

PREPARING FOR RETIREMENT

ARE **YOU** READY?



1

AGENDA

RETIREMENT REDEFINED

PLANNING OVERVIEW

CHECKPOINTS

WITHDRAWAL STRATEGY

NEXT STEPS



2

RETIREMENT IS CHANGING.



3

RETIREMENT REDEFINED

LIVING LONGER

due to increased life expectancy

WORKING LONGER

due to either choice or necessity

It's **not** just about
the money!

RETIRING DIFFERENTLY

family, travel, volunteering, hobbies

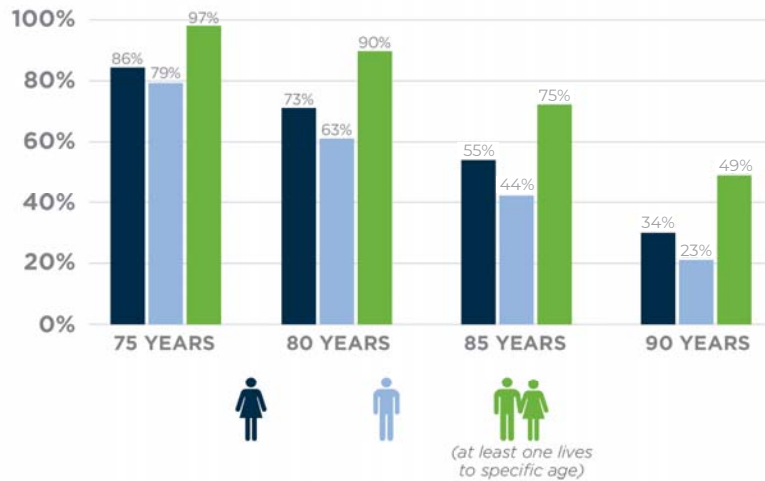
RETIRING EARLY

due to unexpected health issues



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LIVING LONGER



Source: Social Security Administration, Period Life Table, 2016 (published 2019), J.P. Morgan Asset Management.



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WORKING LONGER

NUMBER OF OLDER INDIVIDUALS
ON THE JOB IS RISING

Healthy individuals age 65 and older are working longer due to either choice or necessity.



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RETIRING DIFFERENTLY



family



travel



volunteering



hobbies



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RETIRING EARLY

69% of current workers expect to retire at age 65,
but only **31%** actually stay in the workforce until then.

Source: Employee Benefit Research Institute, Mathew Greenwald & Associates, Inc., 2017 and 2018 Retirement Confidence Survey, Data as of March 2018.



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PLANNING OVERVIEW

HOW TO PREPARE



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PLANNING OVERVIEW

IN YOUR CONTROL

Savings
Social Security
Insurance
Budgeting
Asset allocation

PARTIAL CONTROL

Work **longer** by
choice or necessity

Work **shorter** by
choice or necessity

OUT OF YOUR CONTROL

Longevity
Inflation
Policy/governmental
changes
Market returns
Economy



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PLANNING OVERVIEW

IN YOUR CONTROL



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IN YOUR CONTROL – SAVINGS

RETIREMENT SAVINGS CHECKPOINTS

		\$30,000	\$50,000	\$70,000	\$100,000	\$150,000
		Checkpoint (x current household income)				
Current Age	40	1.5	1.7	2.2	2.1	2.7
	45	2.1	2.4	3.0	3.0	3.8
	50	2.8	3.1	3.9	4.2	5.1
	55	3.7	4.1	5.0	5.6	6.7
	60	4.7	5.2	6.3	7.3	8.7
	65	6.1	6.7	8.0	9.6	11.3

Source: *Guide to Retirement*™ 2019 Edition, J.P. Morgan Asset Management (JPMAM).



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IN YOUR CONTROL – SAVINGS

GENERAL RULES OF THUMB

Most financial planners suggest **replacing 70%–90%** of your final working year's income in order to maintain your standard of living.

To reach this goal, annually contribute **15% of your salary** to retirement savings.



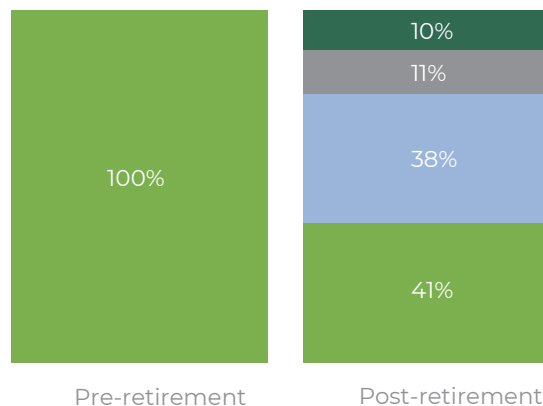
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IN YOUR CONTROL – SAVINGS

INCOME REPLACEMENT NEEDS IN RETIREMENT

- Amount required from private + employer sources
- Social Security benefit
- Less change in taxes
- Less pre-retirement savings

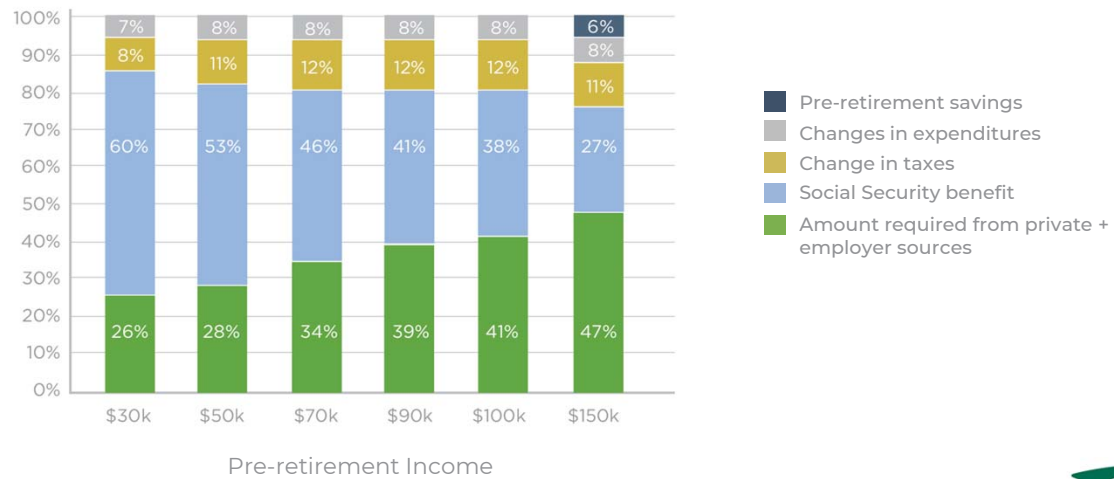
Hypothetical example based on gross annual household income of \$100,000. Household income replacement rates are derived from an inflation-adjusted analysis of: Consumer Expenditure Survey (BLS) data (2013–2016); Social Security benefits using modified scaled earnings in 2019 for a single wage earner at age 65 and a spousal benefit at age 62 reduced by Medicare Part B premiums. The income replacement needs may be lower for households in which both spouses are working and the second spouse's individual benefits are greater than his or her spousal benefit. Single household income replacement needs may vary as spending is typically less than a two-spouse household; however, the loss of the Social Security spousal benefit may offset the spending reduction. Percentages and values may not sum due to rounding.



