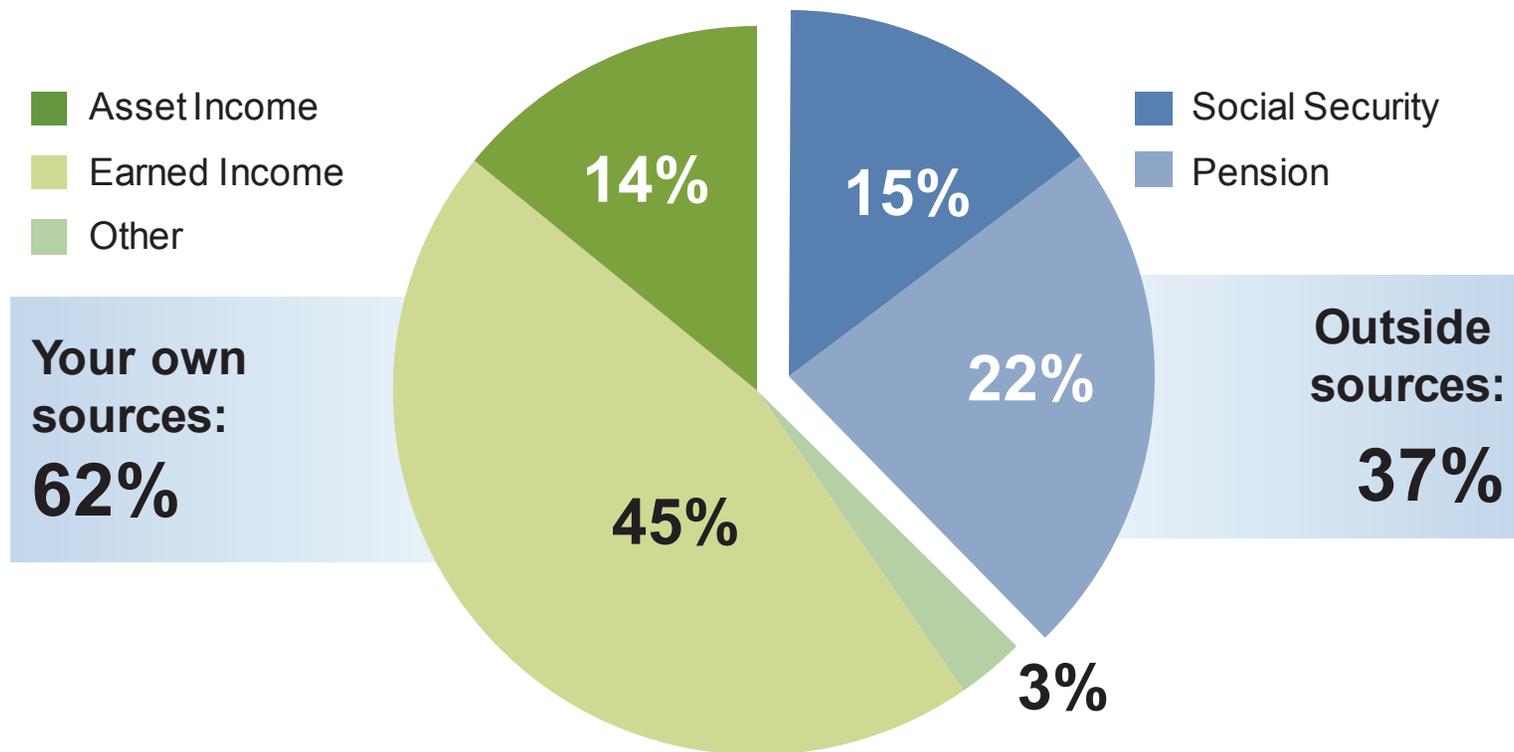
<sup>1</sup> McKinsey & Company, 2013.

<sup>2</sup> Wall Street Journal, Feb. 16, 2017, www.wsj.com.

Whatever you do in retirement,  
you'll need to pay for it.



**62% (or more)** may be your responsibility



Do you know your  
financial risks?

# The five key risks to your retirement



- 1 Longevity
- 2 Health care expenses
- 3 Inflation
- 4 Asset allocation
- 5 Excess withdrawal

# Risk Longevity



Current Age	65-Year-Old Man	65-Year-Old Woman	65-Year-Old Couple
50% Chance	87 yrs.	90 yrs.	94 yrs.
25% Chance	93 yrs.	96 yrs.	98 yrs.
			 Life span for one survivor

 You may need income for longer than you think.

