

# PREPARING FOR RETIREMENT

*Securities and advisory services offered through LPL Financial, a registered investment advisor. Member FINRA/SIPC.*





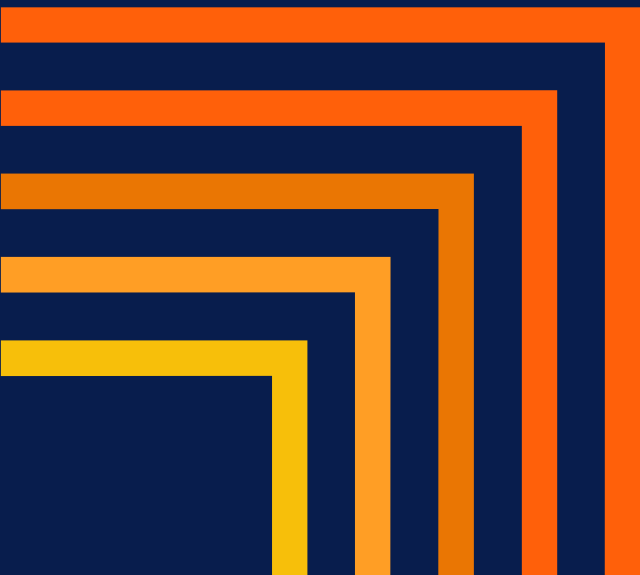
# AGENDA

- 01 Where to Start?
- 02 Income and Expenses
- 03 Social Security
- 04 How Much Money Will You Need?
- 05 Are You Ready?



# 01

## WHERE TO START?





# WHERE TO START?

- Where will I live?
- What will I do?
- How much money will I need?
- How much money do I have?
- What are likely health-related issues?



This presentation was created for educational and informational purposes only and is not intended as ERISA, tax, legal or investment advice. If you are seeking investment advice specific to your needs, such advice services must be obtained on your own separate from this educational presentation.



## A BUDGET: WHAT DOES IT DO?

- Is a spending plan
- Identifies where money goes
- Can limit amounts spent on certain categories of expenses
- Helps reach financial goals





## WHY BUDGET?

- Control
- Organization
- Opportunities
- Extra time
- More money





# 02

## INCOME AND EXPENSES





# CATEGORIES OF EXPENSES

- Fixed
- Variable





# FIXED EXPENSES

- Taxes
- Mortgage or rent
- Utilities
- Insurance
- Automobiles





# VARIABLE EXPENSES

- Food
- Clothing
- Furniture, appliances
- Gas, oil
- Entertainment
- Medical care
- Gifts
- Vacation
- Personal Items





# CATEGORIES OF INCOME

- Wages/salary
- Income from self-employment
- Pension, IRA distributions
- Interest and dividends
- Social Security





## MOMENT OF TRUTH

Income  
- Expenses

?





# ASSETS

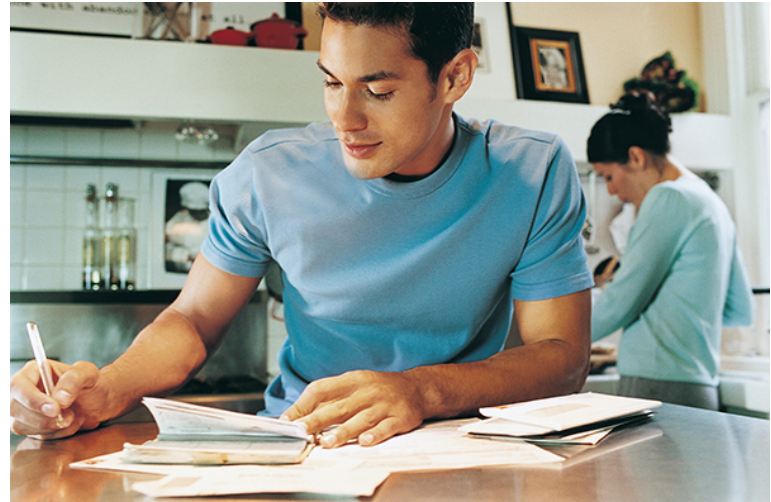
- Cash
- Stocks, bonds, mutual funds
- Home
- Car, truck, boat
- Furnishings, antiques, jewelry, coins, etc.