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IN YOUR CONTROL – SAVINGS

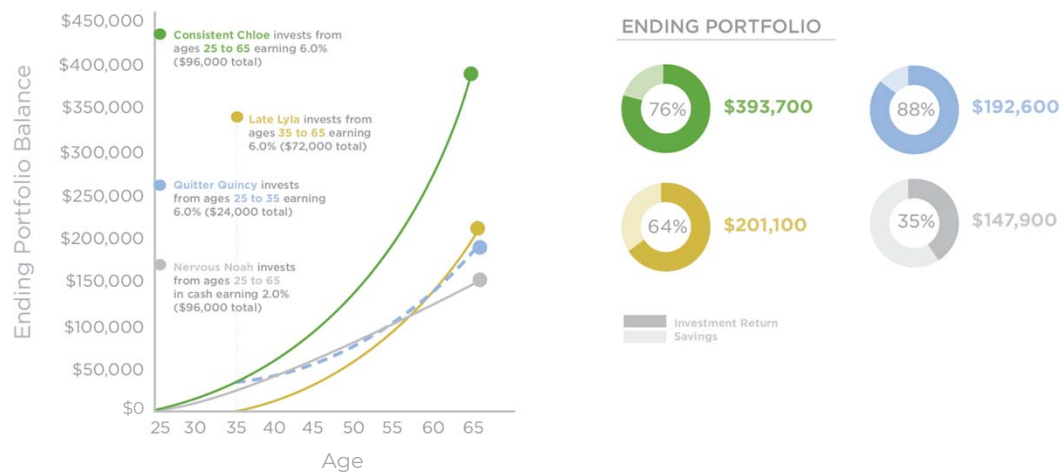
REPLACEMENT RATE DETAIL BY HOUSEHOLD INCOME



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IN YOUR CONTROL – SAVINGS

ACCOUNT GROWTH OF \$200 INVESTED/SAVED MONTHLY



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IN YOUR CONTROL – SOCIAL SECURITY

SOCIAL SECURITY CONSIDERATIONS

- Eligibility
- How benefits are calculated
- Early and full retirement age
- Social Security retirement age
- Social Security replaces 25% to 40% of income you will need
- Average Social Security benefit for single individual is \$18,000 per year*
- Average Social Security benefit for married couple is \$30,000 per year*

*Source: Social Security Fact Sheet, <https://www.ssa.gov/news/press/factsheets/colafacts2020.pdf>.

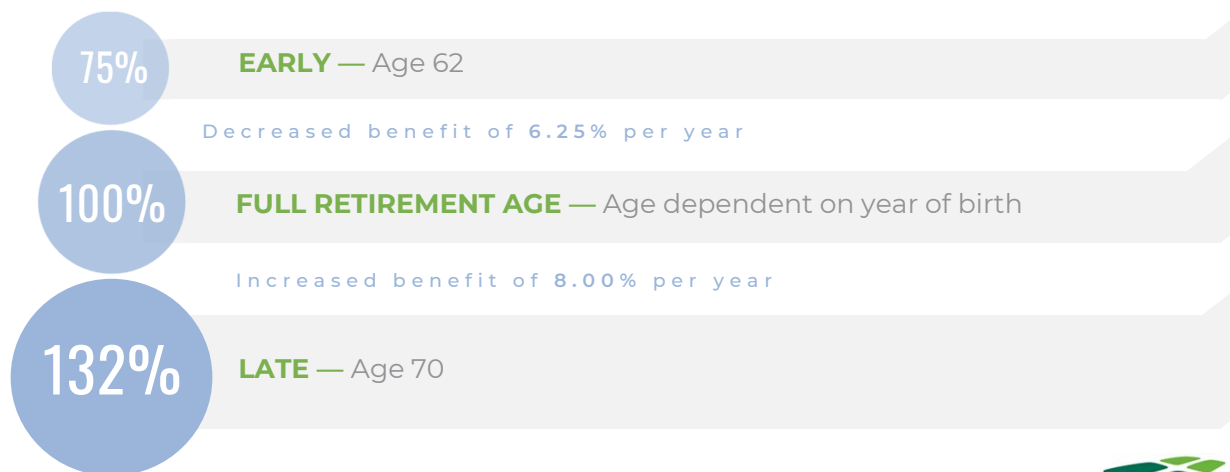


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IN YOUR CONTROL – SOCIAL SECURITY

RECEIVE ADDED BENEFITS FOR WAITING

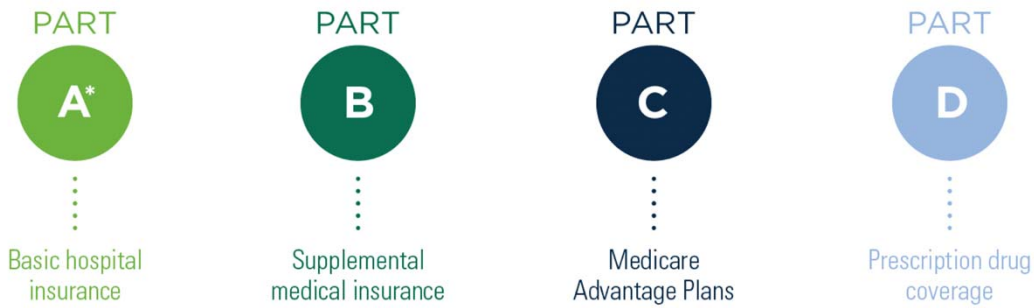
Social Security rewards those who wait. The longer you delay, the higher your benefit amount:



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IN YOUR CONTROL – INSURANCE

WHAT IS MEDICARE?