## Risk Health care expenses



**\$260,000**

**Out-of-pocket health care expense estimate for a 65-year-old couple\***

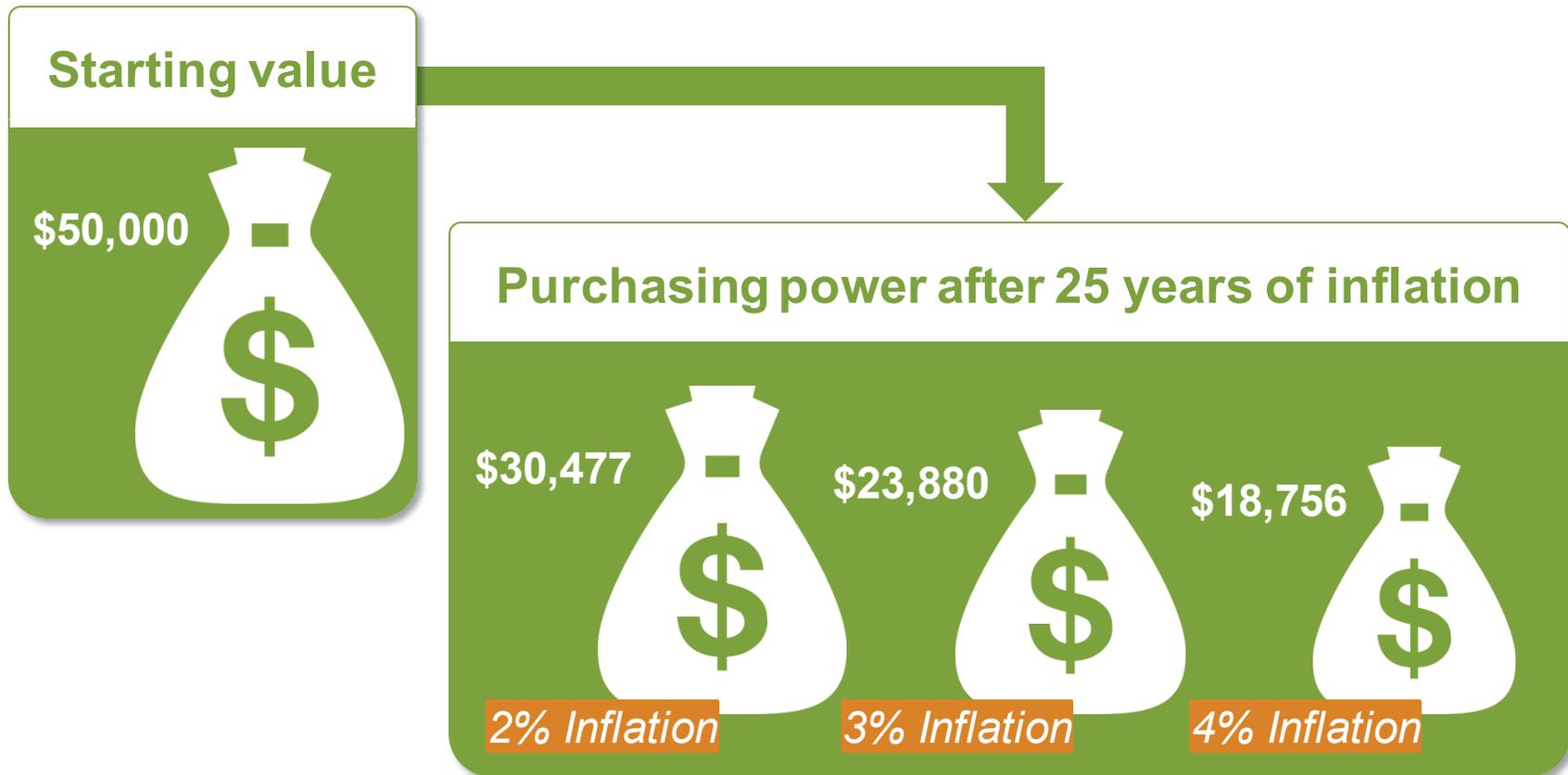
- Medicare is not free
- Supplemental health insurance is generally needed
- Rx costs may be significant
- Long-term-care coverage is additional

**A sizeable amount of savings may be needed for health care in retirement.**

2015 Fidelity analysis performed by its Benefits Consulting group. Estimate based on a hypothetical couple retiring in 2015, 65 years old, with average life expectancies of 85 for a male and 87 for a female. Estimates are calculated for "average" retirees, but may be more or less depending on actual health status, area of residence, and longevity. The Fidelity Retiree Health Care Costs Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government's insurance program, Original Medicare. The calculation takes into account cost-sharing provisions (such as deductibles and coinsurance) associated with Medicare Part A and Part B (inpatient and outpatient medical insurance). It also considers Medicare Part D (prescription drug coverage) premiums and out-of-pocket costs, as well as certain services excluded by Original Medicare. The estimate does not include other health-related expenses, such as over-the-counter medications, most dental services and long-term care. Life expectancies based on research and analysis by Fidelity Investments Benefits Consulting group and data from the Society of Actuaries, 2014.



# Risk **3** Inflation



Even low inflation can erode purchasing power...

