

RETIREMENT INSIGHTS

Principles for a successful retirement

Using Insights to achieve better client outcomes



TAKE CONTROL OF YOUR RETIREMENT

ACHIEVING YOUR RETIREMENT GOALS TAKES DISCIPLINED SAVING, SPENDING AND INVESTING—ALL OF WHICH CAN FEEL OVERWHELMING, ESPECIALLY AS THE RETIREMENT LANDSCAPE CONTINUES TO CHANGE. IT'S TIMES LIKE THESE WHEN A FINANCIAL ADVISOR CAN HELP YOU FOCUS ON WHAT MATTERS MOST TO YOUR FINANCIAL FUTURE. THIS BOOKLET CAN HELP TOO. IT USES SLIDES FROM OUR AWARD-WINNING [GUIDE TO RETIREMENT](#) TO PRESENT SEVEN ESSENTIAL RETIREMENT PLANNING PRINCIPLES. TOGETHER WITH GUIDANCE FROM YOUR ADVISOR, IT CAN GIVE YOU THE CONTROL AND CONFIDENCE TO MAKE MORE INFORMED DECISIONS AND TAKE POSITIVE STEPS TOWARD A SUCCESSFUL RETIREMENT.

PRINCIPLES FOR A SUCCESSFUL RETIREMENT

- 1 CREATE THE PLAN YOU NEED FOR THE RETIREMENT YOU WANT
 - 2 PLAN FOR A LONG LIFE
 - 3 MAKE AN INFORMED DECISION ABOUT SOCIAL SECURITY
 - 4 KNOW WHAT TO EXPECT WITH HEALTH CARE COSTS
 - 5 USE TIME TO YOUR ADVANTAGE
 - 6 MINIMIZE TAXES TO MAXIMIZE YOUR RETIREMENT
 - 7 DON'T SPEND TOO MUCH OR INVEST TOO CONSERVATIVELY
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1 CREATE THE PLAN YOU NEED FOR THE RETIREMENT YOU WANT

Define your goal and craft a plan—know your checkpoint

A retirement plan doesn't have to be daunting—it's important to just get started. Once you know where you're heading, a comprehensive retirement plan is like any good GPS. It helps you get and stay on track to your destination—even as your life, the markets and the economy change.

The retirement savings checkpoint tells you how much you should have invested today to be on pace toward maintaining your current lifestyle through 30 years of retirement. If you're below your checkpoint today or have a very different vision for your retirement tomorrow, you may need to work with a financial advisor to adjust your plan. Be sure to review and update it regularly.

Save, save, save

A key factor in achieving a successful retirement is to save as much as possible during your working years. Your checkpoint assumes that you save 10% of your gross annual income each and every year—nearly twice the average annual savings rate in America. The good news is that you are in complete control of how much you save, and your employer may help with a company match, so make savings a priority.

Retirement savings checkpoints

| 13

Modest forward-looking returns may require higher savings going forward

Values assume you would like to maintain an equivalent lifestyle in retirement

	\$50,000	\$75,000	\$100,000	\$150,000	\$200,000	\$250,000	\$300,000
Current age	Checkpoint (x current household income)						
25	-	0.3	0.6	1.0	1.3	1.5	1.7
30	0.3	0.9	1.2	1.7	2.1	2.4	2.5
35	0.9	1.6	2.0	2.6	3.0	3.4	3.5
40	1.6	2.4	2.9	3.6	4.2	4.6	4.8
45	2.5	3.4	4.0	4.8	5.5	6.0	6.2
50	3.5	4.6	5.3	6.3	7.1	7.7	8.0
55	4.7	6.0	6.9	8.1	9.1	9.7	10.1
60	6.2	7.7	8.8	10.2	11.4	12.2	12.6
65	8.1	10.0	11.3	13.0	14.5	15.5	16.0

How to use:

- Household income is assumed to be gross income (before tax and savings).
- Go to the intersection of your current age and your closest current household income.
- Multiply your salary by the checkpoint shown. This is the amount you should have saved today, assuming you continue contributions of 10% going forward.
- Example: For a 40-year-old with a household income of \$100,000: \$100,000 x 2.9 = \$290,000.

