Retirement **Roadmap**

What's your **number?**

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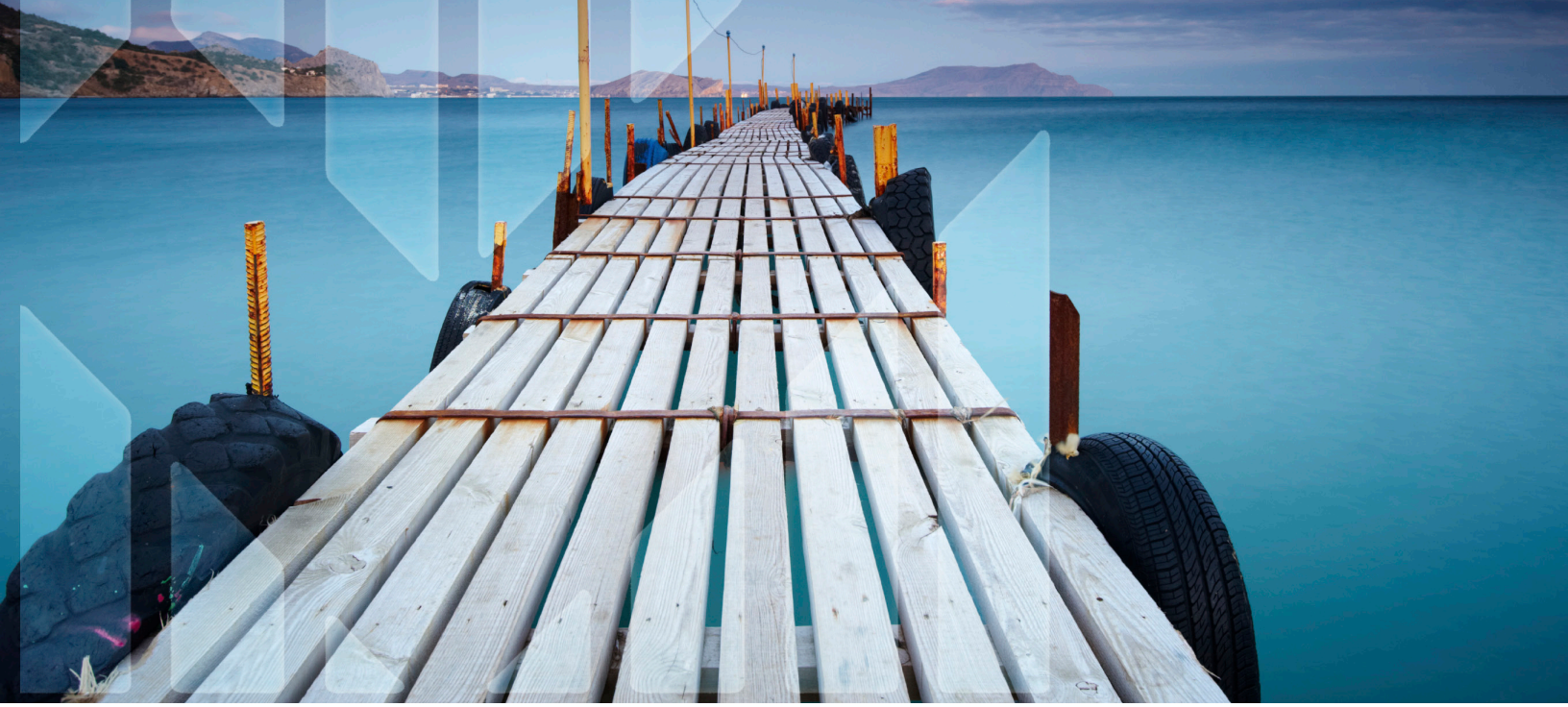

Introduction

When trying to envision your retirement, a big question for many is, **"How much money will I need to retire?"**

A lot depends on how long you may live, how your assets are invested, and how much spending you plan on doing in retirement.

There are two ways you can estimate your retirement expenses;

Income Replacement Ratio Method

Detailed Expense Analysis Method

Getting Started!

First, grab your paystub, last year's tax returns, and current financial statements.

Retirement Expenses

Next, to try the first method, insert the dollar figures for you (and your spouse if desired), in the 'my dollars' column. Many of these listed expense items will end when you retire, so you can eliminate them from future needs. This could also include work-related expenses, (shoes, uniforms, commuting costs, dry cleaning, etc.). If you have been contributing to personal savings also, you could remove that as a future obligation.

You will need to add in some new expenses though, relating to health care and fun money, too. You will also have more free time, and this will likely result in additional outlay (travel, new interests).

You can then see either a dollar figure bottom line, and/ or translate that to percentages according to the table. This will help you identify the amount of current income you should plan to replace.

STEP 1.

Income Replacement Ratio Method Worksheet

Description	Dollars	My Dollars	Percent	My Percent
Current Income (before taxes)	**$100,000**		**100%**	
Expenses Eliminated After Retirement				
Employee Retirement Plan Contributions	- 10,000		-10.00%	
FICA Taxes (Social Security & Medicare)	- 7,650		- 7.65%	
State & Local Taxes	- 5,000		- 5.00%	
Work-Related Expenses	- 2,000		- 2.00%	
Personal Savings	- 4,000		- 4.00%	
Other				
Other				
Subtotal	$71,350		71.35%	
Expenses Added After Retirement				
Health Insurance Costs	+ 4,000		+ 4.00%	
Additional Leisure Time Activities	+ 8,000		+ 8.00%	
Other				
Other				
Retirement Income Needed	**$83,350**		**83.35%**	

Note: Federal Income Taxes are not taken into account above because each individual's tax situation is different. Please consult your tax advisor for information on how retirement will affect your federal income taxes.