# Risk **3** Inflation

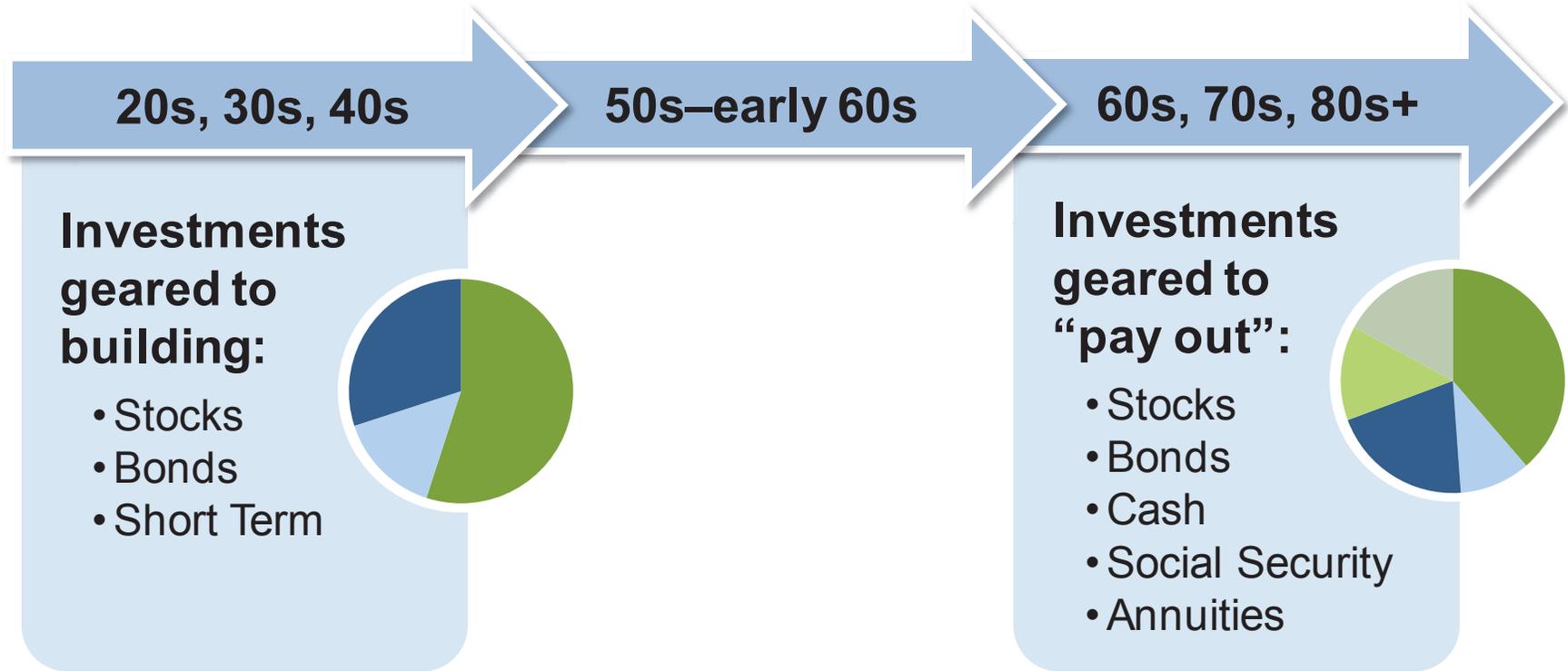


...and increase the costs of goods and services.

Future values were calculated based on hypothetical rate of inflation of 3% to show the effects of inflation over time; actual inflation rates may be more or less and will vary. National average movie prices from BoxOfficeMojo.com as of 1/18/2016. Average price of a new car in the U.S. from thePeopleHistory.com/1992 and USA Today estimates for 2016.