This chart is for illustrative purposes only and must not be relied upon to make investment decisions. J.P. Morgan's model is based on J.P. Morgan Asset Management's (JPMAM) proprietary long-term capital market assumptions (10-15 years) and an 80% confidence level. Household income replacement rates are derived from an inflation-adjusted analysis of Consumer Expenditure Survey (BLS) data (2011-2014); Social Security benefits using modified scaled earnings in 2017 for a single wage earner at age 65 and a spousal benefit at age 62 reduced by Medicare Part B premiums. For more details, see slide 15.

Consult with a financial advisor for a more personalized assessment. Allocations, assumptions and expected returns are not meant to represent JPMAM performance. Given the complex risk/reward tradeoffs involved, we advise clients to rely on judgment as well as quantitative optimization approaches in setting strategic allocations. References to future returns for either asset allocation strategies or asset classes are not promises or even estimates of actual returns a client portfolio may achieve.

MODEL ASSUMPTIONS

Assumed annual gross savings rate: **10%***

Pre-retirement investment return: **6.0%**

Post-retirement investment return: **5.0%**

Inflation rate: **2.25%**

Retirement age –

- Primary earner: **65**
- Spouse: **62**

Years in retirement: **30**

*10% is approximately twice the U.S. average annual savings rate

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Asset Management

2

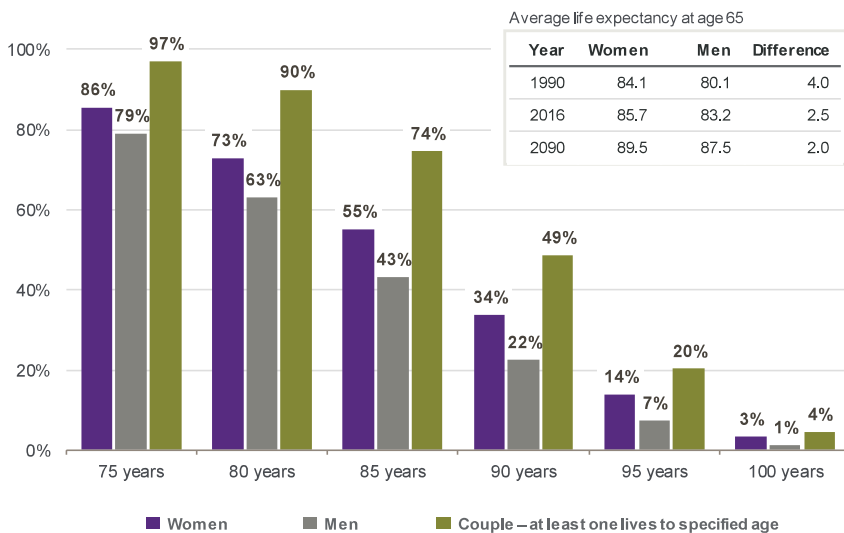
PLAN FOR A LONG LIFE

The longer you live, the longer your investments must last

At least one member of a 65-year-old couple now has a 90% chance of living to 80 or beyond, a nearly 50/50 chance of reaching 90 and a one-in-five chance of turning 95 or older. Living longer affects key retirement decisions such as how to make the most of your time, how to invest, when to claim Social Security and whether you might need long-term care.

If you're in good health at 65 and have a family history of longevity, your retirement plan should conservatively account for 30 or more years of living expenses. That means your investments need to continue growing long after you stop working to keep pace with inflation and reduce the risk of outliving your money.

If you're 65 today, the probability of living to a specific age or beyond



PLAN FOR LONGEVITY

Average life expectancy continues to increase and is a mid-point not an end-point. You may need to plan on the probability of living much longer – perhaps 30+ years in retirement – and invest a portion of your portfolio for growth to maintain your purchasing power over time.

Chart: Social Security Administration, Period Life Table, 2014 (published in 2017), J.P. Morgan Asset Management.

Table: Social Security Administration 2017 OASDI Trustees Report.

Probability at least one member of a same-sex female couple lives to age 90 is 56% and a same-sex male couple is 40%.