*You need to enroll in Part A at age 65, even if you're still covered under major medical.

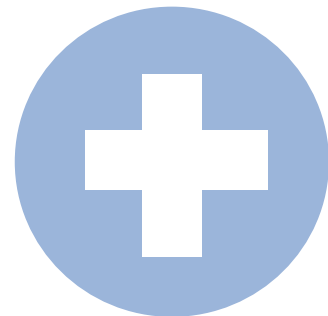


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IN YOUR CONTROL – INSURANCE

MEDICARE OPTIONS

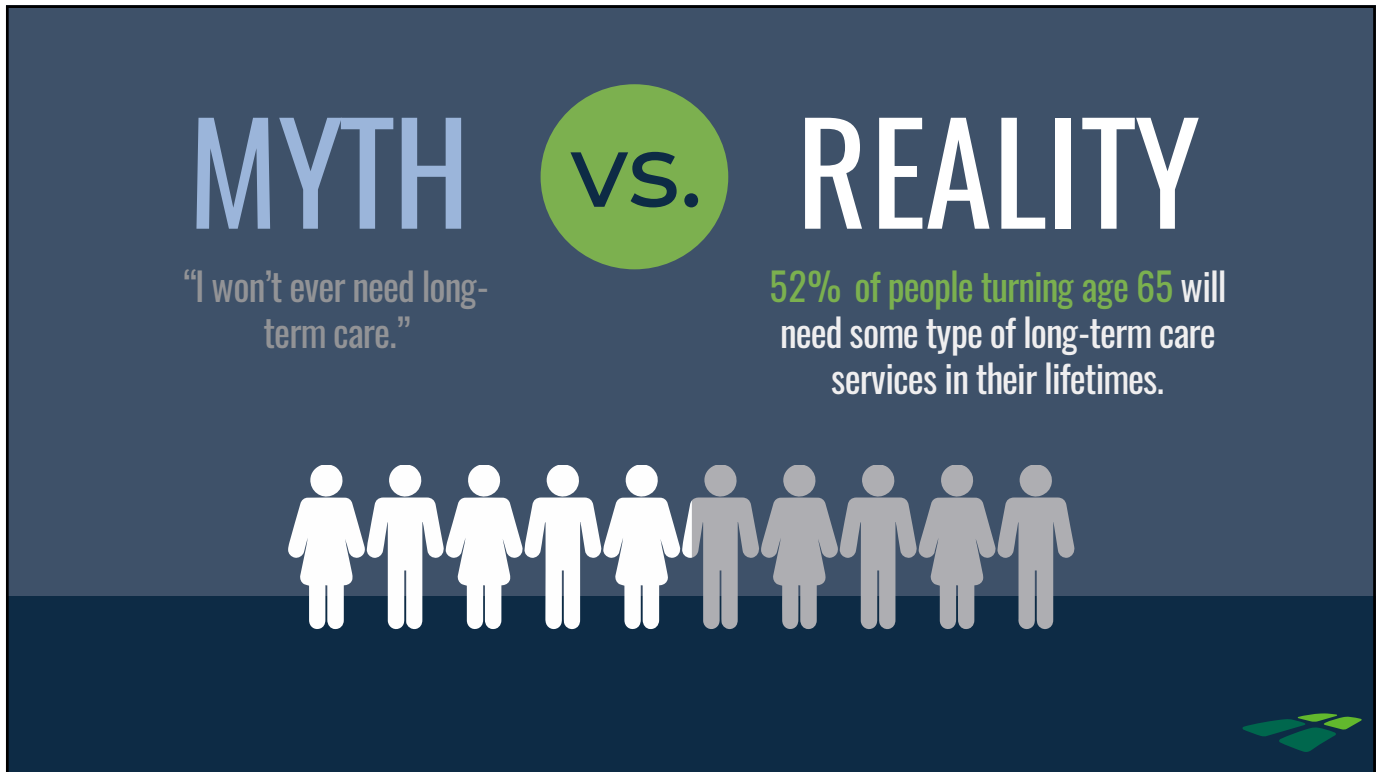
Medicare supplement plans
 GuideStone® Medicare-coordinating plans
 Medicare Advantage Plans*



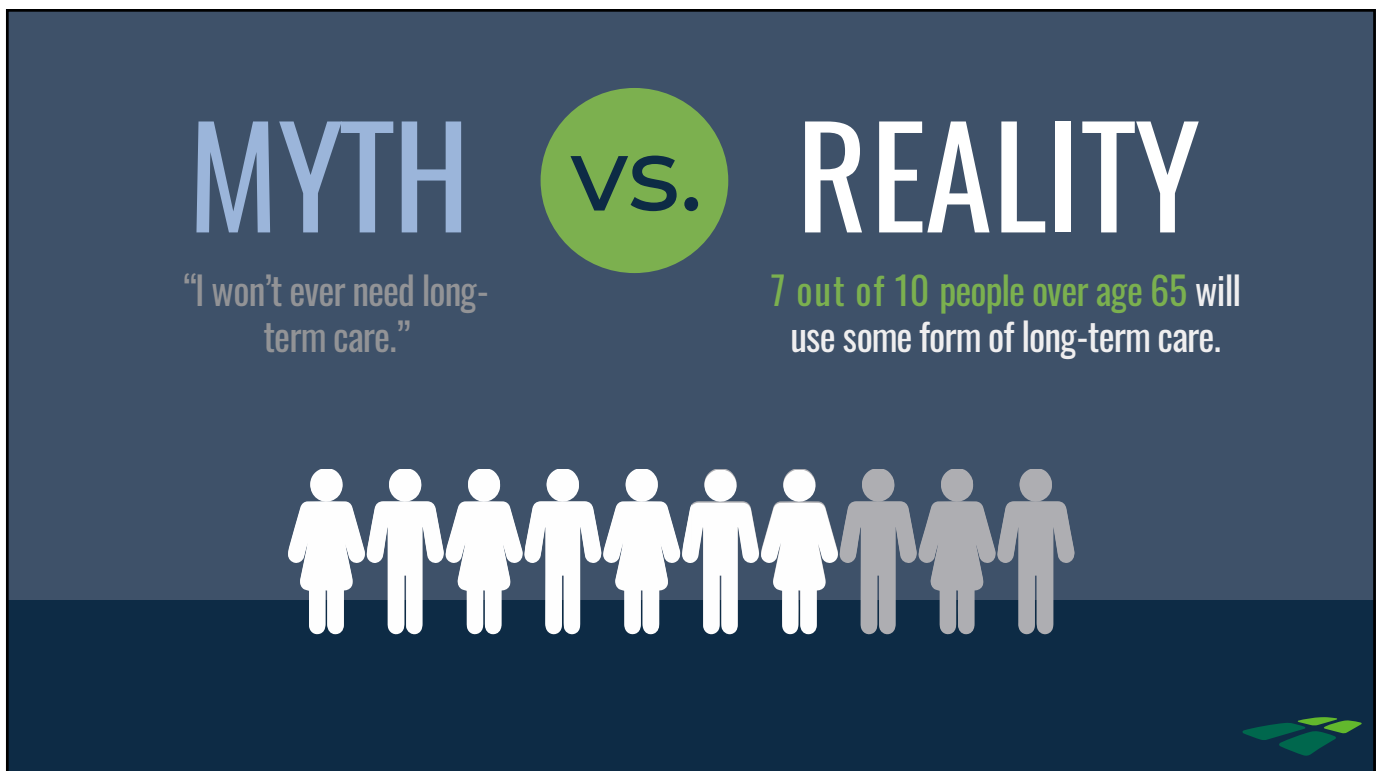
*Medicare does not cover long-term care (except for limited circumstances).