# LIABILITIES

- Mortgage
- Car and other loans
- Credit card debt
- Taxes dues
- Major unpaid bills
- Other





# NET WORTH

$$\begin{array}{r} \text{Assets} \\ - \text{Liabilities} \\ \hline \text{Net Worth} \end{array}$$





# NET WORTH

## Why Calculate Net Worth?

- Applying for a loan
- Preparing a will
- Determine insurance needs
- Progress toward financial goals





# 03

## SOCIAL SECURITY





# FULL RETIREMENT AGE

Year of Birth	Full Retirement Age
1937 or earlier	65
1938	65 + 2 months
1939	65 + 4 months
1940	65 + 6 months
1941	65 + 8 months
1942	65 + 10 months
1943-1954	66
1955	66 + 2 months
1956	66 + 4 months
1957	66 + 6 months
1958	66 + 8 months
1959	66+ 10 months
1960 or later	67



# REDUCTION FACTORS

## Reduction Factors at Age 62

Year of Birth	Total Percent Reduction
1937 or earlier	20.00
1938–1942	20.83 – 24.17
1943–1954	25.00
1955–1959	25.83 – 29.17
1960 and later	30.00

Source: Social Security Administration



# BENEFIT: INCREASE FACTORS

Year of Birth	Yearly Rate of Increase
1937–1938	6.5%
1939–1940	7.0%
1941–1942	7.5%
1943 or later	8.0%

Source: Social Security Administration





# INCOME TAX ON BENEFITS

Total Income	Portion Taxable
<u>Individual</u>	
< \$25,000	None
\$25,000 – \$34,000	50%
> \$34,000	85%
<u>Joint</u>	
< \$32,000	None
\$32,000 – \$44,000	50%
> \$44,000	85%

Source: Social Security Administration



# EARNINGS LIMIT: ANNUAL

\$21,240 for 2023



Source: Social Security Administration



# SOCIAL SECURITY BENEFITS

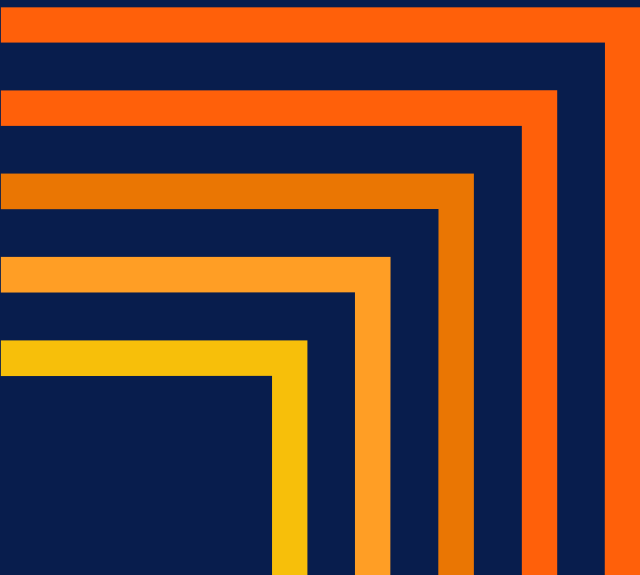
## What to Bring to Apply for Social Security Benefits

1. Your Social Security card or proof of your Social Security number
2. Information about the home where you live, such as the mortgage, lease, and landlord's name
3. Tax return or W-2 forms, payroll slips, insurance policies and other information about your income and the things you own
4. Proof of U.S. Citizenship or eligible non-citizen status
5. Your checkbook or other papers that show your bank, credit union or financial institution account number so you can have your payments deposited directly into your account.