3

MAKE AN INFORMED DECISION ABOUT SOCIAL SECURITY

Social Security pays you more for waiting

Social Security benefits are calculated based on your 35 best earning years. You are eligible for 100% of your benefit at your Full Retirement Age (FRA). Individuals born in 1954 and earlier have an FRA of 66. Claiming at 62 will permanently reduce your benefit by as much as 25%. Waiting to claim after FRA gives you an 8% increase each year in your benefit amount for a maximum of 132%.

Times they are a-changing

Individuals turning 62 in 2018 will have an FRA of 66 and 4 months as a result of the Social Security Amendments Act of 1983. This Act moves FRA 2 months each year for 6 years until it reaches and stays at age 67 in 2022. An FRA of 67 results in even less if you claim early and not quite as much at age 70.

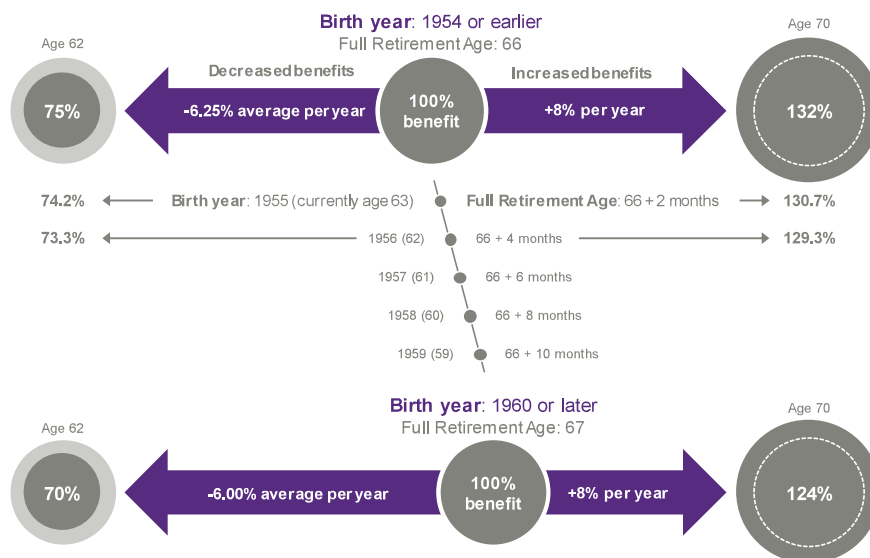
Social Security timing tradeoffs

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Retirement landscape

Benefits differ by birth year and claim age

Full Retirement Age = 100% benefit



Cost of living increase for benefits (2018) **2.0%**

Average cost of living adjustment (1985-2018) **2.6%**

For illustrative purposes only. For those born in 1956 or earlier, there is a 7.3% compound growth rate for each year of waiting to take benefits; 7.4% for those born in 1957 or after. The Social Security Amendments Act of 1983 increased FRA from 65 to 67 over a 40-year period. The first phase of transition increased FRA from 65 to 66 for individuals turning 62 between 2000 and 2005. After an 11-year hiatus, the transition from 66 to 67 (2017-2022) will complete the move.

Source: Social Security Administration, J.P. Morgan Asset Management

UNDERSTAND THE TRADEOFFS

Deciding when to claim benefits will have a permanent impact on the benefit you receive. Claiming before your full retirement age can significantly reduce your benefit, while delaying increases it.

In 2017, full retirement age began transitioning from 66 to 67 by adding two months each year for six years. This makes claiming early even more of a benefit reduction.

9

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Asset Management

3

MAKE AN INFORMED DECISION ABOUT SOCIAL SECURITY (PART 2)

How long until waiting pays off?

Should you take smaller amounts sooner? Or wait for larger amounts later and rely on your portfolio in the meantime? If your goal is to maximize your cumulative benefit, the answer depends on how long you live. You would receive more in total at age 76 by claiming at FRA (66 and 4 months) rather than 62, and at age 80 when choosing between FRA and 70.

