
Retirement Needs & Expenses

PRESENTED BY:

RYAN R MORRISSEY, CFP[®], CLU[®], CHFC[®], CMFC[®]

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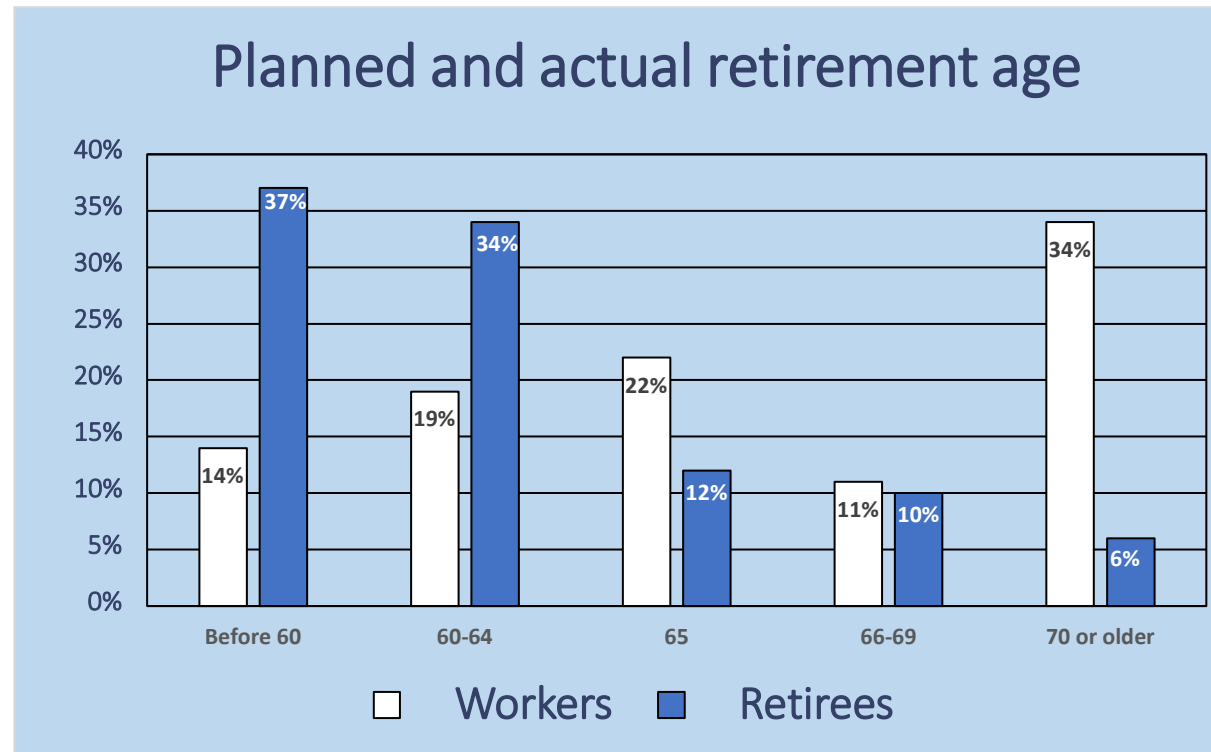
Introduction

In this section we'll cover:

- Retirement age trends
- Historical inflation rates in the U.S.
- How to estimate your retirement expenses
- Estimate your potential income in retirement
- How to turn your savings and retirement accounts into retirement income

Americans Retire Early

While 33% of workers surveyed plan to retire before age 65, 71% of the retirees who were surveyed actually retired before age 65.



How Long Must Your Money Last

Current Age	Life Expectancy*	
	Male	Female
Birth	76.3	81.1
40	78.7	82.5
45	79.2	82.9
50	79.8	83.3
55	80.6	83.9
60	81.7	84.6
65	83	85.5
70	84.4	86.6
75	86.2	88
80	88.3	89.7

*National Vital Statistics Report, Volume 67, Number 7, November 13, 2018. U.S. Department of Health and Human Services, Center for Disease Control and Prevention (CDC). Year 2015 data.

Inflation in Retirement

Unfortunately, many retirees live on a fixed income, inflation can have a big impact on their financial situations. While you can't control inflation, you can try to plan for it.

- We can look at past rates of inflation to estimate the potential inflation during our retirement
- The most common measure of inflation in the U.S. is using CPI-U, (Consumer Price Index for all Urban Consumers)

Historical Rates of Inflation

Year	Inflation Rate*	Averages
2023	?	
2022	6.5%	
2021	7.5%	
2020	1.4%	
2019	2.3%	
2018	1.9%	
2017	2.1%	
2016	2.1%	
2015	0.7%	
2014	0.8%	
2013	1.5%	10 Year Average=2.68

*Consumer Price Index, Dec 31 2013 through Dec 31 2022

Inflation & Purchasing Power

Inflation will erode the purchasing power of dollars in the future.
This is important if you retire on a fixed income.

