



# *The Cost of your Retirement*



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# THE COST OF YOUR RETIREMENT

Thinking about retirement is often difficult. It is hard to be concerned about what will happen 20 to 30 years in the future, while you are stretching your resources to meet your needs today. It is however, critical to think about how you will support yourself (and your spouse) during retirement. With people living longer, you may wind up spending as much as a third of your life in retirement. The first step is often looking at what your cost of retirement may be.

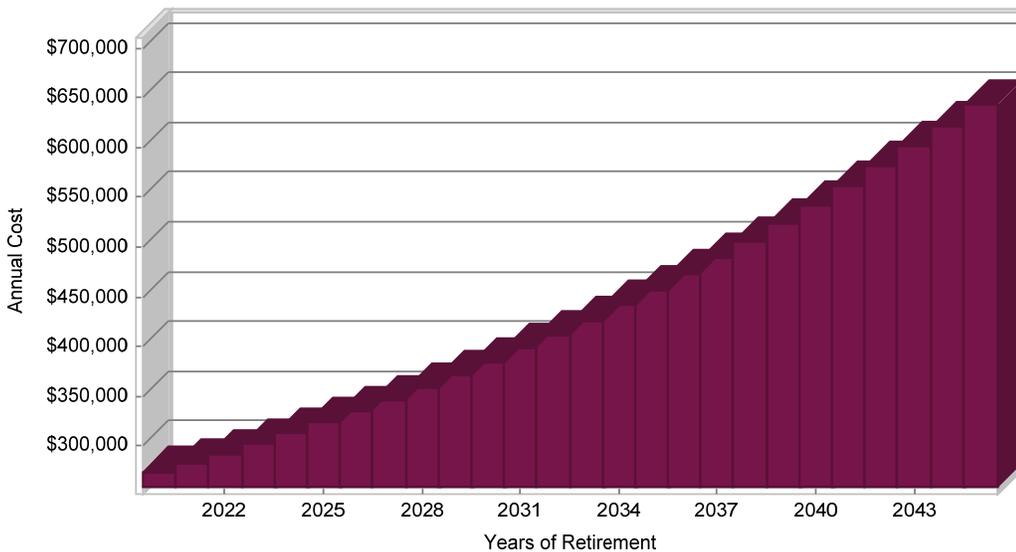
So, what level of expenses can you expect in retirement? Let's assume that you retire at age **65** (2020), have retirement living expenses of \$16,667 per month (or **\$200,004** each year) and that those expenses grow at 3.50% each year from now until you are age **90** (2045). Over the **26** years of your retirement, your living expenses would total **\$11,261,328**. And when you factor in your desire to leave **\$1,000,000** to your heirs, the total cost of retirement runs up to **\$12,261,328**.

<b>RETIREMENT LASTS FROM</b> 2020 - 2045 (26 years)
<b>TOTAL LIVING EXPENSES</b> \$11,261,328
<b>DESIRED REMAINDER</b> \$1,000,000
<b>TOTAL COST OF RETIREMENT</b> <b>\$12,261,328</b>

## HOW HIGH WILL YOUR EXPENSES GROW?

The chart below illustrates the mounting costs of your retirement, showing that you can expect an annual living expense of **\$200,004** today to grow to **\$272,585** in your first year of retirement (2020) and to **\$644,185** in your last year (2045).

The Growing Cost of Living



**KEEP IN MIND...**  
It does not necessarily cost less to live during retirement. While for some it may be true that they will need less money in retirement, it is not always the case. Health care costs, entertainment and travel expenses are examples of living expenses that can be expected to go up, not down, during your retirement years.

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## YOUR RETIREMENT INCOME

Although you may no longer be employed full-time during your retirement years, that doesn't mean your income will disappear entirely. Income sources like pension plans, annuities, social security or part-time employment can help offset your retirement living expenses.