# 04

## HOW MUCH MONEY WILL YOU NEED?





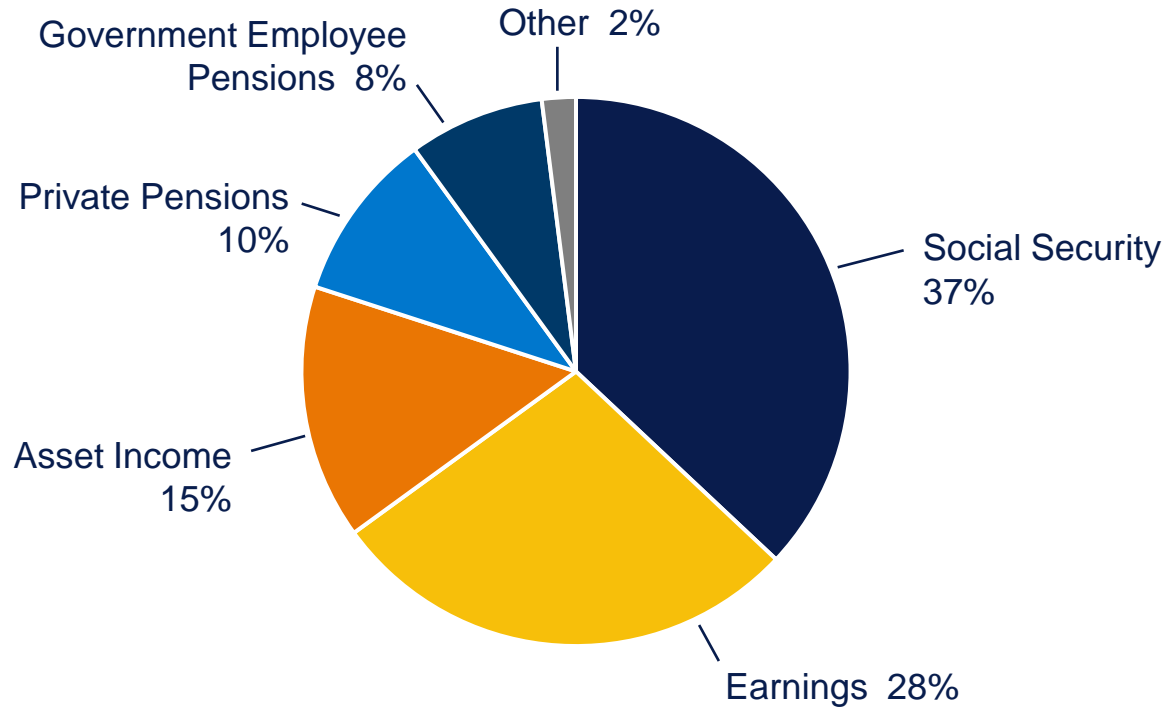
## HOW MUCH WILL YOU NEED?

### Just How Much Will You Need in Retirement?

Your Current Income: \$\_\_\_\_\_ x .75  
= Amount needed each year in retirement



# INCOME DURING RETIREMENT



Source: Social Security Administration



# DON'T IGNORE INFLATION

Retired life will likely cost more in the future than it does today.

Item	Average Cost Today	Average Cost in 5 Years	Average Cost in 10 Years
House Cost in Florida (South)	\$361,000	\$418,498	\$485,154
Recreational Vehicle (RV)	\$73,350	\$85,033	\$98,576
10 Day Caribbean Cruise	\$1,499	\$1,738	\$2,015
Round of Golf at Your Local Club	\$75	\$87	\$101

Source: Kmotion Research 2023, This is a hypothetical example for illustration purposes only. Actual inflation rates may be more or less than the illustrated rate.



# LIFE EXPECTANCY

- The average 65-year-old male can expect to live to 83.0
- The average 65-year-old female can expect to live to 86



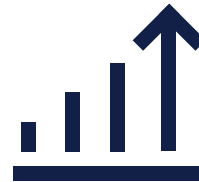
Source: <http://socialsecurity.gov/planners/lifeexpectancy.html>



# MEDICAL EXPENSES

## Plan for Rising Medical Expenses

A 65-year-old American couple retiring in 2022 will need \$315,000 to pay for medical expenses throughout retirement, not including nursing home care



Source: Fidelity Consulting, 2022



# HEALTH CARE COVERAGE

## Medicare

Eligibility: Age 65

Four Parts



Source: Social Security Administration



# HEALTH CARE COVERAGE

## Medicare

**Part A** – Hospital Insurance

**Part B** – Medical Insurance

**Part C** – Medicare Advantage Plan

**Part D** – Prescription Drug Coverage





# HEALTH CARE COVERAGE

## Medicare Premiums for 2023

**Part A** – Usually \$0

**Part B** – \$164.90 to \$560.50 per month\*

**Part C** – varies by plan

**Part D** – varies by plan



\* 2023 premiums are based on your filing status and yearly income in 2021. Source: <https://medicarehero.com/cost-of-medicare-coverage/>



# HEALTH CARE COVERAGE

## MediGap (Supplemental Insurance) Policies

### MediGap Resources:

[www.medicare.gov/medigap](http://www.medicare.gov/medigap)

[www.aarp.org/health/medicare/insurance](http://www.aarp.org/health/medicare/insurance)

1. These sources provide background information on MediGap insurance plans that supplement Medicare and the benefits those plans cover



## LONG TERM CARE INSURANCE

Q: Who needs long term care insurance?

