



The Challenge of Retirement Income Planning



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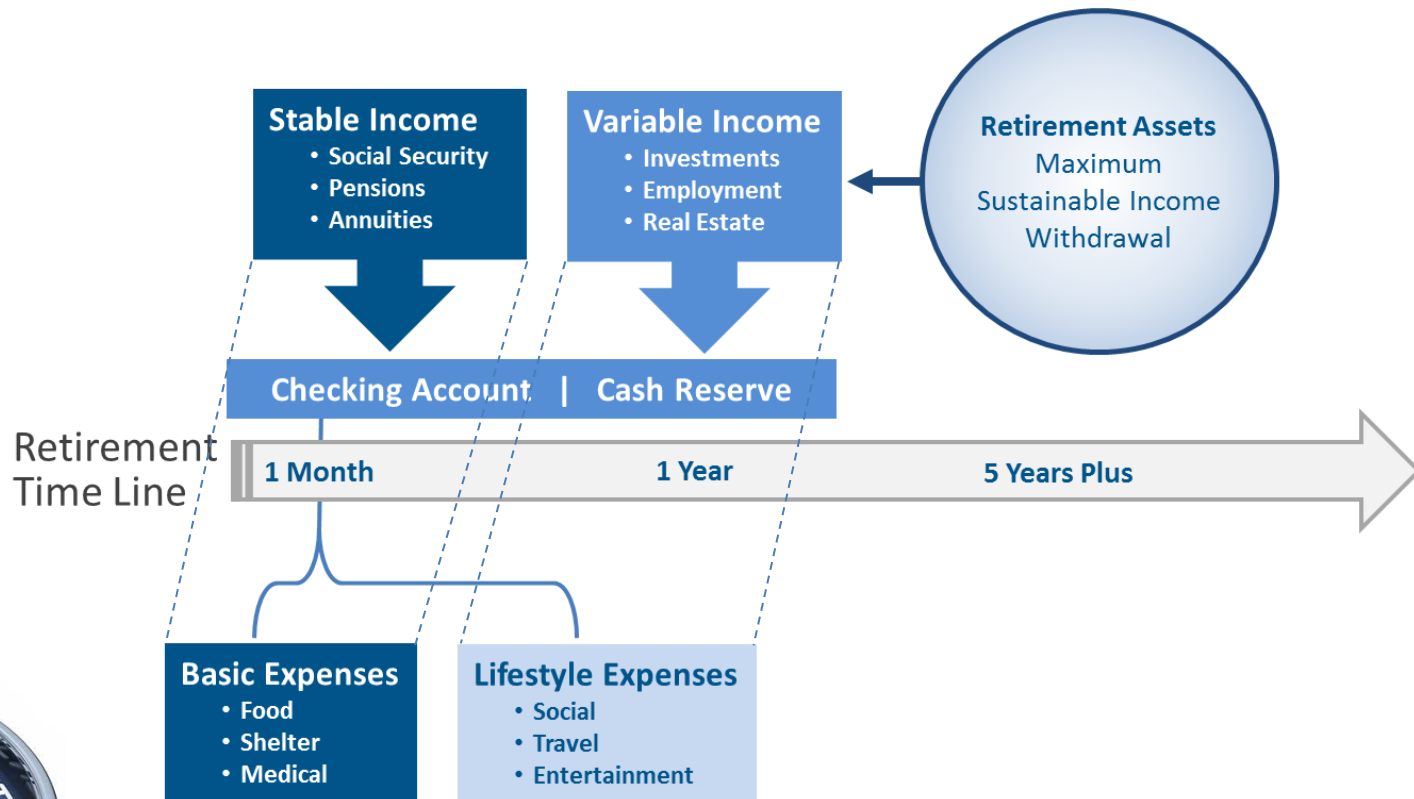
Thinking of Retiring?