Number of Years	2%	3%	4%	5%	6%
5	1.104	1.159	1.217	1.276	1.338
10	1.219	1.344	1.480	1.629	1.791
15	1.346	1.558	1.801	2.079	2.397
20	1.486	1.806	2.191	2.653	3.207
25	1.641	2.094	2.666	3.386	4.292
30	1.811	2.427	3.243	4.322	5.743

Note: This table is based on compound sum of \$1. Calculations and amounts are approximate due to rounding

Inflation & Purchasing Power

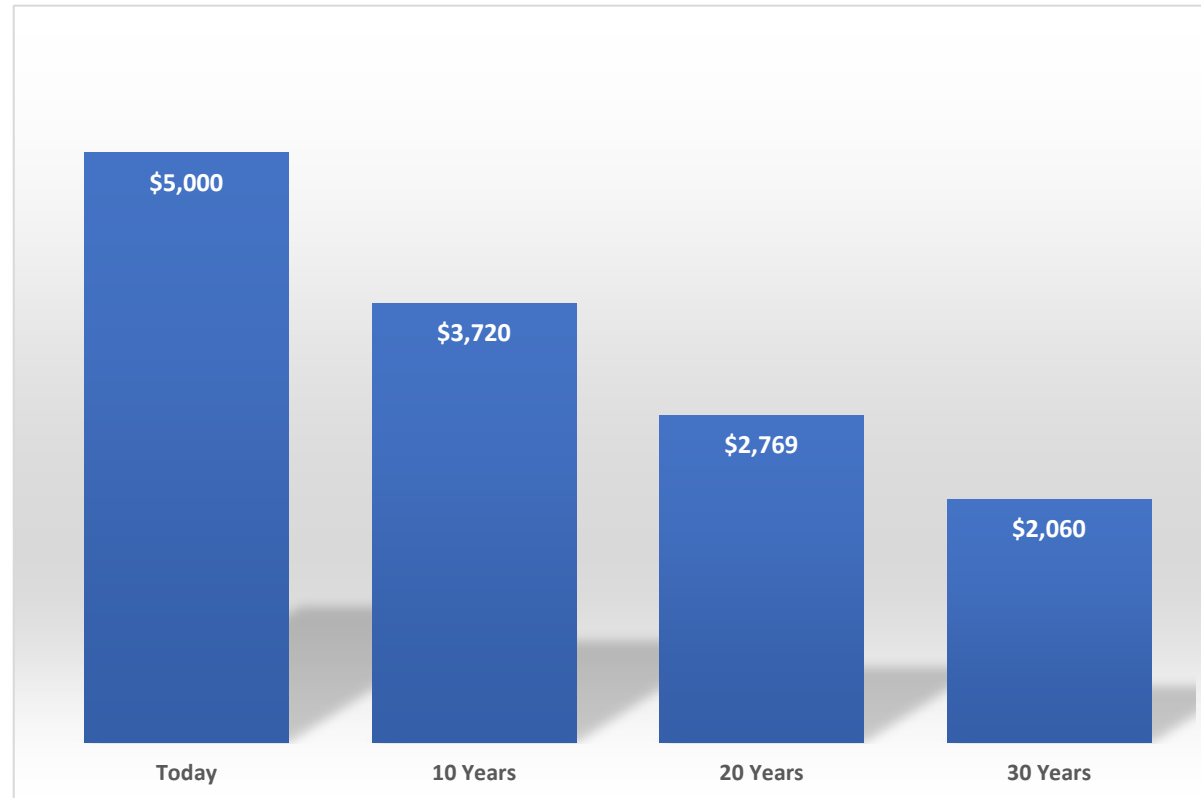
What monthly income is required to generate the equivalent purchasing power of \$5,000 (in today's dollars) at a 3% inflation rate?



Note: Calculations and amounts are approximate due to rounding.

Inflation & Purchasing Power

How much future purchasing power will \$5,000 (in today's dollars) have at a 3% inflation rate?



Note: Calculations and amounts are approximate due to rounding.

How To Keep Up With Inflation in Retirement

THERE ARE A FEW DIFFERENT WAYS FOR YOUR INCOME TO KEEP PACE WITH INFLATION IN RETIREMENT:

1. Delay collecting your social security benefit until full retirement and possibly until age 70. Especially age 70 for the higher earning spouse. Social Security has a generous COLA determined each fall.
2. If you are eligible for a pension and they offer a payout option with a Cost Of Living Adjustment (COLA) investigate that option
3. Have a significant portion of your retirement portfolio (50-70%) invested in stocks as over the long term stocks have outpaced inflation

Retirement Expectations

In a survey conducted by the Employee Benefit Research Institute:

- 66% of workers are very or somewhat confident they will have enough money to live comfortably throughout retirement

Worker Confidence in Having Enough Money to Live Comfortable Throughout Retirement Years	
Very Confident	23%
Somewhat Confident	43%
Not Too or Not At All Confident	34%

Retirement Expectations

- 72% of workers are very or somewhat confident they will have enough money to take care of basic expenses throughout retirement