A: Anyone concerned about providing for potential future needs and looking to protect life savings and assets for themselves, their family and heirs



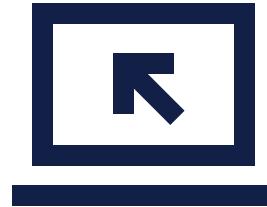


# LONG TERM CARE INSURANCE

## Long Term Care Resources

[www.longtermcare.gov](http://www.longtermcare.gov)

National clearinghouse for long-term care information

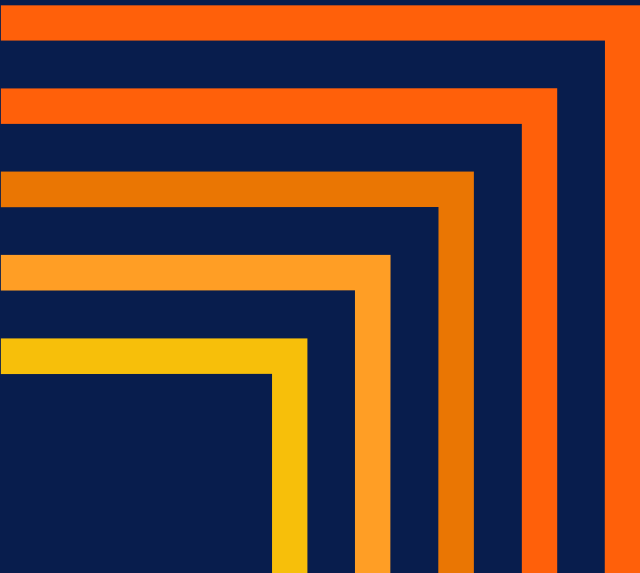


Source: This site was developed by the U.S. Department of Health and Human Services



# 05

## ARE YOU READY?



# ARE YOU READY?

## GETTING PREPARED

### RETIREMENT READINESS WORKSHEETS


As you think about this new adventure called retirement, make certain that you are as prepared as possible. Reviewing, completing and adding to this checklist may go a long way toward ensuring a pleasant and secure retirement.

#### TIMELINE FOR RETIREMENT

AGE	AGE	AGE	AGE	AGE	AGE
<b>50</b>	<b>59½</b>	<b>62</b>	<b>65</b>	<b>66</b>	<b>73</b>
Begin making catch-up contributions, an extra amount that those over 50 can add to certain retirement accounts	No more tax penalties on early withdrawals from retirement accounts, but saving your money in means more potential for it to grow	The minimum age to receive Social Security benefits, but delaying means a larger monthly benefit	Eligible for Medicare	Eligible for Full Social Security benefits if born between 1943 and 1954	Start taking minimum withdrawals from most retirement accounts by this age; otherwise, you may be charged heavy tax penalties in the future

- Estimate expenses in retirement
- Estimate income from all sources
  - Social Security
  - Pension plan
  - IRAs
  - Retirement plan
  - Other investments
- Consider distribution options
  - Roll over to IRA
  - Full or partial withdrawals
  - Leave account balance in plan
  - Consider annuities
- Prepare a realistic retirement budget
- Watch for income tax implications
- Estimate how long savings will last
- Review options for Social Security
  - Work longer?
  - Start benefits before full retirement age?
  - Delay benefits?

Now fill in the worksheets in this booklet. It will help you put this information to use as you get ready to retire.



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1 RETIREMENT READINESS WORKSHEETS

### A: TODAY'S MONEY

Record amounts for yourself and for your spouse in column 1 and 2. Add up the money across each row for spouses, and write the total in column 3. Then add all the numbers down column 3 and write the total in the bottom.

	1 You	2 Spouse	3 Total
Spings			
ity (market value)			
ngs and investments			
ollections, etc.)			
<b>TOTAL ASSETS</b>			

### B: MONEY - 10 YEARS FROM NOW

Factors for "Three Selected Rates of Return"

	1 Current & value (See Worksheet A, Column 3)	2 Asset growth factor (See Worksheet C)	3 Asset value in 10 years (Column 1 x Column 2)
Spings			
ity (market value)			
ngs and investments			
ollections, etc.)			
<b>TOTAL ASSETS</b>			

RETIREMENT READINESS WORKSHEETS

### C: NEW SAVINGS BETWEEN NOW AND RETIREMENT

Savings Growth Factors for Three Selected Rates of Return\*

1.06746 for 3%    1.65262 for 6%    17.12655 for 7%

	1 Estimated monthly savings amount	2 Savings growth factor	3 Value of savings in 10 years (Column 1 x Column 2)
Retirement savings			
Net home equity (market value)			
Personal savings and investments			
Other assets (collections, etc.)			
<b>TOTAL ASSETS</b>			