During retirement, your income will come from the following sources:

- Samuel's Social Security     **\$26,880/yr**     2020-2045
- Barbara's Social Security     **\$13,440/yr**     2020-2045

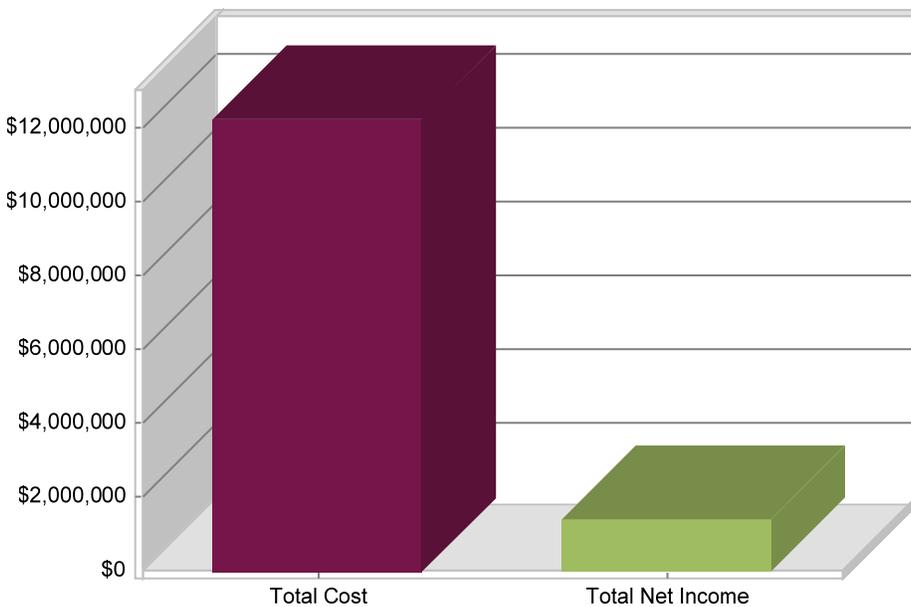
For this analysis, your retirement income will be indexed at an annual rate of 2.60% and be subject to an income tax rate of 25.0%.

<b>TOTAL COST OF RETIREMENT</b>	\$12,261,328
<b>TOTAL NET RETIREMENT INCOME</b>	\$1,390,721
<b>FUNDING GAP</b>	<b>\$10,870,607</b>
<b>PERCENT FUNDED BY INCOME</b>	<b>11%</b>

### WILL YOUR INCOME BE ENOUGH?

The chart below compares your total retirement expenses to the total net income you expect to receive during the **26** years of your retirement. Based on the income assumptions above, your retirement income alone will not be enough to fully offset your retirement expenses.

**Expenses vs. Income**



**KEEP IN MIND...**  
 According to an October 2008 update of AARP's report "Staying Ahead of the Curve 2007", 70% of older workers (ages 45-75) intend to keep working during their retirement years.

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## BUILDING A NEST EGG

Often, the primary resource you have for offsetting the cost of retirement is the value of your accumulated capital resources. These resources are assumed to grow over time through regular savings and growth, resulting in a “nest egg” that may partially or completely offset your cost of retirement. With a total retirement cost of **\$12,261,328**, you would need to amass total capital resources of **\$6,603,477** by the time you retire in **2020** (assuming a rate of return on assets of **7.00%** prior to retirement and **7.00%** during retirement and **25.0%** tax on any withdrawals).

<b>TOTAL COST OF RETIREMENT</b>
\$12,261,328
<b>NEST EGG NEEDED AT RETIREMENT</b>
\$6,603,477
<b>NEST EGG AVAILABLE</b>
\$7,168,604
<b>PERCENT OF NEEDED NEST EGG</b>
<b>109%</b>

To get an idea of the size of the nest egg that you would need to accumulate before you retire, we'll take a look at your existing resources and your planned savings.

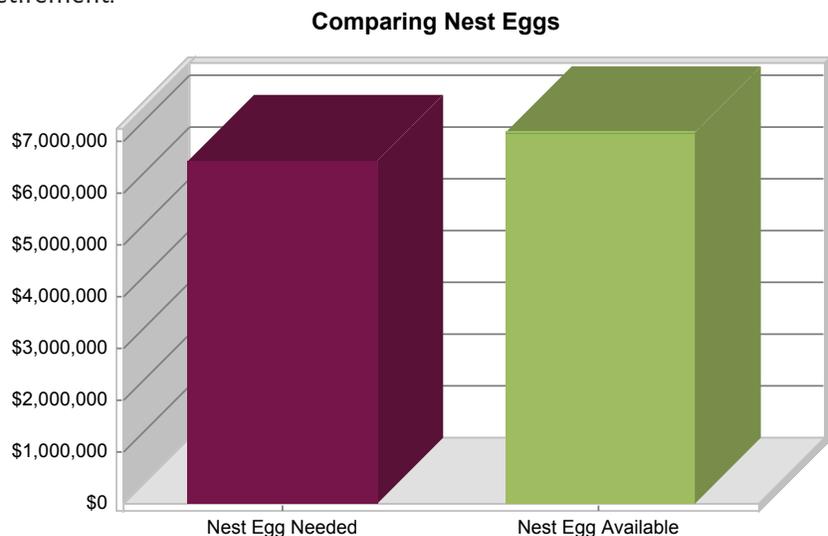
You currently have **\$2,000,000** in qualified savings and **\$1,450,000** in nonqualified savings. These savings are assumed to grow at an annual rate of **7.00%** before retirement and at an annual rate of **7.00%** after retirement. When withdrawals are made, those withdrawals will be taxed at a rate of **25.0%**.