The odds of receiving more by waiting are in your favor

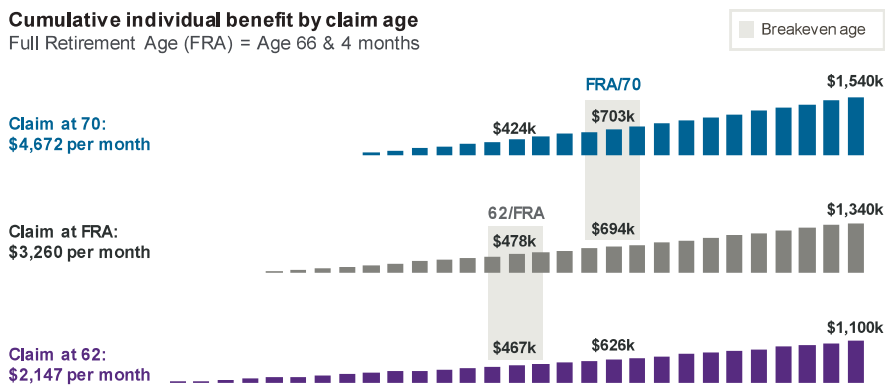
Because of the relatively high probability of living to 76 and 80, particularly if you are married, delaying Social Security often pays off in the long run—especially if you are the primary wage earner of a couple and your portfolio gives you that flexibility.

Maximizing Social Security benefits

Retirement landscape

Cumulative individual benefit by claim age

Full Retirement Age (FRA) = Age 66 & 4 months



PLANNING OPPORTUNITY

Delaying benefits means increased Social Security income later in life, but your portfolio may need to bridge the gap and provide income until delayed benefits are received.

Age	62	66	70	76	80	90
At age 62, probability of living to at least age:						
• (Individual)	100%	94%	87%	73%	60%	22%
• (Spouse)	100%	97%	92%	81%	71%	33%
• (Couple)	100%	99%	99%	95%	89%	47%

Source: Social Security Administration, J.P. Morgan Asset Management.

*Couple assumes at least one lives to the specified age or beyond. Breakeven assumes the same individual, born in 1956, earns the maximum wage base, retires at the end of age 61 and claims at 62 & 1 month, 66 & 4 months and 70, respectively. Benefits are assumed to increase each year based on the Social Security Administration 2017 Trustee's Report "intermediate" estimates (annual benefit increase of 3.1% in 2019 and 2.6% thereafter). Monthly amounts without the cost of living adjustments (not shown on the chart) are: \$2,147 at age 62; \$2,928 at FRA; and \$3,787 at age 70. Exact breakeven ages are 76 & 3 months and 80 & 5 months.



4

KNOW WHAT TO EXPECT WITH HEALTH CARE COSTS

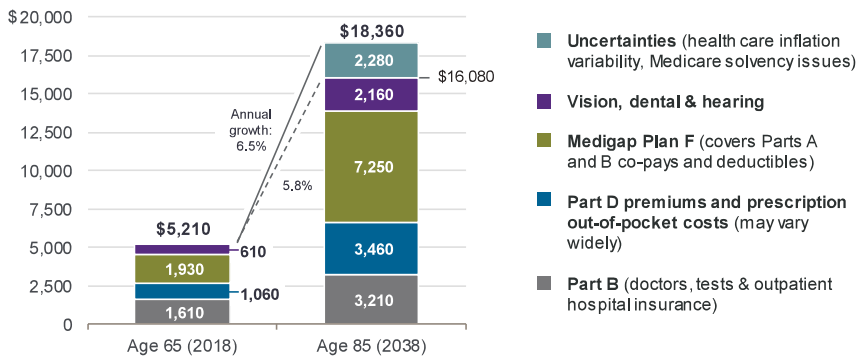
Plan on rapidly rising expenses

Medical expenses tend to rise sharply throughout retirement as we grow older and require more care at higher prices. Out-of-pocket costs for an average 65-year-old retiree on traditional Medicare are projected to more than triple from around \$5,200 this year to over \$18,000 by age 85.

These costs are averages *per person* and do not include most long-term care. Costs may be much higher if you have expensive prescriptions. And you'll pay more in Medicare premiums if your income is higher.

Include health care costs as a separate expense in your retirement plan and assume 6.5% annual inflation to be conservative. You may want to assess your long-term care alternatives when you are healthy, or as early as age 50, when the most options are available to you.