# Risk Asset allocation



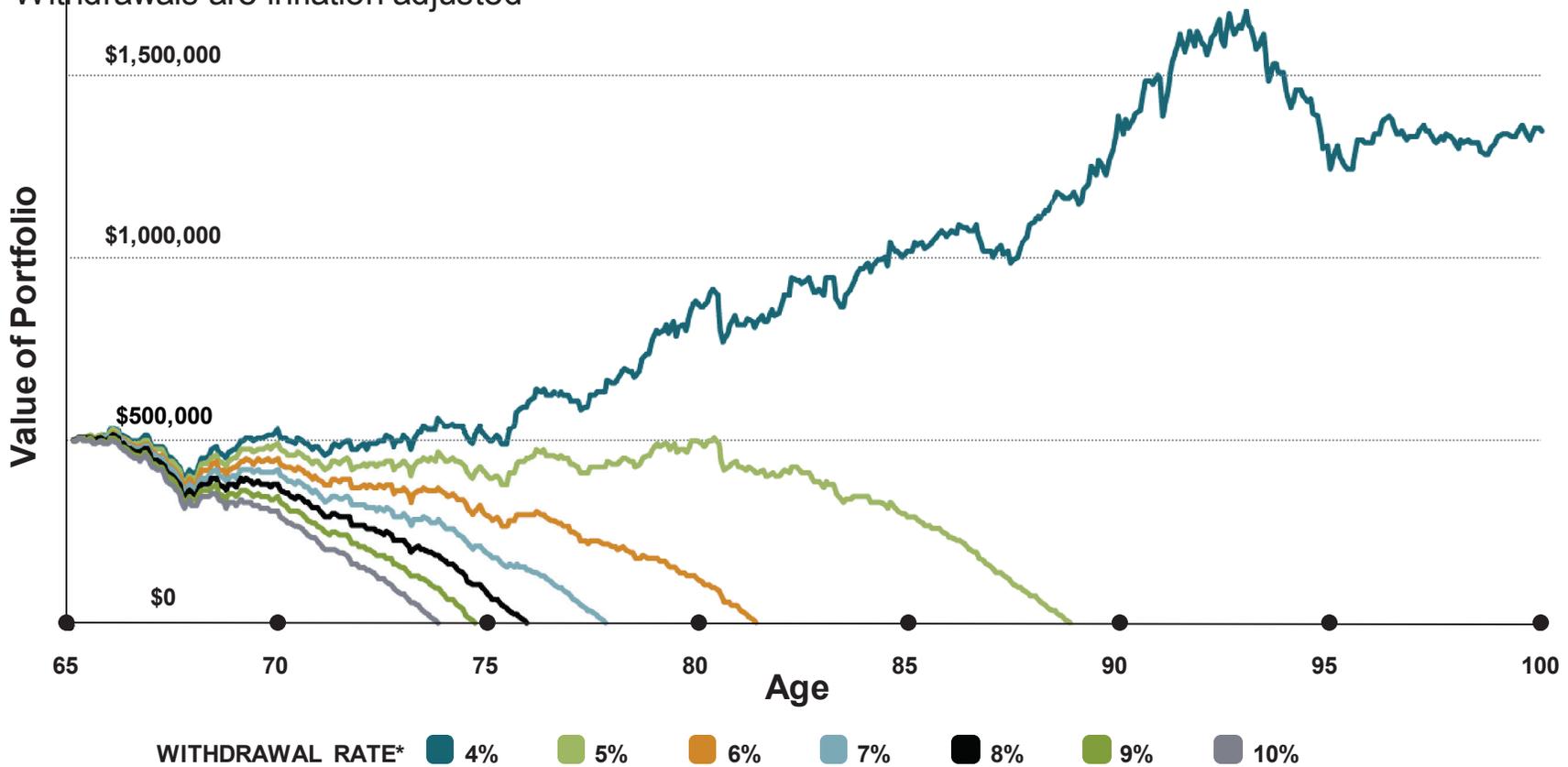
 How you invest changes as you move from accumulation goals to retirement income goals.

# Risk 5 Excess withdrawal



## Withdrawing Too Much Too Soon

Withdrawals are inflation adjusted\*



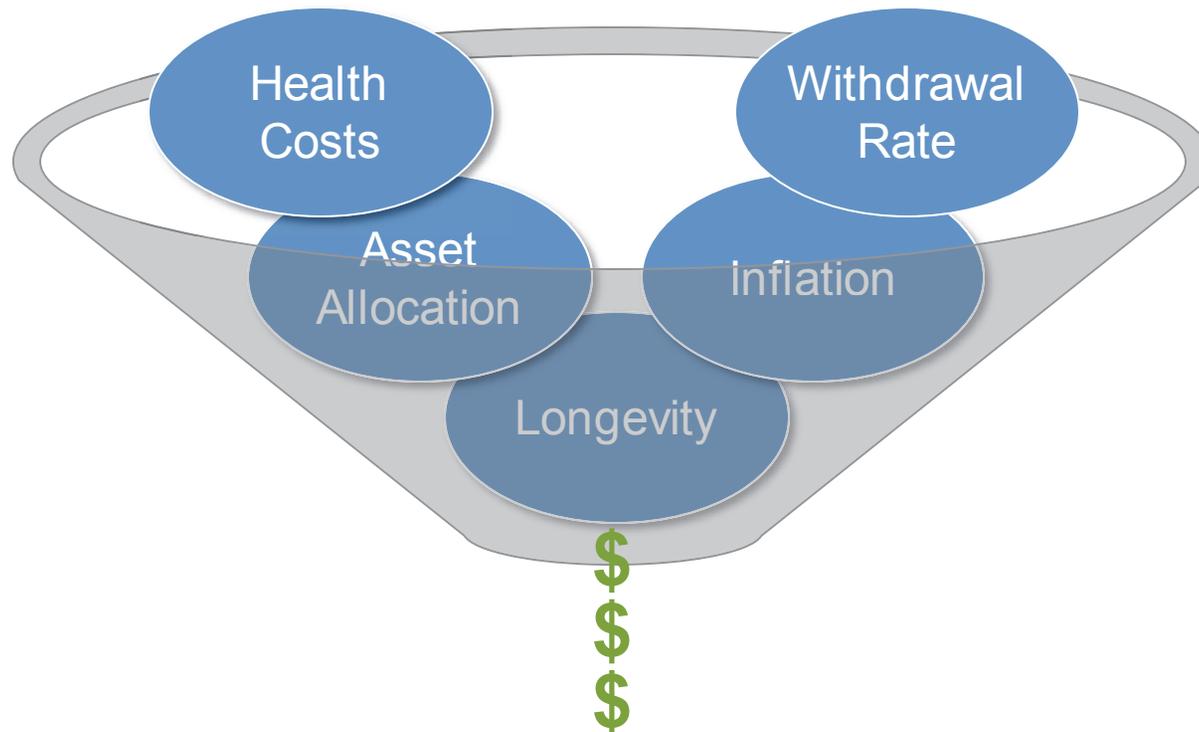
\*Hypothetical value of assets held in a tax-deferred account after adjusting for monthly withdrawals and performance. Initial investment of \$500,000 invested in a portfolio of 50% stocks, 40% bonds, and 10% short-term investments. Hypothetical illustration uses historical monthly performance, from Ibbotson Associates, for the 35-year period beginning January 1972: stocks, bonds, and short-term investments are represented by the S&P 500® Index, U.S. intermediate-term government bond, and U.S. 30-day T-Bills, respectively. Initial withdrawal amount based on 1/12th of applicable withdrawal rate multiplied by \$500,000. Subsequent withdrawal amounts based on prior month's amount adjusted by the actual monthly change in the Consumer Price Index for that month. This chart is for illustrative purposes only and is not indicative of any investment. Past performance is no guarantee of future results. See slide 39 for more information.