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MYTH

vs.

REALITY

“Since I don’t know if I will have Alzheimer’s, there is no need to plan for it.”

Discussing all future possibilities with your loved ones can help you prepare emotionally and financially.



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IN YOUR CONTROL – BUDGETING



Create a budget.

Pay off debt.

Spend less than you earn.



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IN YOUR CONTROL – BUDGETING

50%

is for essential expenses.



**50/20/30
RULE**

20%

is for savings.



30%

is for non-essential expenses.



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IN YOUR CONTROL – ASSET ALLOCATION

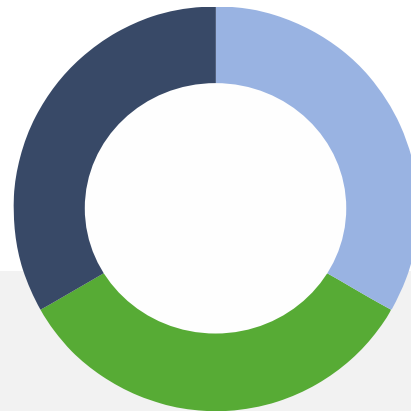
PROPER DIVERSIFICATION

Time horizon

Risk tolerance

Individual investment goals

3 MAIN INVESTMENT
APPROACHES

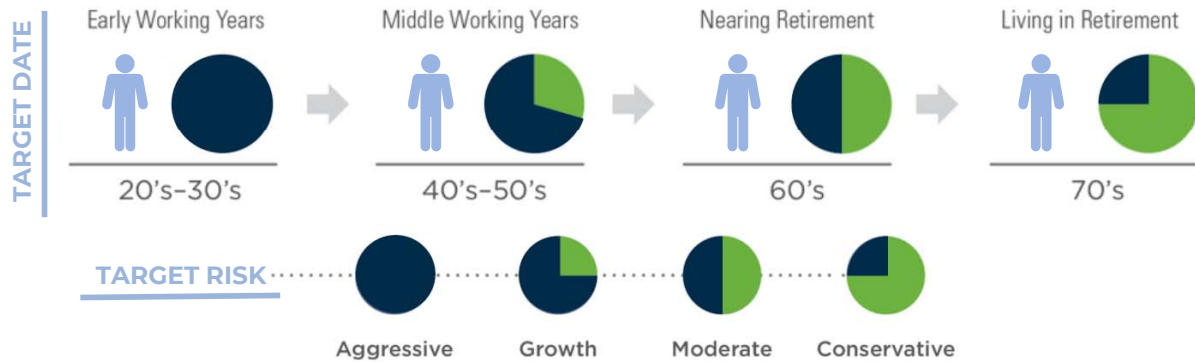


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ASSET ALLOCATION OPTIONS

Do It For Me

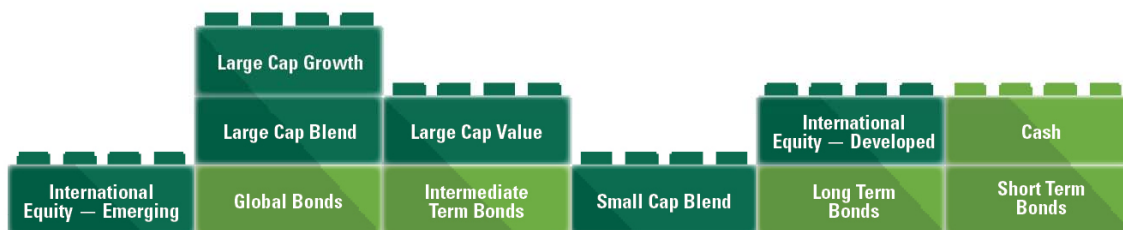


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2

CORE AND SPECIALTY OPTIONS

Do It Myself



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3

MANAGED ACCOUNT

Do It Together

People are **individuals**. Risk tolerances are **unique**.**RISK
49****RISK
82****RISK
22**

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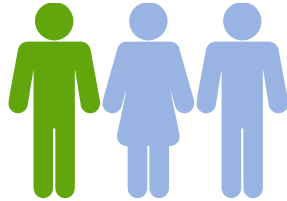
PLANNING OVERVIEW

OUT OF YOUR CONTROL



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OUT OF YOUR CONTROL – LONGEVITY



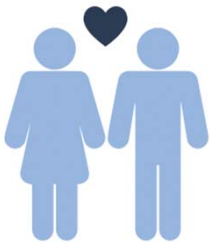
About **one out of every three** 65-year-olds today will live past **age 90**.

Source: <https://www.ssa.gov/planners/lifeexpectancy.html>.



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OUT OF YOUR CONTROL – LONGEVITY



For the average **65-year-old** couple, there is
 a **74% chance** one spouse can expect to live until age **85**,
 a **48% chance** one spouse can expect to live until age **90** and
 a **20% chance** one spouse can expect to live until age **95**.

Source: *Guide to Retirement*™ 2019 Edition, J.P. Morgan Asset Management (JPMAM).