Traditional Medicare estimated median health care costs per person



A GROWING CONCERN

Given variation in health care cost inflation from year to year, it may be prudent to assume an annual health care inflation rate of 6.5%, which may require growth as well as current income from your portfolio in retirement.

2018 additional premium per person for Modified Adjusted Gross Incomes (MAGI) of:

FILING SINGLE	MARRIED FILING JOINTLY	ADDITIONAL PREMIUM	TOTAL MEDIAN COSTS
\$85,001 – \$107,000	\$170,001 – \$214,000	\$798	\$6,008
107,001 – 133,500	214,001 – 267,000	2,010	7,220
133,501 – 160,000	267,001 – 320,000	3,222	8,432
>160,000	>320,000	4,433	9,643

Notes: Age 85 estimated total median cost in 2018 is \$7,097. Medigap premiums usually increase due to age, in addition to annual inflation, except for most policies in the following states: AR, CT, MA, ME, MN, NY, VT, WA, AZ, FL, ID and MO. Analysis includes the most comprehensive and expensive plan available in each state.

Parts B and D additional premiums are calculated from federal tax returns two years prior; individuals may file for an exception on form SSA-44 if they reduce or stop work. For the definition of MAGI, please see slide 41.

Source: Employee Benefit Research Institute (EBRI) data as of December 31, 2017; SelectQuote data as of January 18, 2018; Centers for Medicare and Medicaid Services website, January 22, 2018; CMS Annual Release of Part D National Average Bid Amount, July 31, 2017; 2017 Medicare Trustees Report, July 13, 2017; Consumer Expenditure Survey data as of December 31, 2017; J.P. Morgan analysis.

5 USE TIME TO YOUR ADVANTAGE

Save and invest based on your time horizon

All goals are not created equal, so investing for them as one may not be the best plan. Instead, decide how much of your savings to put toward college, retirement and other goals based on your priorities. Next, create an investment strategy that allows you to take advantage of the longer investment horizon for goals with longer time frames. To keep your strategy on track, be sure to have a short-term fund that can cover emergencies without having to sell your investments during down markets.

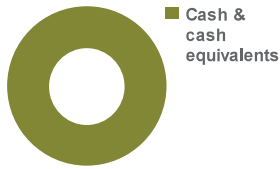
Good things come to those who wait

While markets can always have a bad day, week, month or even year, history suggests investors are less likely to suffer losses over longer periods.

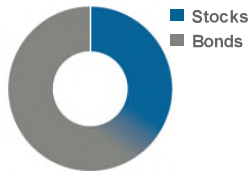
This chart illustrates the concept. While one-year stock returns have varied widely since 1950 (+47% to -39%), a blend of stocks and bonds has not suffered a negative return over any five-year rolling period in the past 65 years.

Important disclaimer: Investors should not necessarily expect the same rates of return in the future as we have seen in the past, particularly from bonds, which are starting with very low yields today.

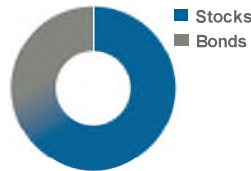
Short-term goals
Includes emergency reserve fund of total spending needs for 3-6 months



Medium-term goals
5-10 years, e.g. college, home

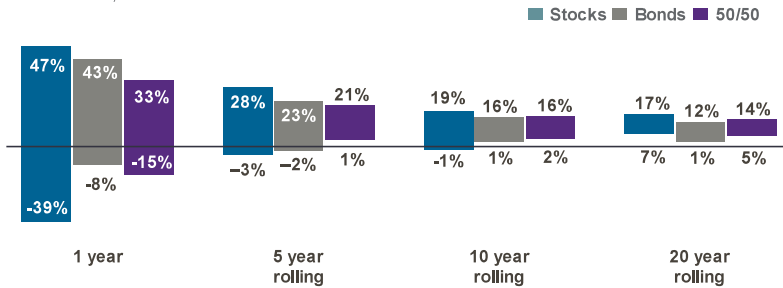


Long-term goals
15+ years, e.g. retirement



DIVIDE AND CONQUER
Aligning your investment strategy by goal can help you take different levels of risk based on varying time horizons and make sure you are saving enough to accomplish all of your goals—not just the ones that occur first.