# Why the five key risks are so important



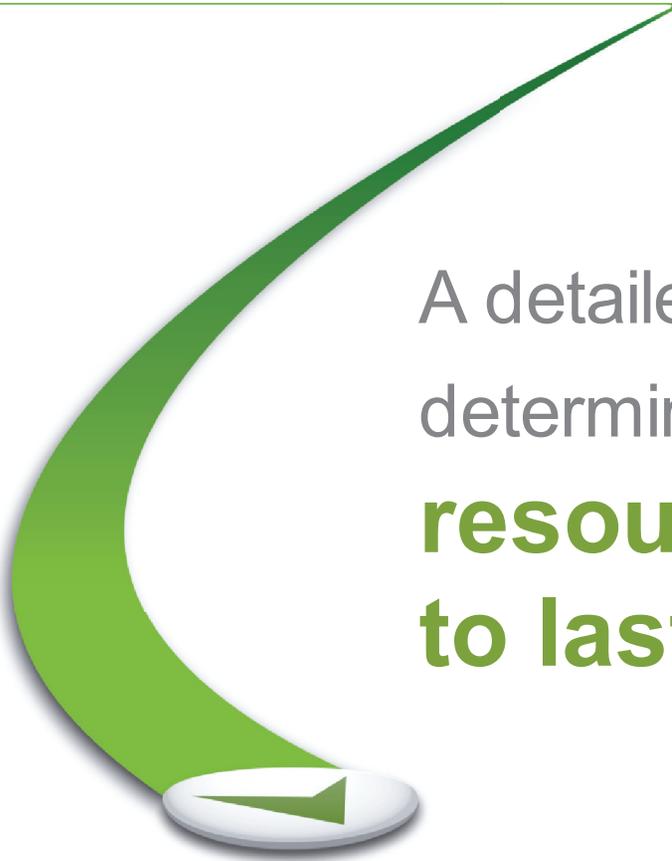
You do not control many elements...



...yet you'll need steady, reliable income to replace your paycheck.

How can you create a plan  
you'll use?

Know what a retirement income plan is designed to do.

A large, thick green arrow that curves from the top left towards the bottom right, ending in a white circular arrowhead pointing right.

A detailed **plan** can help you determine how to use your **financial resources** to generate **income to last** the rest of your life.

# Understand how a retirement income plan can help you...



- Decide when you can retire
- Understand and help to minimize the key risks
- Identify all your sources of income
- Prioritize your financial needs and wants
- Stay on track to live the retirement you want

...and what it provides.



A “map” may help you **address** elements that are out of your control, **assess** your financial situation, and **align** resources to create income in retirement.



\*Lifetime income applies to certain insurance and annuity products (not securities, variable, or investment advisory products) and are subject to product terms, exclusions, and limitations, and the insurer's claims-paying ability and financial strength.

# Do you have a retirement income plan?



# Know when to build your retirement income plan.



*If you plan to retire at 65:*

## **50s** > Quick plan

- Make good plans
- “Super save”
- Set up an initial planning session with us

## **60s** > Detailed plan

- Determine Social Security strategies
- Reassess risk and asset allocation
- Build a detailed financial assessment

## **65+** > Master plan

- Begin Medicare eligibility
- Make final work-life balance decisions
- Prepare your portfolio for required minimum distributions and tax strategies

What are the four steps to creating your retirement income plan?