Alternatively, if you closely watch your monthly budget, you may want to use (Step 1 alternate) the second method, which is a detailed outline of what your spending looks like currently. Some expenses (mortgage, for example) may end, so you will want to take that into consideration. Complete the monthly or annual figures for the indicated expenses, try to capture all that relate to you, and sum up your entries at the bottom.

STEP 1 (alternate)

Detailed Expense Analysis Method Worksheet

Estimated Expenses *list approximate expenses

Housing

	Monthly	or Annually
Rent/Mortgage Payment		
Homeowner's Insurance		
Property Taxes		
Maintenance/Repairs		
House Cleaning		
Lawn/Gardening Work		
Utilities		
Electric		
Gas or Oil		
Water/Sewer		
Garbage Collection		
Cable TV/Internet		
Land Line Telephone		
Other		

Transportation

	Monthly	or Annually
Car Payments/Lease		
Fuel		
Car Insurance		
Taxes/Registration/License		
Repairs/Maintenance		
Public Trans./Parking		
Other		

Living Expenses

	Monthly	or Annually
Groceries		
Childcare		
Child Support/Alimony		
Clothing		
Education		
Out of Pocket Medical		
Other		
Other		
Other		

Debt

	Monthly	or Annually
Home Equity Loan		
Credit Card Payments		
Student Loan		
Other		
Other		

Taxes

	Monthly	or Annually
Federal Income Taxes		
State Income Taxes		
Local Income Taxes		
School Taxes		
Other Taxes		

Savings

	Monthly	or Annually
Client Retirement Plan		
Spouse Retirement Plan		
Other		
Other		
Other		

Insurance Premiums

	Monthly	or Annually
Client Life Insurance		
Spouse Life Insurance		
Client Long Term Care		
Spouse Long Term Care		
Health Insurance		
Other		

Discretionary Expenses

	Monthly	or Annually
Charity/Tithing		
Personal Care (salon, etc.)		
Cell Phone		
Dining Out		
Entertainment		
Gifts		
Pets		
Recreation		
Subscriptions		
Vacation/Travel		
Memberships (gym, etc.)		
Dry Cleaning		
Other		
Other		
Other		
Other		
Other		

Retirement Needs

STEP 2

Consider and outline other income sources you will have during retirement. This may include social security, pension, rental, part-time work, income from other sources. We would not have you include investment income here. These figures you can then subtract from the Step 1 ending figure, to determine what you may need to withdraw from your portfolio.

Account for Other Retirement Income

- Social Security
- Pension
- Part-time work

Description	Dollars	My Dollars
Needed Retirement Income	**$83,350**	
Social Security	- 21,350	
Pension	- 12,000	
Other	-	
First Year Withdrawal Needed	**$50,000**	

STEP 3

Now, you know the needed income figure. In Step 3, take that amount, and divide by what is historically considered a 'safe' withdrawal rate, of 4% (0.04). This resulting figure will give you a good estimate of what amount you should target to fund your retirement needs.

"Safe Withdrawal Rate" in 3-5% range

1st year withdrawal at retirement	$50,000	
Divided by	divided by	divided by
Withdrawal rate	.04	
$ needed at retirement	**$1,250,000**	

Below we outline the impact of different withdrawal rates. Note the likelihood for achieving success goes down dramatically as you ask for a higher withdrawal rate. We don't want to see folks outlive their money and their hopes.

Assumptions

- 65 year old female
- Living until age 95
- $1,250,000 IRA balance at retirement
- 3.7% inflation

Withdrawal rate (%) (1st year withdrawal $)		**Asset Allocation** (Equities/Fixed Income)[1]			
		0/100	**20/80**	**40/60**	**60/40**
3% ($37,500 in 1st year)	$ left at Age 95	$744,892	$1,501,128	$2,493,815	$3,798,931
	Monte Carlo Probability[2]	86%	99%	100%	100%
4% ($50,000 in 1st year)	$ left at Age 95	out at Age 92	$387,002	$1,541,412	$2,815,342
	Monte Carlo Probability[2]	52%	94%	99%	99%
5% ($62,500 in 1st year)	$ left at Age 95	out at Age 86	out at Age 90	out at Age 95	$1,356,777
	Monte Carlo Probability[2]	32%	46%	69%	83%
6% ($75,000 in 1st year)	$ left at Age 95	out at Age 83	out at Age 85	out at Age 88	out at Age 92
	Monte Carlo Probability[2]	22%	28%	43%	63%

[1]As simulated on eMoney Advisor software by using pre-designed portfolios consisting of a variety of asset classes. Assumes equities return 9.73% annualized and fixed income return 4.33% annualized.
[2]Monte Carlo runs 1000 simulations reflecting past market conditions for the portfolio and produces a probability of the % chance that the assets will last throughout your lifetime.