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OUT OF YOUR CONTROL – INFLATION

HOW INFLATION AFFECTS THE COST OF GOODS OVER TIME

ITEM	1980	2000	2019
Automobile	\$6,900	\$18,775	\$37,185
House (median new home)	\$76,400	\$207,000	\$329,750
Education (4-year public university tuition)	\$2,320	\$4,845	\$10,230
National Health Care Expenditure (per capita)	\$1,108	\$4,857	\$11,559

Sources: <https://www.prnewswire.com/news-releases/average-new-car-prices-up-nearly-4-percent-year-over-year-for-may-2019-according-to-kelley-blue-book-300860710.html> <https://www.daveramsey.com/blog/housing-trends> <https://www.cnn.com/2019/04/24/tuition-at-public-universities-is-10230-a-year-on-average.html> <https://www.statista.com/statistics/184955/us-national-health-expenditures-per-capita-since-1960/>



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OUT OF YOUR CONTROL – OTHER FACTORS

Policy and governmental changes

- Taxes (tax code, tax structure, etc.)
- Social Security regulations

Market returns

Economy



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PLANNING OVERVIEW

PARTIAL CONTROL



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PARTIAL CONTROL – YOUR WORKING TIME LINE

LONGER

- Love your job
- Insufficient savings
- Too much debt

SHORTER

- Desire to retire
- Personal health issues
- Caring for aging parents or spouse



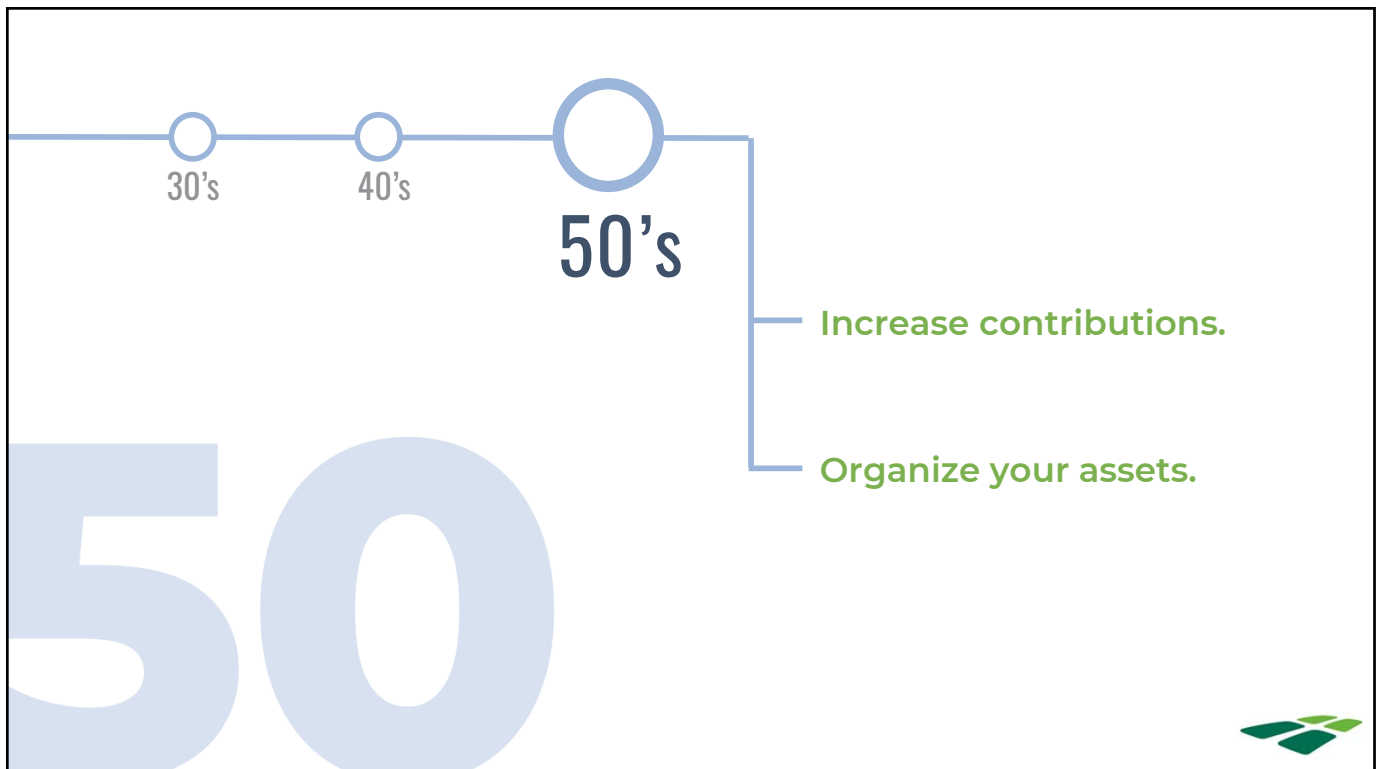
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CHECKPOINTS