Worker Confidence in Having Enough Money to Take Care of Basic Expenses (in Retirement)	
Very Confident	27%
Somewhat Confident	45%
Not Too or Not At All Confident	28%

- Only 48% of workers report they and/or their spouse have tried to calculate how much they will need to save for retirement

How Much Will You Need to Retire

THERE ARE TWO WAYS TO DETERMINE THAT AMOUNT: THE RIGHT WAY AND THE WRONG WAY

- Right way: Complete a detailed annual budget based off your retirement and lifestyle goals
- Wrong way: Using a percentage of what you make or spend such as 80% . Or just guessing.
- Knowing your expenses in retirement is the foundation of retirement planning. You will most likely not be able to return to work if you underestimate your income needs in retirement

How Much Will You Need to Retire?

CREATING YOUR ANNUAL BUDGET

1. List out what you're currently spending annually
2. Account for any additional expenses or changes to your spending such as traveling or selling a home.

These are the numbers you should use to plan for your retirement. If your mortgage or other loans will be paid off, there are certain planning calculators and software that will take this into account.

How Much Will You Need to Retire?

CREATE YOUR ANNUAL BUDGET

Fixed Expenses	Monthly	Annually
Home Mortgage		
Rent		
Home Equity Line of Credit		
Other Mortgage		
Real Estate Taxes		
Maintenance Fees		
Auto Insurance Premiums		
Homeowners Insurance Premiums		
Life Insurance Premiums		
Disability Insurance Premiums		
Health Insurance Premiums		
Dental Insurance Premiums		
Other Insurance		
Newspapers/Magazines		
Dues, Licenses, Fees, ect.		
Bank Loans/Other Loans		
Car Payment		
Car Payment		
Car Lease Payment		
Car Lease Payment		
Credit Cards		
Support/Dependents		
Other		
Other		
Other		
Total Fixed Expenses		

How Much Will You Need to Retire?

CREATE YOUR ANNUAL BUDGET

Variable/Fixed Expenses	Monthly	Annually
Food		
Heating Oil		
Natural Gas		
Electricity		
Telephone		
Internet		
Cable TV		
Water		
Sewer		
Garbage Collection		
Laundry		
House Help-Garden, Cleaning, Child Care		
Basic Clothing		
Doctors Co-Pays		
Prescription Drugs		
Car Gas & Oil / Tolls		
Parking		
Cell Phones		
Repairs & Maintenance		
Other		
Other		
Other		
Total Variable/Fixed Expenses		

How Much Will You Need to Retire?

CREATE YOUR ANNUAL BUDGET

Discretionary Expenses	Monthly	Annually
Entertainment		
Vacations		
Education		
Discretionary Clothing		
Contributions		
Recreation		
Haircuts		
Beauty Care		
Incidentals		
Other		
Other		
Other		
Total Discretionary Expenses		
Total Expenses		

How Much Will You Need to Retire?

CREATE YOUR OWN STATEMENT OF
NETWORTH

Total Assets – Total Liabilities =
NETWORTH

Assets	Value	Liabilities	Value
<u>Liquid Assets</u>		<u>Consumer Debt</u>	
Cash		Credit Cards	
Checking & Savings		Car Loans	
Money Markets		Personal Loans, Credit Lines	
CD's		Other	
Other		<u>Long Term Debts</u>	
<u>Investments</u>		Real Estate Mortgages	
Mutual Funds		Real Estate Line of Credit	
Stocks		Student Loans	
Bonds		Other	
Annuities		<u>Miscellaneous</u>	
U.S. Savings Bonds		Loans from Life Insurance Policies	
Other		Current Income Taxes	
<u>Retirement Accounts</u>		Other	
401K		<u>Networth</u>	
403B			
IRA			
Roth IRA			
Other			
<u>Real Estate</u>			
Personal Residence			
Rental Property			
Vacation Home			
Farm			
<u>Life Insurance</u>			
Life Insurance Cash Value			
Other			
<u>Personal Property</u>			
House Hold Items			
Cars			
Boats			
Valuables			
<u>Business/Practice Value</u>			
Company			
Partnership			
<u>Miscellaneous</u>			
Total Assets			

How Much Will You Need to Retire

GATHER PENSION STATEMENTS AND SOCIAL SECURITY STATEMENTS

- Social Security: www.ssa.gov
- Download your most recent statement
- Numbers will be more accurate the closer you are to collecting
- Pensions:
 - Request an estimate from your current or previous employer
 - Many estimates can be done online or you may need to reach out to your HR department

Case Study: Estimating Retirement Expenses

Let's look at the example of Bob & Cindy Jones. Bob & Cindy plan to retire in 1 year and do not want to work during retirement. Their monthly expenses are \$5,500 per month. We must first determine their income needs before taxes.

\$5,500 Monthly expenses today

x1.25 Current Federal & State Taxes

\$6,875 Monthly Income Needed to Cover Expenses