# Retirement income planning process



Once you have a good idea of what you want to do in retirement, follow these steps to build your plan:



**Inventory expenses vs. income.**



**Cover essential expenses.**



**Fund discretionary expenses.**



**Meet with us and review your plan regularly.**

STEP

1

## Inventory expenses vs. income.

Imagining  
tomorrow.

- **Categorize expenses—essential vs. discretionary**
- **Identify expenses that may increase or decrease**
- **Consider your personal situation:**
  - Family needs
  - Living arrangements as you age
  - Debts
  - Long-term-care coverage
  - Cost of retirement “fun”



Use tools to get organized.



Choose an option that you will actually use.

**“Back of the Envelope”**

Gives you a rough idea of your situation

**Budget Worksheet**

Helps you prepare to meet with your consultant

**Online Tool**

Integrates expense information with overall plan

STEP

2

## Cover essential expenses.



### Identify sources of lifetime income...

- Social Security
- Pension plans
- Fixed income annuities\*

### ...and use assets to make up any gap and solve for health care expenses.

- Regular withdrawals from reliable asset sources
- Consider long-term-care and life insurance



# Make the most of Social Security.



**When you start taking distributions may significantly impact your retirement income.**

## Age 62

**Lower monthly benefit—as much as 30% less**

## Full Retirement Age

**Calculated full benefit based on your earnings history**

## Age 70

**Maximum benefit amount—as much as 32% more**

STEP

3

## Fund discretionary expenses.



### Use your remaining portfolio assets...

- Mutual funds
- Brokerage accounts
- IRAs, 403(b)s, 401(k)s
- Savings accounts
- Guaranteed income products

### ...to pay your discretionary expenses.



**Guarantees are subject to the claims-paying ability and financial strength of the issuing insurance company.**

For illustrative purposes only.

Diversification does not ensure a profit or guarantee against loss.

Be careful to monitor your withdrawal rate.



**Discretionary expenses, by definition, need to be flexible.**

**Sustainable  
Withdrawal Rate**

Generally  
between 4% and  
5%, based on  
your age

**Special Occasions**

One-time events  
that you've been  
planning for

**Emergencies**

Because you  
never know...

STEP

4

## Monitor your plan each year.



### Meet with Fidelity at least once a year to:

- Discuss changes in your situation
- Review retirement income goals
- Determine availability of new income sources
- Reassess expenses
- Rebalance portfolio in light of risks
- Update beneficiary designations



Count on Fidelity to ask questions you might not have considered.



**What if...**

We'll ask you how you are thinking about retirement topics

**When this...**

We'll have open discussions about changes to your personal and financial situation

**How do I...**

We'll be there to help you navigate the challenges of living in retirement

# Summary



1

## Define your retirement.

- What will you do with your time?
- How will you set up this new chapter?

2

## Understand the 5 key risks.

- Longevity
- Health Care
- Inflation
- Asset Allocation
- Withdrawal Rate

3

## Build a custom retirement income plan.

- Use the four-step process
- Consider your entire household

4

## Ask questions.

- Planning for retirement is not a “do-it-yourself” project
- Fidelity is here to help

Let's see how all the  
pieces fit together.

# We'll work together to create your custom retirement income plan.



**FIDELITY Retirement Analysis | prepared for John Sample**

### Income Analysis

Assuming Underperforming Market Conditions

At your expected retirement age, you may have **\$8,309/mo**

You may need **\$8,830/mo**

Potential income gap **\$521/mo**

**You May Need**

**WHAT DOES THIS MEAN?**  
This shows a hypothetical illustration, in today's dollars, of the amount of monthly income we estimate you could potentially have in retirement. It also shows your estimated monthly expenses in retirement, allowing you to determine whether or not there may be a gap between the two.

An underperforming market is defined as a scenario in which your outcome was successful 90% of the time. To learn more, review the Important Information section of this document.

**NEXT STEP**  
Review the rest of the report and consider implementing any changes you modeled during your most recent session.

---

**FIDELITY Retirement Analysis | prepared for John Sample**

### Asset Mix

Your retirement plan analysis included in this report is based on the Aggressive Growth Target Asset during your planning session, which may be appropriate for investors who seek aggressive growth wide fluctuations in market values, especially over the short term. By comparison, the current asset assigned to your plan appears to resemble a Conservative asset mix, which may be appropriate for reduce fluctuations in market values by taking an income-oriented approach with some potential for

**Current Asset Mix**

**Selected Asset Mix**

Current Asset Mix	Variance
Domestic Stock	22% - 27%
Foreign Stock	3% - 22%
Bonds	23% - 12%
Short-Term	10% - 18%
Unknown	53% - 53%
Other	0% - 0%

**IMPORTANT:** The projections or other information generated by the Tool regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Your results may vary with each use and over time.