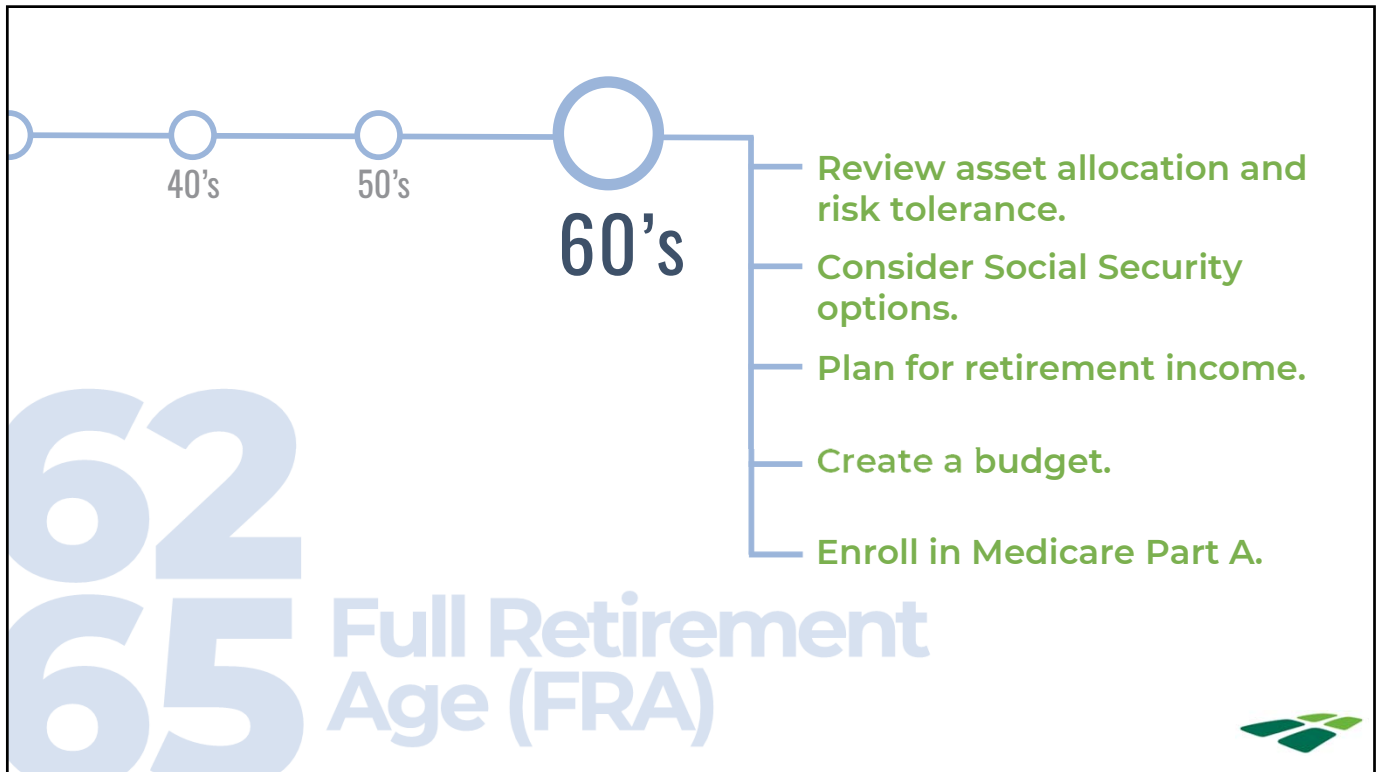
KEY RETIREMENT AGES & STAGES



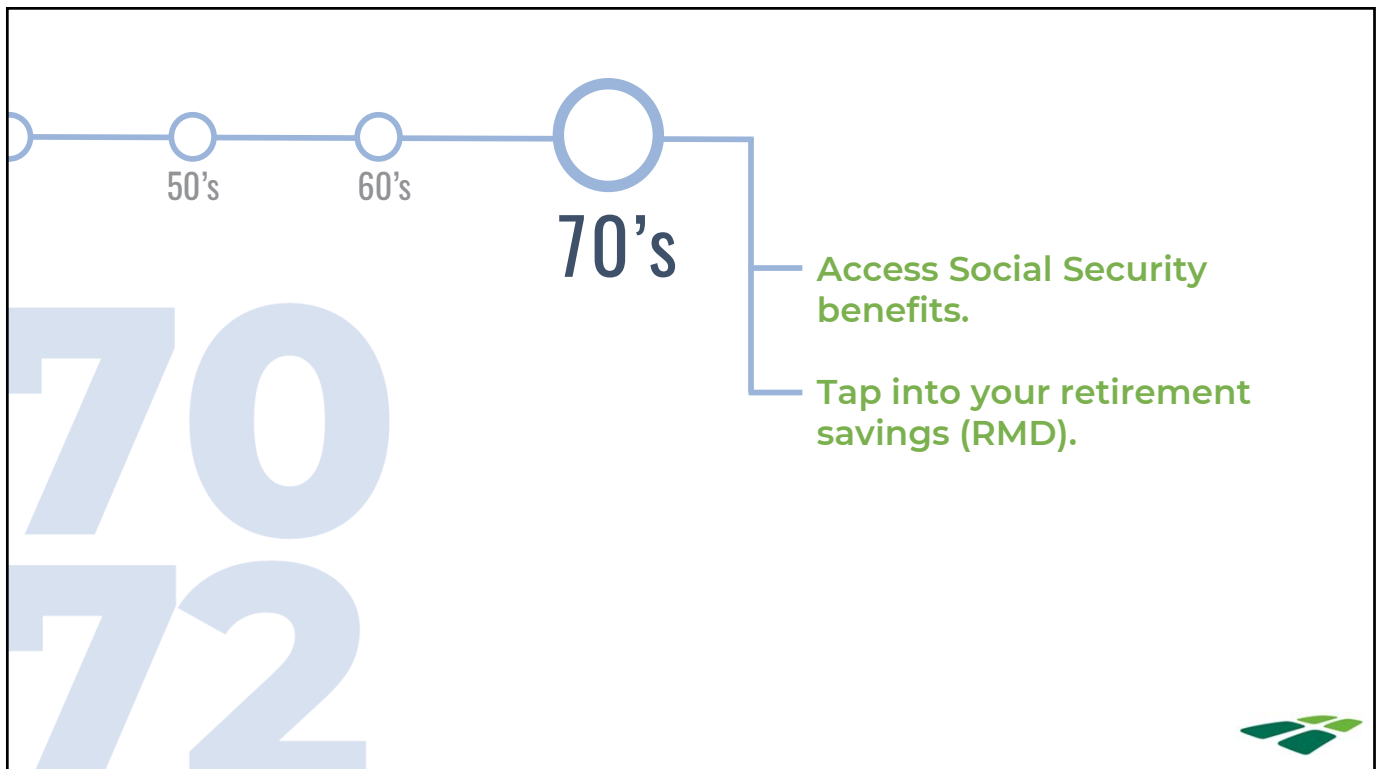
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WITHDRAWAL STRATEGY

FINE-TUNING YOUR APPROACH



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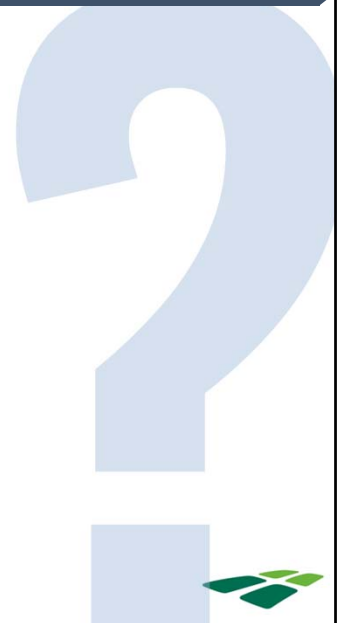
COMMON MISCONCEPTIONS

You must start receiving retirement income at age 65.