### D: MONTHLY INCOME OVER A 30-YEAR RETIREMENT

Income Conversion Factors for Assumed Rates of Interest\*

0.044216 for 3%    0.0053169 for 6%    0.006613 for 7%

	1 Accumulated assets (Column 3 from Worksheet C)	2 Income conversion factor	3 Monthly income beginning at retirement (Column 1 x Column 2)
Social Security (initial benefit for your retirement year)			
Retirement savings			
Net home equity (market value)			
Personal savings and investments			
Other assets (collections, etc.)			
<b>TOTAL ASSETS</b>			

3 RETIREMENT READINESS WORKSHEETS



# RETIREMENT TIMELINE

- Age 50** Begin making catch-up contributions, an extra amount that those over 50 can add to 401(k) and other accounts
- Age 59½** No more tax penalties on early withdrawals from retirement accounts, but leaving it in means more time for your money to potentially grow
- Age 62** The minimum age to receive Social Security benefits, but delaying means a bigger monthly benefit
- Age 65** Eligible for Medicare
- Age 66** Eligible for Full Social Security benefits if born between 1943 and 1954
- Age 73** Start taking minimum withdrawals from most retirement accounts by this age; otherwise, you may be charged heavy tax penalties in the future



# WORKSHEET A

## A: TODAY'S MONEY

Instructions: Record amounts for yourself and for your spouse in columns 1 and 2. Add up the money across each row for you and your spouse, and write the total in column 3. Then add all the numbers down column 3 and write the total in column 3 at the bottom.

	1 You	2 Spouse	3 Total
Retirement savings			
Net home equity (market value)			
Personal savings and investments			
Other assets (collections, etc.)			
<b>TOTAL ASSETS</b>			

# WORKSHEET B

## B: YOUR MONEY - 10 YEARS FROM NOW

Asset Growth Factors for Three Selected Rates of Return\*

1.344 for 3%    1.629 for 6%    1.967 for 7%

	1 Current \$ value (from Worksheet A, Column 3)	2 Asset growth factor (rate of return)	3 Asset value in 10 years (Column 1 x Column 2)
Retirement savings			
Net home equity (market value)			
Personal savings and investments			
Other assets (collections, etc.)			
<b>TOTAL ASSETS</b>			

# WORKSHEET C

## C: NEW SAVINGS BETWEEN NOW AND RETIREMENT

Savings Growth Factors for Three Selected Rates of Return\*

139.741 for 3% 166.292 for 5% 173.086 for 7%

	1 Estimated monthly savings amount	2 Savings growth factor	3 Value of savings in 10 years (Column 1 x Column 2)
Retirement savings			
Net home equity (market value)			
Personal savings and investments			
Other assets (collections, etc.)			
<b>TOTAL ASSETS</b>			

# WORKSHEET D

## D: MONTHLY INCOME OVER A 30-YEAR RETIREMENT

Income Conversion Factors for Assumed Rates of Interest\*

0.004216 for 3%

0.006368 for 5%

0.006653 for 7%

	1 Accumulated assets (Column 3 from Worksheet B plus Column 3 from Worksheet C)	2 Income conversion factor	3 Monthly Income beginning at retirement (Column 1 x Column 2)
Social Security (estimate based on your retirement year)			
Retirement savings			
Net home equity (market value)			
Personal savings and investments			
Other assets (collections, etc.)			
<b>TOTAL ASSETS</b>			

# WORKSHEET E

## E: MONTHLY EXPENSES TODAY

	Monthly amount
<b>Housing</b>	
Mortgage (including HOA fees)	
Rent	
Maintenance	
<b>Food (at home)</b>	
<b>Utilities</b>	
Electricity	
Heat	
Internet/cable	
Phones	
Water/sewer	
Gas	
<b>Clothing</b>	
<b>Taxes</b>	
Real estate	
Income (state and federal)	
Other property taxes	
<b>Insurance</b>	
House	
Life	
Car	
Disability	
Long-term care	