Range of stock, bond and blended total returns
Annual total returns, 1950-2017



Source (top chart): J.P. Morgan Asset Management.

Source (bottom chart): Barclays Capital, FactSet, Federal Reserve, Robert Shiller, Strategas/Ibbotson, J.P. Morgan Asset Management. Returns shown are based on calendar year returns from 1950 to 2017. Stocks represent the S&P 500 Shiller Composite and Bonds represent Strategas/Ibbotson for periods from 1950 to 2010 and Barclays Aggregate thereafter.

Note: Portfolio allocations are hypothetical and are for illustrative purposes only. They were created to illustrate different risk/return profiles and are not meant to represent actual asset allocation.



Investing

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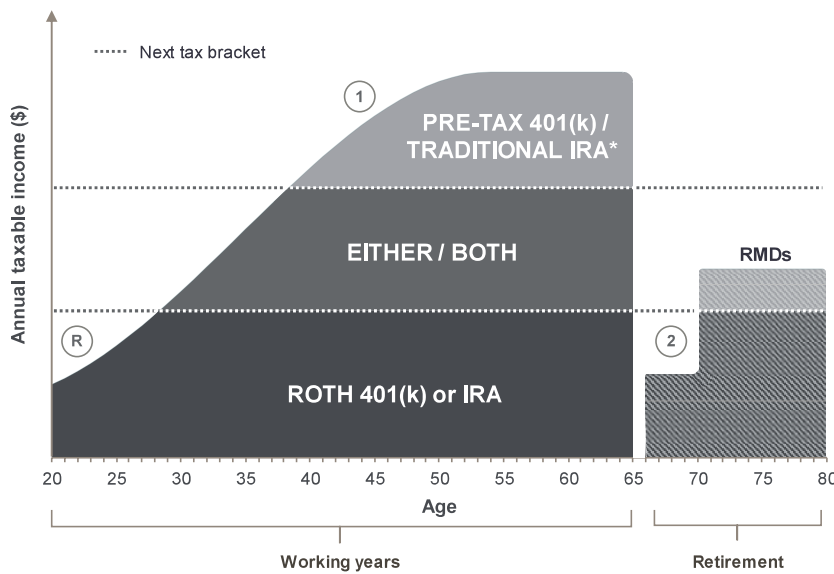
MINIMIZE TAXES TO MAXIMIZE YOUR RETIREMENT

Four ways to pay less in taxes and keep more for retirement

1. Optimize savings vehicles by opening tax-advantaged accounts (401(k)s, IRAs, HSAs) and consider diversifying across pre-tax/deductible and Roth options if available to you. As a general rule, saving into a Roth when income is relatively low and shifting as your income rises may result in lower taxes overall.
2. Consider deferring income when you are in your peak earnings years until you are in a lower tax bracket in retirement. However, if you are already concentrated in tax-deferred accounts, contributing to a Roth may help you diversify your retirement tax picture.
3. Work with your accountant and advisor to actively manage your tax picture throughout retirement. Higher incomes can also affect your Medicare premiums and taxability of Social Security benefits. Consider proactive Roth conversions in years when your tax rate is low.
4. Maximize your after-tax return by holding your highest-taxed investments (those generating ordinary income or short-term gains) in tax-advantaged accounts, after funding your emergency reserves. Look to offset gains with losses when rebalancing your portfolio or taking withdrawals from taxable accounts.

Saving

Changes in lifetime taxable income
Hypothetical wage curve



THINK OPPORTUNISTICALLY

Effectively managing taxes over a lifetime requires a careful balance of your current income tax picture and a focus on income tax diversification. Consider:

Rule: Contributing to a Roth early in your career and shifting as your income increases.

1. Roth 401(k) contributions in peak earning years if wealth is concentrated in tax-deferred accounts.
2. Proactive Roth conversions in lower income retirement years if RMDs are likely to push you into a higher bracket.

*If eligible to make a deductible contribution (based on your MAGI). The illustration reflects savings options into Traditional and Roth IRA accounts, as well as into pre-tax retirement and Roth 401(k) accounts.