The analysis of your retirement plan is based on the hypothetical planning information you entered or confirmed: index returns for either a model asset mix similar to the accounts you selected or a Target Asset Mix you selected, or certain tool assumptions, representative indexes, and market performance assumptions based on hypothetical scenarios using historical data. Numerous factors make the calculations uncertain, such as the use of assumptions about historical returns and inflation, as well as the data you provided. Fund fees and other expenses will generally reduce your actual investment returns and are not reflected in the analysis. For more information, please refer to the Important Information section of this document and the Methodology or contact your Fidelity representative.

Investing objectives, risk tolerance, and preferences, you may want to consider implementing this change and assigning the Target Asset Mix to the accounts assigned to your plan. Return to the Planning & Guidance Center to review the way you've invested for this goal or contact a Fidelity representative.

**Fidelity INVESTMENTS**

---

**FIDELITY Retirement Analysis | prepared for John Sample**

### Detailed Income Analysis

Assuming Underperforming Market Conditions

Your income could potentially last for **28 years**

Your potential shortfall year **2056**

**Shortfall**

**WHAT DOES THIS MEAN?**  
This shows a hypothetical illustration, in today's dollars, of how the income we estimated you may have in retirement compares to your estimated expenses. Income is broken down by source, while expenses are divided into two categories: essential expenses and discretionary expenses. This chart also shows at what age we estimate you could potentially experience a shortfall, and, if applicable, any potential surplus you may have.

An underperforming market is defined as a scenario in which your outcome was successful 90% of the time. To learn more, review the Important Information section of this document.

**NEXT STEP**  
Review the rest of the report and consider whether you want to implement any changes you modeled during your most recent session.

**IMPORTANT:** The projections or other information generated by the Tool regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Your results may vary with each use and over time.

The analysis of your retirement plan is based on the hypothetical planning information you entered or confirmed: index returns for either a model asset mix similar to the accounts you selected or a Target Asset Mix you selected, or certain tool assumptions, representative indexes, and market performance assumptions based on hypothetical scenarios using historical data. Numerous factors make the calculations uncertain, such as the use of assumptions about historical returns and inflation, as well as the data you provided. Fund fees and other expenses will generally reduce your actual investment returns and are not reflected in the analysis. For more information, please refer to the Important Information section of this document and the Methodology or contact your Fidelity representative.

**Fidelity INVESTMENTS**

**IMPORTANT:** The projections or other information generated by the Fidelity Income Strategy Evaluator ("the Tool") regarding the likelihood of various investment outcomes is hypothetical in nature, does not reflect actual investment results, and is no guarantee of future results. Results may vary with each use and over time.

# You've got a good place to start.



## Creating Retirement Income to Last

Imagining tomorrow.

**In this brochure you'll find:**

- ✓ An overview of the fee lag ratio
- ✓ How to maximize income sources
- ✓ Your service plan
- ✓ Fidelity contact information

Fidelity

### 3. IDENTIFY YOUR RETIREMENT INCOME (continued)

**Federal Tax Filing Status\*\***

Single     Married Filing Jointly     Qualified Widow/Widower/Dependent Child  
 Head of Household     Married Filing Separately

State of residence for income taxes?  Local income tax rate, if any:  %

**Work in Retirement (part-time jobs or other work income before taxes)**

You: \$     per month From age:   To age:    
 Spouse/Partner: \$     per month From age:   To age:

**Lifetime Income**

**Social Security**

You: \$     per month Beginning at age:    
 Spouse/Partner: \$     per month Beginning at age:

**TIP** To help determine your Social Security benefits, please contact the Social Security Administration at 800-772-1213 or www.ssa.gov/retirement.

**Pension Income\*\***

You: \$     per month Beginning at age:    
 Is there a Cost of Living Adjustment with pension?  Yes  No  
 Spouse/Partner: \$     per month Beginning at age:    
 Is there a Cost of Living Adjustment with pension?  Yes  No

**Annuity Income**

You: \$     per month Beginning at age:    
 Spouse/Partner: \$     per month Beginning at age:

\*Information required to complete the Retirement Income Planner.  
 \*\*Tax information you provide here will be used by Fidelity's Retirement Income Planner tool to estimate certain taxes associated with your income and distribution needs during retirement, as calculated by the tool.  
 For purposes of this income plan, pensions are assumed to be tax-deferred, and distributions are therefore taxed as ordinary income. Please consult your tax advisor if you have any questions regarding the taxability of your pension benefits.  
 †If your pension is from an employer that records wages with Fidelity, please do not enter it as it should automatically be fed into the tool.

## Evaluation

Wd'd like to hear from you.

Your feedback is important. Let us know how we can improve this online tool to better meet your needs.

Imagining tomorrow.