# WORKSHEET E

	Monthly amount
<b>Loans</b>	
Car	
Credit card	
Other	
<b>Retirement savings</b>	
<b>Personal care</b>	
Hair cut	
Dry cleaning	
Gym	
Other	
<b>Transportation</b>	
Car repairs and maintenance	
Gas	
Parking	
Public transportation	
<b>Travel/vacations</b>	
<b>Entertainment</b>	
Eating out	
Hobbies	
Movies/theatre	
<b>Charitable contributions</b>	
<b>Other</b>	
Gifts	
Membership dues	
Pet-related costs	
<b>TOTAL ESTIMATED MONTHLY EXPENSES (other than health)</b>	
<b>Healthcare</b>	
Health insurance	
Doctor visits	
Hospital	
Medicine	
Over-the-counter medicine	
Dental	
Vision	
Noncovered items	
<b>TOTAL ESTIMATED MONTHLY EXPENSES (health)</b>	

# WORKSHEET F

## F: MONTHLY EXPENSES IN 10 YEARS

(First year of retirement)

	1 Total monthly expenses now (from monthly expenses column in Worksheet E)	2 10-year inflation factor of 1.4106 (3.5%)* (except for healthcare - see below)	3 Total expenses in 10 years adjusted for inflation (Column 1 x Column 2)
<b>Housing</b>			
Mortgage (including HOA fees)			
Rent			
Maintenance			
<b>Food (at home)</b>			
<b>Utilities</b>			
Electricity			
Heat			
Internet/cable			
Phones			
Water/sewer			
Gas			
<b>Clothing</b>			
<b>Taxes</b>			
Real estate			
Income (state and federal)			
Other property taxes			
<b>Insurance</b>			
House			
Life			
Car			
Disability			
Long-term care			
<b>Loans</b>			
Car			
Credit card			
Other			
<b>Retirement savings</b>			

# WORKSHEET F

	1 Total monthly expenses now (from monthly expenses column in Worksheet E)	2 10-year inflation factor of 1.4106 (3.5%) (except for healthcare)	3 Total expenses in 10 years adjusted for inflation (Column 1 x Column 2)
<b>Personal care</b>			
Hair out			
Dry cleaning			
Gym			
Other			
<b>Transportation</b>			
Car repairs and maintenance			
Gas			
Parking			
Public transportation			
<b>Travel/vacations</b>			
<b>Entertainment</b>			
Eating out			
Hobbies			
Movies/theatre			
<b>Charitable contributions</b>			
<b>Other</b>			
Gifts			
Membership dues			
Pet-related expenses			
<b>TOTAL MONTHLY EXPENSES ADJUSTED FOR 10 YEARS INFLATION (other than health)</b>			
<b>Healthcare (for a 7% inflation factor use 1.9672)</b>			
Health insurance			
Medicare Part B			
Medigap			
Doctor visits			
Hospital			
Medicine			
Over-the-counter medicine			
Dental			
Vision			
Noncovered items			
<b>TOTAL MONTHLY EXPENSES ADJUSTED FOR 10 YEARS INFLATION (health)</b>			

# WORKSHEET G

## G: COMPARING PROJECTED INCOME AND EXPENSES

Value Adjustment Factors	
Inflation rate	5% assumed rate of return
0%	0.5174
3%	0.7520
4%	0.8640
7%	1.3691

	1 At retirement	2 Inflation adjusted value factor <small>(See chart above)</small>	3 Value in \$ at retirement for one month <small>(Column 1 x Column 2)</small>	4 Total value in \$ at retirement <small>(Column 3 x 360 months)</small>
Total projected income <small>Worksheet D, Column 3 total</small>				
Total projected expenses <small>Worksheet F, Column 3 total</small> Health Other than health				
Projected value of income less expenses <small>Subtract Line 2 from Line 1</small>				

# WORKSHEET H

## H: ADDITIONAL SAVINGS NEEDED BEFORE RETIREMENT (IN 10 YEARS)

Additional Savings Factors\*

0.00716 for 3%    0.00644 for 5%    0.00578 for 7%

Gap between projected total value of expenses and projected total value of income (from Worksheet G)	
Additional savings factor*	
Additional monthly savings needed (Multiply Line 1 x Line 2)	

Source: U.S. Dept. of Labor, Employment Benefits Security Administration, [www.dol.gov/ebsa](http://www.dol.gov/ebsa)



## USEFUL RESOURCES

**www.aarp.org** – American Association of Retired Persons  
(informational articles and interactive tools)

**www.dinkytown.net** – variety of financial calculators and tools

**www.ssa.gov** – official Social Security website

**www.medicare.gov** – official Medicare website

**www.irs.gov** – Internal Revenue Service official site

**www.psca.org** – Profit Sharing Council of America  
(retirement planning and calculation tools)



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# THANK YOU

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