- Future financial market returns
- The future path of interest rates
- The severity and timing of bear markets
- The magnitude and timing of bull markets
- The sequence of your returns
- Your personal spending needs
- Your financial needs and desires
- Where you are in your financial lifecycle
- How much longer you plan on working
- What you plan on doing with your money some day
- How long you'll live after retirement
- Whether you're going to be a net saver or spender in the near future
- Your current and future income levels
- Your ability, willingness, and need to take risk
- How perception of risk will change over time
- Unexpected life events and challenges
- Withdrawal strategies during retirement
- Future tax rates
- Your future savings rate
- Social security elections and benefits
- Healthcare expenses
- Inflation
- Changes in the cost of living where you live
- Your debt levels
- How many people are dependent on you financially
- Insurance needs
- Your ratio of human to financial capital



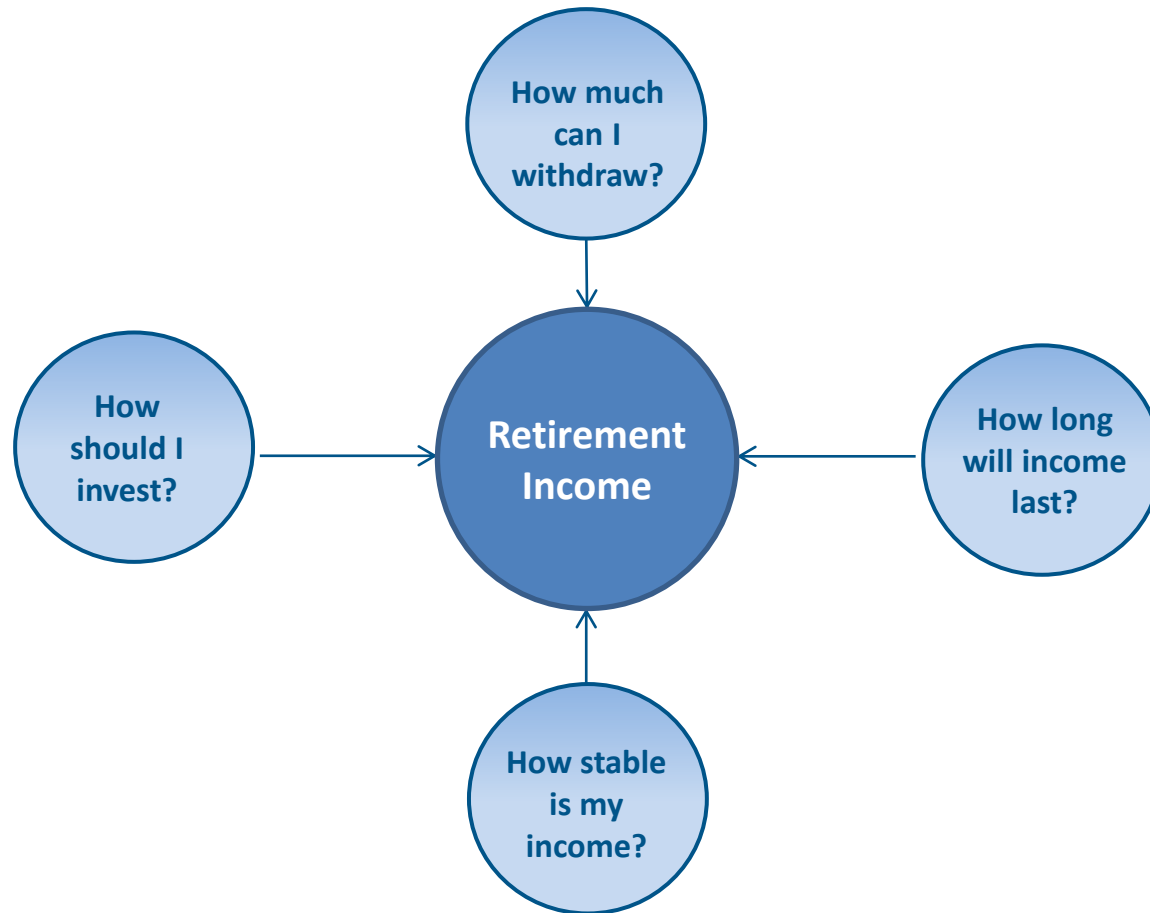
Retirement Planning

A well-planned retirement will take into account all sources of income and use a disciplined structure to facilitate the cash flow needed for basic and lifestyle spending. The spending plan should seek to balance the desire to maintain a consistent lifestyle with the preservation of assets for a retirement that could last 30 years or more.