You have to purchase an annuity.

When you die, your spouse gets only half of your assets.

When you both die, your heirs don't receive anything.



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WITHDRAWAL STRATEGY



PROACTIVE

- Plan before retirement
- Prepare in advance and make tweaks



REACTIVE

- Make adjustments at retirement
- Respond to unavoidable and undesirable circumstances



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WITHDRAWAL STRATEGY

1

STEP ONE: Calculate Your Retirement Income Need

2

STEP TWO: Calculate Your Surplus or Shortfall

3

STEP THREE: Understand and Choose Your Retirement Solution



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STEP ONE: Calculate Your Retirement Income Need

WHAT ARE YOUR PLANNED RETIREMENT EXPENSES? (plus inflation)

Essential



Non-essential



RULE OF THUMB

Most financial planners suggest replacing 70%–90% of your final working year's income in order to maintain your standard of living.

Source: Patricia J. Purcell, Income Replacement Ratios in the Health and Retirement Study, U.S. Social Security Administration Office of Retirement and Disability Policy (2012), [SSA.gov/policy/docs/ssb/v72n3/v72n3p37.html](https://ssa.gov/policy/docs/ssb/v72n3/v72n3p37.html).



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STEP ONE: Calculate Your Retirement Income Need

WHAT ARE YOUR LIFETIME INCOME SOURCES? (excluding retirement investment accounts)

- Social Security
- Annuities, pensions and other lifetime income



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STEP ONE: Calculate Your Retirement Income Need

$$\begin{array}{r} \text{Retirement Expenses} \\ - \text{Lifetime Income Sources} \\ \hline \text{Retirement Income Need} \end{array}$$



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STEP ONE: Calculate Your Retirement Income Need



If no need, focus on **asset allocation**, not income solution.




If need, **calculate surplus or shortfall** from retirement savings.



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STEP ONE: Calculate Your Retirement Income Need

EXAMPLE

 Married couple, age 64, combined retirement savings of **\$270,000.**

Retirement Expenses

Monthly essential expenses: **\$3,700**

Monthly non-essential expenses: **\$100**

Lifetime Income Sources

Combined monthly Social Security benefits: **\$2,100**

Wife's monthly pension: **\$700**

Retirement Expenses	\$3,800
– Lifetime Income Sources	-\$2,800
Retirement Income Need	\$1,000



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STEP TWO: Calculate Your Surplus or Shortfall

DETERMINE YOUR SUSTAINABLE WITHDRAWAL AMOUNT

Retirement Age	Sustainable Withdrawal Rate
59 or less	3.50%
60–65	4.00%
66–69	4.50%
70 and over	Greater of 5% or RMD

Note: Asset sustainability using these rates is not guaranteed. Proper asset allocation also plays a critical role.




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STEP TWO: Calculate Your Surplus or Shortfall

<div style="display: flex; justify-content: center; align-items: center;"> <div style="text-align: right; margin-right: 10px;"> (Retirement Savings Balances x Applicable Sustainable Withdrawal Rate) </div> <div style="border-bottom: 1px solid #4f81bd; width: 100%;"></div> </div>	=	Sustainable Withdrawal Amount
12		




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2

STEP TWO: Calculate Your Surplus or Shortfall

Retirement Savings Balance x Sustainable Withdrawal Rate	\$270,000 x 4%
Annual Sustainable Withdrawal Amount ÷ 12 months	\$10,800 ÷ 12
Monthly Sustainable Withdrawal Amount	\$900



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STEP TWO: Calculate Your Surplus or Shortfall

EXAMPLE

 Married couple, age 64, combined retirement savings of **\$270,000.**

Retirement Expenses

Monthly essential expenses: **\$3,700**
 Monthly non-essential expenses: **\$100**

Lifetime Income Sources

Combined monthly Social Security benefits: **\$2,100**
 Wife's monthly pension: **\$700**

Retirement Expenses	\$3,800
– Lifetime Income Sources	-\$2,800
Retirement Income Need	\$1,000
– Sustainable Withdrawal Amount	-\$900
Shortfall	\$100
	(unsustainable)



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STEP TWO: Calculate Your Surplus or Shortfall


MAKE ADJUSTMENTS

Reduce planned retirement expenses, especially non-essentials.

Maximize contributions to your retirement savings.

Work longer (delay retirement).

Work part time during retirement.