RMD = Required Minimum Distribution. RMDs are calculated every year based on the account value and the owner's life expectancy using IRS actuarial data. IRA owners must begin taking RMDs no later than April 1 following the year the owner turns age 70½. For owners of employer-based qualified plans, RMDs must begin at age 70½ or when the owner retires, whichever is later. Owners of Roth IRAs are not required to take RMDs; however, RMDs are required in Roth 401(k) accounts. Any employer contribution will be applied to the participant's pre-tax retirement account for both Traditional and Roth 401(k) plans, and subsequent distributions will be subject to tax.

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DON'T SPEND TOO MUCH OR INVEST TOO CONSERVATIVELY

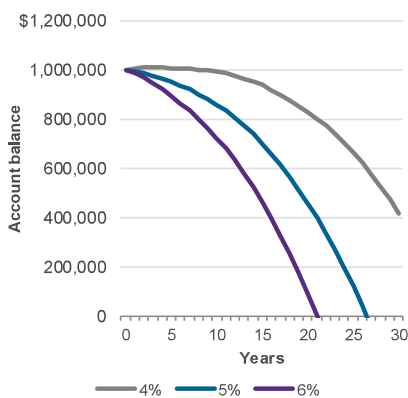
Be flexible with your retirement income

How you invest and how much you can consistently spend in retirement are interdependent. Investing too conservatively puts a portfolio at risk of running out of money at a 4% initial withdrawal rate. Withdrawing 5% or 6% may not be sustainable even with more aggressive portfolios, especially if markets fall during early retirement years.

Instead of holding a static mix of investments or withdrawing a set amount each year, you may want to consider a more flexible approach that allows you and your advisor to adjust as circumstances change. This can better reflect how your spending will shift as you age, factoring in the likelihood that you will tend to spend less during down markets and more when your investments recover and enable you to adjust your portfolio as markets and your time horizon evolve.

Years of sustainable withdrawals for a portfolio for typical markets
 Projected nominal outcomes, 50th percentile

40/60 portfolio at various initial withdrawal rates



Various portfolios at 4% initial withdrawal rate



ONE SIZE DOES NOT FIT ALL

Higher initial withdrawal rates or overly conservative portfolios can put your retirement at risk. However, setting your spending at retirement too low and not adjusting along the way may require unnecessary lifestyle sacrifices in retirement. You may want to consider a dynamic approach that adjusts over time to more effectively use your retirement savings.

50th percentile means that 50% of the time you'll have better outcomes. Based on the high percentage of outcomes that tend to be clustered near the median, this may be considered the most likely potential outcome. For the 40/60 portfolio at a 4% withdrawal rate, the real portfolio value at period 30 is \$214,164 vs. \$417,489 nominal.

These charts are for illustrative purposes only and must not be used, or relied upon, to make investment decisions. Portfolios are described using equity/bond denotation (e.g. a 40/60 portfolio is 40% equities and 60% bonds). Hypothetical portfolios are composed of US Large Cap for equity, US Aggregate Bonds and US Cash for cash, with compound returns projected to be 5.50%, 3.25% and 2.00%, respectively. J.P. Morgan's model is based on J.P. Morgan Asset Management's (JPMAM) proprietary Long-Term Capital Market Assumptions (10–15 years). The resulting projections include only the benchmark return associated with the portfolio and does not include alpha from the underlying product strategies within each asset class. The yearly withdrawal amount is set as a fixed percentage of the initial amount of \$1,000,000 and is then inflation adjusted over the period (2.25%). Allocations, assumptions and expected returns are not meant to represent JPMAM performance. Given the complex risk/reward tradeoffs involved, we advise clients to rely on judgment as well as quantitative optimization approaches in setting strategic allocations. References to future returns for either asset allocation strategies or asset classes are not promises or even estimates of actual returns a client portfolio may achieve.



Spending

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FOR MORE INFORMATION ABOUT THE RETIREMENT INSIGHTS PROGRAM
OR TO VIEW THE ENTIRE *GUIDE TO RETIREMENT*, PLEASE VISIT
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