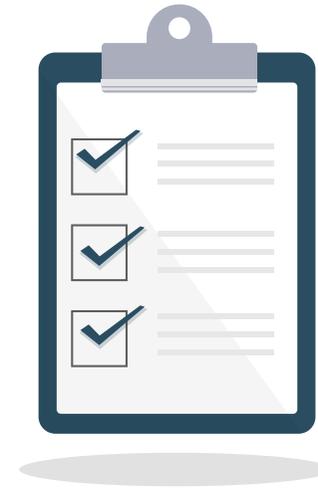


Can I Afford to Retire?

Checklist



How much is “enough” to retire?

It is as simple as filling up four buckets.



STEP 1

How Much Is Enough for the Liquidity Bucket?



The Liquidity bucket provides for cash reserves and short term goals



Emergency Reserve

Easy to access funds to cover the unexpected. 3-6 months of expenses are recommended



Bob and Mary spend \$5,000 per month and would like to have 6 months of expenses in reserve.

They set aside **\$30,000**
(\$5,000 x 6 = \$30,000)

Me

Monthly Expenses : _____

Number of Months : _____

Total : _____



Short Term Goals

Funds to cover known goals coming up in the next 24 months



Bob and Mary will replace one of their vehicles (\$25,000) and they need to make some repairs to their roof (\$10,000) within the next 24 months.

They add **\$35,000** for their Liquidity Bucket

Me

Goal 1
Description : _____ Amount : _____

Goal 2
Description : _____ Amount : _____

Goal 3
Description : _____ Amount : _____

Goal 4
Description : _____ Amount : _____

Total _____

How Much is Enough for the Liquidity Bucket Example

\$65,000

How Much is Enough for My Liquidity Bucket

STEP 2

How Much Is Enough for the Income Bucket?



The Income bucket provides predictable or guaranteed income to cover your essential retirement expenses

1. Calculate your "income gap"

How much of your essential retirement expenses are not covered by secure income sources?



Bob and Mary need \$5,000 per month for their essential retirement expenses. Their Social Security covers \$3,500 per month.

This leaves
**\$1,500 per month or
\$18,000 per year**

Me

Annual essential retirement expenses: _____

— Annual secure retirement income: _____

Annual Income Gap: _____

2. Calculate your Income bucket need

Divide your annual income gap by the payout or withdrawal rate of the investment tool that will provide you with predictable or guaranteed income for life



Bob and Mary decide to take a "safety first" approach and use an income annuity to cover their \$18,000 per year income gap. The payout rate for the income annuity is 5.5% and so they will need a total of \$327,273 for their Income bucket

**$\$18,000 \div 0.055 =$
 $\$327,273$**

Me

Annual Income Gap \div Payout/Withdrawal Rate of Income Investment Tool

_____ \div _____

= _____

How Much is Enough for the Income Bucket Example

\$327,273

How Much is Enough for My Income Bucket

STEP 3

How Much Is Enough for the Growth Bucket?



The Growth bucket provides for income increases every few years to combat inflation

How much is enough for the Growth bucket is a multiple of how much is enough for the Income bucket. It is based on

#1 Desired growth rate of income

#2 Average return of Growth bucket investments



Bob and Mary have an income gap of \$18,000 per year and have created an \$18,000 per year guaranteed income to cover this using their Income bucket. They would like this \$18,000 annual income to grow at 3.0% per year (#1 above). They believe that their Growth bucket investments (made up of a portfolio of stock and bond mutual funds) can earn an average of 7.0% return (#2 above).

2.0% Inflation		3.0% Inflation		4.0% Inflation	
Growth Bucket Average Return	Income Bucket Multiplier	Growth Bucket Average Return	Income Bucket Multiplier	Growth Bucket Average Return	Income Bucket Multiplier
3%	1.6	3%	3.2	3%	5.1
4%	1.3	4%	2.7	4%	4.2
5%	1.1	5%	2.2	5%	3.5
6%	0.9	6%	1.9	6%	2.9
7%	0.8	7%	1.6	7%	2.5
8%	0.7	8%	1.3	8%	2.1
9%	0.6	9%	1.1	9%	1.8

Bob and Mary's multiplier is 1.6. They multiply their Income bucket of \$327,273 by 1.6 for their Growth bucket goal of **\$523,636**.

Me

Desired growth rate of income: _____

Average return of Growth bucket investments: _____

My Growth bucket multiplier (see chart): _____

Income bucket target (see step 2) X Growth bucket multiplier

_____ X _____

= _____

How Much is Enough for the Growth Bucket Example

\$523,636

How Much is Enough for My Growth Bucket

STEP 4

How Much Is Enough for the Protection Bucket?



The Protection bucket is a safety net for “spending shocks” such as long term care, unexpected healthcare costs, premature death of a spouse and more



Bob and Mary do not have long term care or life insurance, nor do they intend to purchase it based on their current health challenges . When they weigh potential risks in their plan, they determine that they would like to have an additional

\$350,000 to cover all the potential spending shocks they may incur throughout retirement.

Me

Potential Spending Shocks

Long Term Care _____

Family Related Responsibilities _____

Healthcare _____

Death of a Spouse _____

Other _____

Other _____

TOTAL _____

How Much is Enough for the Protection Bucket Example

\$350,000

How Much is Enough for My Protection Bucket



Putting It All Together for Bob and Mary

Liquidity Bucket Income Bucket Growth Bucket Protection Bucket



\$65,000



\$327,273



\$523,636



\$350,000

Total Buckets \$1,265,909

Bob and Mary currently have the following assets

Checking and Savings:	\$50,000
Investment Assets:	\$852,533
Home Equity:	\$425,500
Total:	\$1,328,033

Bob and Mary currently have enough total assets compared to their desired buckets goal, but some of these assets represent housing wealth and not pure investment assets. They decide that their next step is to explore the various ways that they may be able to close this gap which include responsibly accessing housing wealth, extending their work time horizon, evaluating their true retirement expense needs, and moving to a less expensive home or location.

Me

Putting It All Together for Me

Liquidity Bucket Income Bucket Growth Bucket Protection Bucket



Total Buckets

I currently have the following assets

Checking and Savings:	\$
Investment Assets:	\$
Home Equity:	\$
Other:	\$
Total:	\$ _____

The goal of the Can I Afford to Retire Checklist is to help point you in the right direction toward making a confident retirement decision. It is not intended to provide specific advice for your specific situation as there are many factors and nuances that may make your unique retirement planning decisions and bucket amounts different than the steps described above. These include taxes, changes in public policy, uneven annual income or expense needs, sequence of return risk, to name a few. Make sure to consult with your advisor or an experienced retirement income specialist to make critical decisions on retirement readiness.