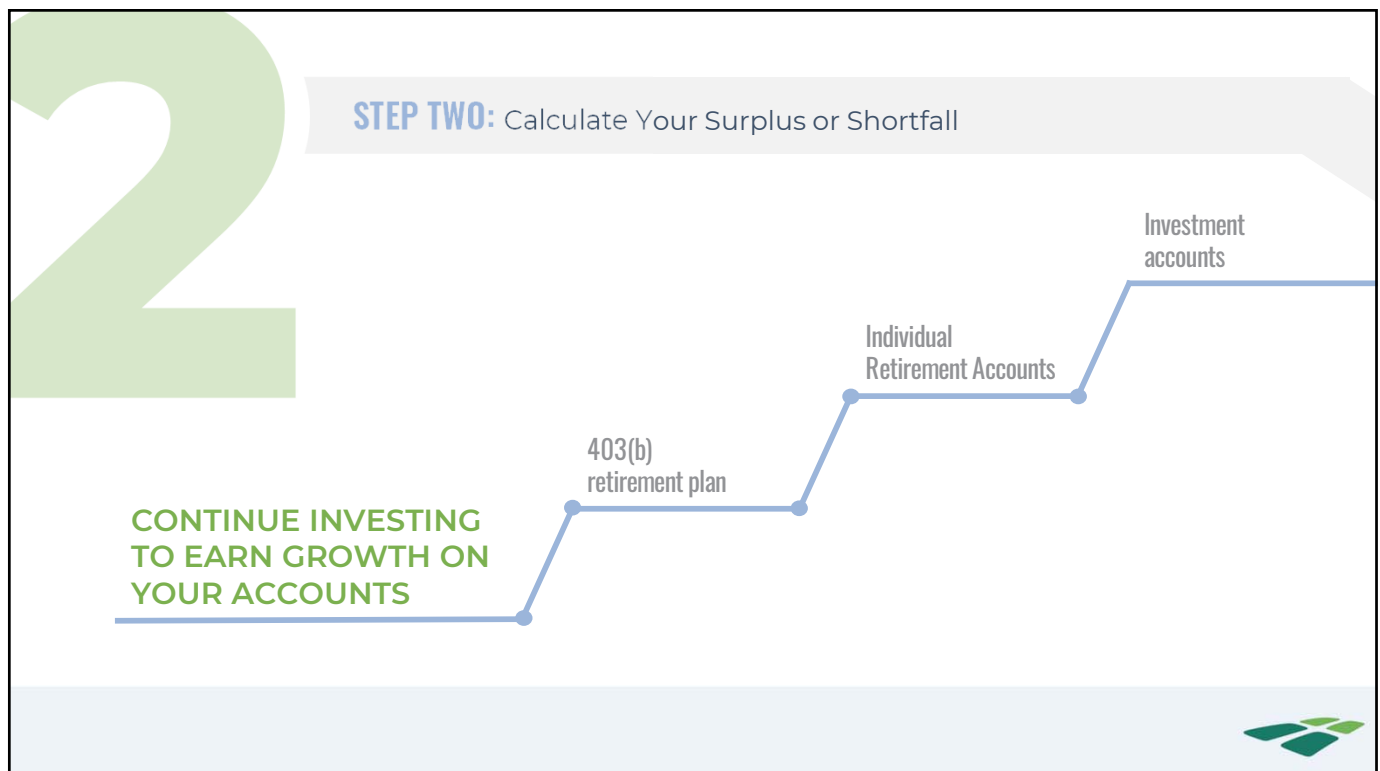


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BENEFITS

OF CONTINUED EMPLOYMENT

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STEP TWO: Calculate Your Surplus or Shortfall

EXAMPLE

 **Married couple, age 65, combined retirement savings of \$300,000.**

Retirement Expenses

Monthly essential expenses: **\$3,700**


Monthly non-essential expenses: **\$100**

Lifetime Income Sources

Combined monthly Social Security benefits: **\$2,275**

Wife's monthly pension: **\$825**

Retirement Expenses	\$3,800
– Lifetime Income Sources	-\$3,100
Retirement Income Need	\$700
– Sustainable Withdrawal Amount	-\$1,000
	(4% of \$300,000 / 12)
Surplus	\$300
	(sustainable)

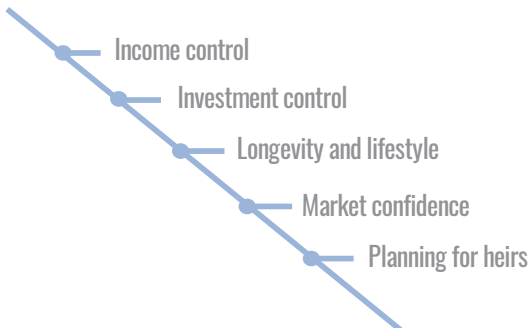


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3

STEP THREE: Understand and Choose Your Retirement Solution

BEFORE CHOOSING A WITHDRAWAL STRATEGY, CONSIDER:



- Income control
- Investment control
- Longevity and lifestyle
- Market confidence
- Planning for heirs



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STEP THREE: Understand and Choose Your Retirement Solution

CONSIDER THESE OPTIONS TO MAKE WITHDRAWALS FROM YOUR EMPLOYER-SPONSORED PLANS, IRAs AND/OR PERSONAL SAVINGS:

- Life income annuity
- Systematic withdrawal
- Combining income solutions

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STEP THREE: Understand and Choose Your Retirement Solution

LIFE INCOME ANNUITY

Allows you to convert your full or partial invested retirement balance for a lifetime stream of income

Provides **monthly income payments** for the rest of your life or the lives of both you and your spouse (if joint applicant)

Reduces longevity risk

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STEP THREE: Understand and Choose Your Retirement Solution


SYSTEMATIC WITHDRAWAL

Allows you to establish an adequate withdrawal monthly or annually to avoid running out of funds

Provides **flexible income** you can change at any time while also keeping responsibility for investing your retirement account balance

May increase longevity risk, depending on market volatility or if you withdraw more than a sustainable amount





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STEP THREE: Understand and Choose Your Retirement Solution

COMBINING INCOME SOLUTIONS

- Allows you to establish an annuity and systematic withdrawal
- Provides stability in income from the annuity for expected or essential expenses
- Offers flexibility for unexpected and/or non-essential expenses from the systematic withdrawal plan
- Reduces longevity risk
- Eliminates material investment risk increase with appropriate asset allocation
- Increases possibility of leaving legacy assets






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STEP THREE: Understand and Choose Your Retirement Solution

EXAMPLE




The couple is concerned about liquidity for non-essential expenses and emergencies.

Essential Expense Coverage from Annuity
 Of their \$700 retirement income need, they plan to:

- Cover **\$600** per month (essential expenses) with annuity
- Pay the remaining **\$100** per month (non-essential expenses) with a systematic withdrawal

To do so, they:


1. Annuitize \$145,000 of their retirement assets to cover the **\$600** monthly expenses.
2. Leave the remaining \$155,000 available for their systematic withdrawal of **\$100** per month, which is also a sustainable withdrawal because it's less than the 4% sustainable rate for their age.



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WITHDRAWAL STRATEGY

This example is for informational purposes only. This is not intended to be indicative of an actual annuitant scenario. This annuity example is based on a spousal couple both age 65 selecting a GuideStone 100% Joint Life Income Annuity with GuideStone's annuity funding rate as of June 2020. Call to request a personal retirement income estimate.



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NEXT STEPS

GUIDESTONE RESOURCES



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TAKE ACTION



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NEXT STEPS

- Estimate your retirement income benefit and see where you stand at [GuideStone.org/RetirementIncome](https://www.guidestone.org/RetirementIncome).
- Consolidate your investments at [GuideStoneRetirement.org/Consolidate](https://www.GuidestoneRetirement.org/Consolidate).
- Access your MyGuideStone® account at My.Guidestone.org.



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NEXT STEPS

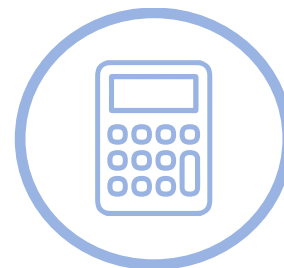
WEB RESOURCES AT [GUIDESTONE.ORG/PFR](https://www.GUIDESTONE.ORG/PFR).



Webcasts



Editable worksheets



Calculators



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GuideStone is here for you.

Helping participants since 1918

Retirement plan expertise

Nonprofit organization

No competing interests





Our bottom line — **your retirement security**



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