Retirement Investing

The objective of a retirement portfolio is to provide sustainable income for life expectancy. The process should address **four** key questions.



Growth Is Needed for Maximum Sustainable Income

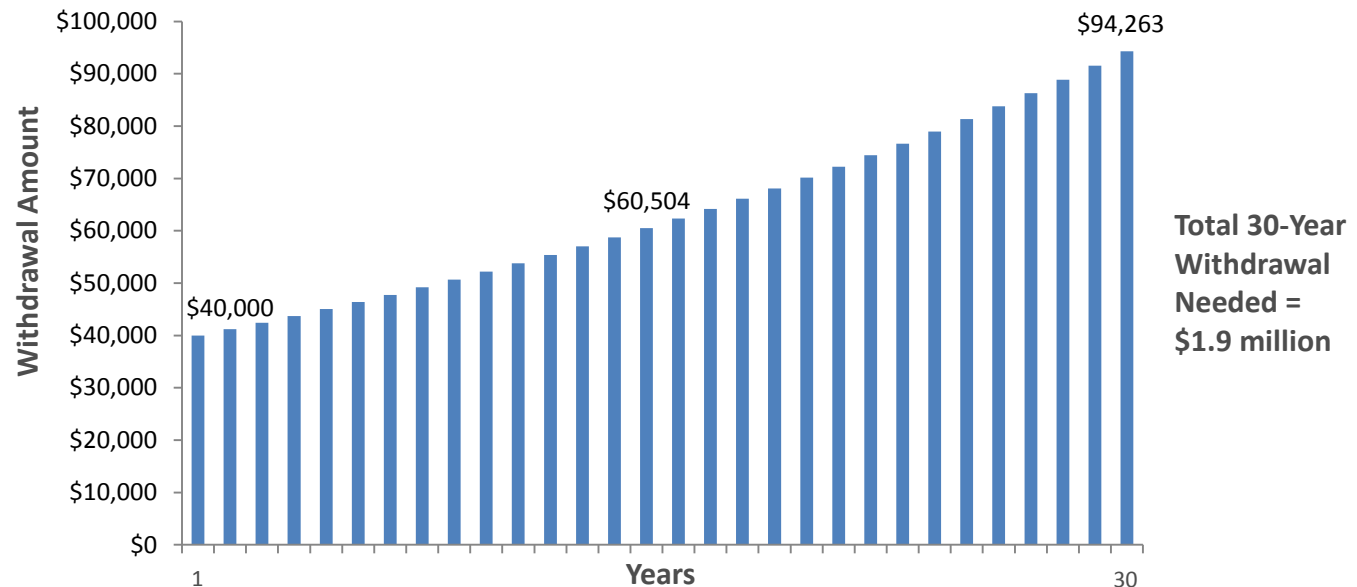
Maximum sustainable income is the highest amount of income that can be withdrawn from retirement assets that meet **three** requirements:

- 1) High likelihood of lasting life expectancy
- 2) Annual cost-of-living increases
- 3) Tolerate unfavorable investment performance scenarios