From now until retirement you plan to save **\$1,833** each month in qualified funds and **\$2,500** in non-qualified funds. In addition, your employer(s) make monthly contributions to your qualified assets in the amount of **\$666**. These contributions will increase each year by **2.00%**.

### WILL YOUR NEST EGG BE ENOUGH?

The chart below illustrates the difference between the nest egg you'd need at retirement in order to fully offset your expenses and the nest egg you are likely to accumulate. Based on the assumptions made above, your assets should be sufficient to fully fund your retirement.

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## CAPITAL RESOURCES DETAILS

Capital Resources Today: \$3,450,000

Pre-Retirement Growth and Savings: \$3,718,604

**Total Resources at Retirement: \$7,168,604**

Year	Age	BOY Capital Resources	Net Withdrawals to fund Expenses	Taxation on Withdrawals at 25.0%	Total Withdrawal of Capital	Total Capital after Withdrawal	Growth at 7.00%	EOY Capital Resources
2020	65/65	\$7,168,604	\$234,487	\$78,182	\$312,649	\$6,855,955	\$479,917	\$7,335,872
2021	66/66	7,335,872	243,036	81,012	324,048	7,011,824	490,828	7,502,652
2022	67/67	7,502,652	251,895	83,965	335,860	7,166,792	501,675	7,668,467
2023	68/68	7,668,467	261,072	87,024	348,096	7,320,371	512,426	7,832,797
2024	69/69	7,832,797	270,579	90,193	360,772	7,472,025	523,042	7,995,067
2025	70/70	7,995,067	280,430	93,477	373,907	7,621,160	533,481	8,154,641
2026	71/71	8,154,641	290,634	96,878	387,512	7,767,129	543,699	8,310,828
2027	72/72	8,310,828	301,207	100,402	401,609	7,909,219	553,645	8,462,864
2028	73/73	8,462,864	312,159	104,053	416,212	8,046,652	563,266	8,609,918
2029	74/74	8,609,918	323,506	107,835	431,341	8,178,577	572,500	8,751,077
2030	75/75	8,751,077	335,261	111,754	447,015	8,304,062	581,284	8,885,346
2031	76/76	8,885,346	347,439	115,813	463,252	8,422,094	589,547	9,011,641
2032	77/77	9,011,641	360,054	120,018	480,072	8,531,569	597,210	9,128,779
2033	78/78	9,128,779	373,122	124,374	497,496	8,631,283	604,190	9,235,473
2034	79/79	9,235,473	386,660	128,887	515,547	8,719,926	610,395	9,330,321
2035	80/80	9,330,321	400,684	133,561	534,245	8,796,076	615,725	9,411,801
2036	81/81	9,411,801	415,211	138,404	553,615	8,858,186	620,073	9,478,259
2037	82/82	9,478,259	430,261	143,420	573,681	8,904,578	623,320	9,527,898
2038	83/83	9,527,898	445,851	148,617	594,468	8,933,430	625,340	9,558,770
2039	84/84	9,558,770	462,000	154,000	616,000	8,942,770	625,994	9,568,764
2040	85/85	9,568,764	478,728	159,576	638,304	8,930,460	625,132	9,555,592
2041	86/86	9,555,592	496,057	165,352	661,409	8,894,183	622,593	9,516,776
2042	87/87	9,516,776	514,006	171,335	685,341	8,831,435	618,200	9,449,635
2043	88/88	9,449,635	532,600	177,533	710,133	8,739,502	611,765	9,351,267
2044	89/89	9,351,267	551,859	183,953	735,812	8,615,455	603,082	9,218,537
2045	90/90	9,218,537	571,809	190,603	762,412	8,456,125	591,929	9,048,054

This sample report is being provided as an example only. None of the information herein should be considered representative of any specific situation.

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