- Thinking of this assessment, how satisfied were you?  (1) Satisfied  (2) Neutral  (3) Dissatisfied  (4) Not at all
- What is your overall rating of the assessment?  
 Name: \_\_\_\_\_  (1) Excellent  (2) Very Good  (3) Good  (4) Fair  (5) Poor  
 Name: \_\_\_\_\_  (1) Excellent  (2) Very Good  (3) Good  (4) Fair  (5) Poor  
 Name: \_\_\_\_\_  (1) Excellent  (2) Very Good  (3) Good  (4) Fair  (5) Poor
- How likely are you to recommend this online tool to a friend or colleague?  
 (1) Not at all likely  (2) Somewhat likely  (3) Likely  (4) Very likely
- Did you learn information in this session that will change the way you think about your retirement?  
 Yes/No:  1  2  3  4  5
- Do you feel this session prepared you with the right steps to take?  
 Yes/No:  1  2  3  4  5
- Any comments you would like to share?

**Fidelity Can Help**

If you would like to learn more from Fidelity, follow up with your planner, complete the information below. **Information gathered is a free benefit as part of your employer's retirement plan.**

Name: \_\_\_\_\_ Employee: \_\_\_\_\_  
 Fax/Phone: \_\_\_\_\_ (If any, it will be used.)

Tell us about you	I have multiple planning goals
How many years until you plan to retire? <input type="checkbox"/> Less than 1 year <input type="checkbox"/> 1 to 5 years <input type="checkbox"/> 6 to 10 years <input type="checkbox"/> 11 to 15 years <input type="checkbox"/> 16 to 20 years <input type="checkbox"/> 21 or more	I would like to discuss the following: <input type="checkbox"/> Building a Retirement Income Plan <input type="checkbox"/> Maintaining Social Security Benefits <input type="checkbox"/> Estate Planning Strategies <input type="checkbox"/> Charitable Giving Strategies <input type="checkbox"/> Investment Management <input type="checkbox"/> Fixed Income Products

Fidelity Strategic Financial LLC, Member SIPC  
 8500 Fidelity Center Drive, Suite 1000  
 22117, VA • Single Investor • 800-772-1213

1/20/2012

Make an appointment today.



## Fidelity Representatives

Our service is free and offered as an employee benefit to you.



Make an appointment today to meet in person...



Or meet over the phone:  
866-715-2059

***Empower yourself and build confidence to make the best decisions for your retirement.***

# Important Information



Diversification does not ensure a profit or guarantee against loss.

U.S. stock prices are more volatile than those of other securities. Government bonds and corporate bonds have more moderate short-term price fluctuations than stocks but provide lower potential long-term returns. U.S. Treasury bills maintain a stable value (if held to maturity), but returns are only slightly above the inflation rate.

In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk and credit and default risks for both issuers and counterparties. Unlike individual bonds, most bond funds do not have a maturity date, so holding them until maturity to avoid losses caused by price volatility is not possible.

The Ibbotson U.S. 30-Day T-bill data series is a total return series that is calculated using data from the *Wall Street Journal* from 1977 to present, and the CRSP U.S. Government Bond File from 1926 to 1976.

The Ibbotson Intermediate-term Government Bond Index data series is a total return series that is calculated using data from the *Wall Street Journal* from 1987 to present, and from the CRSP Government Bond file from 1934 to 1986. From 1926 to 1933, data was obtained from Thomas S. Coleman, Lawrence Fisher, and Roger G. Ibbotson's Historical U.S. Treasury Yield Curves: 1926–1992 with 1994 update (Ibbotson Associates, Chicago, 1994).

The S&P 500® Index is an unmanaged index of the common stock prices of 500 widely held U.S. stocks and includes reinvestment of dividends. It is not possible to invest directly in the index.

S&P 500 is a registered service mark of Standard & Poor's Financial Services LLC.

The Consumer Price Index is a widely recognized measure of inflation calculated by the U.S. government that tracks changes in the prices paid by consumers for finished goods and services.

## **Past performance does not ensure a profit or guarantee against loss.**

All index returns include reinvestment of dividends and interest income. It is not possible to invest directly in any of the indexes described above. Investors may be charged fees when investing in an actual portfolio of securities, which are not reflected in illustrations utilizing returns of market indexes.

# Methodology and Information



**This information is intended to be educational and is not tailored to the investment needs of any specific investor.**

**Investing involves risk, including risk of loss.**

The retirement planning information contained herein is general in nature and should not be considered legal or tax advice. Fidelity does not provide legal or tax advice. This information is provided for general educational purposes only and you should bear in mind that laws of a particular state and your particular situation may affect this information. You should consult your attorney or tax advisor regarding your specific legal or tax situation.

**Principal value and investment returns of a variable annuity will fluctuate and you may have a gain or loss when money is received or withdrawn.**

Make an appointment today.



## Fidelity Representatives

Our service is free and offered as an employee benefit to you.



Make an appointment  
today to meet in person



Or meet over the phone:  
866-715-2059

***Empower yourself and build confidence to make  
the best decisions for your retirement.***