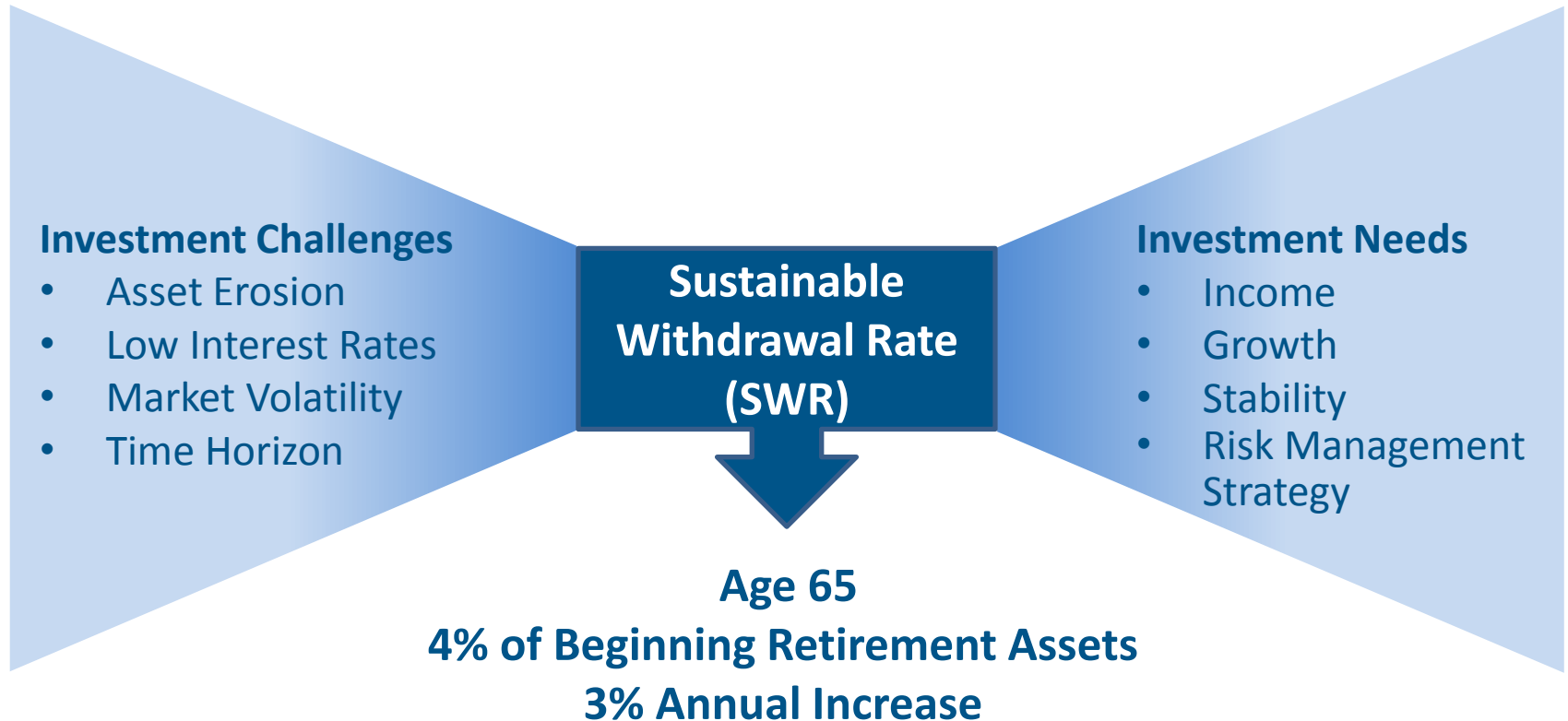
Generally, retirement assets must also achieve some growth, as depicted by the following withdrawal example.

Annual Withdrawal Example

\$1,000,000 initial investment, 4% initial withdrawal rate increases by 3% per year | Source: EquityCompass



Retirement Withdrawal Strategy



Investment Strategy

An investment strategy should focus on the needs of retirement income

<p>Income <i>Current Withdrawals</i></p> <p>High-quality, high-yield stocks</p>	<p>Growth <i>Future Withdrawals</i></p> <p>Broadly diversified domestic & global stocks</p>
<p>Stability <i>Counteract Volatility</i></p> <p>High-quality, low-duration bonds</p>	<p>Risk Management Strategy <i>Plan for Large Market Decline</i></p> <p>Embedded decisions to reduce equity exposure</p>



Conclusion

- Retirees need a clear process for converting their retirement savings to monthly spending.
- Retirees should try to establish a maximum sustainable withdrawal rate for retirement assets. This is the amount of annual income, including cost-of-living increases, which reflects considerations for how long income is likely needed and expected investment performance.
- Investing during retirement should focus on the need for income, growth, stability, and a risk management strategy.
- Retirement planning is a personal process where unique circumstances guide overall strategy. The benefit of sound advice is seeking to reduce mistakes and aligning retirement goals with an appropriate investment strategy.



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