



# Retirement Income Planning

Diversify Income Sources to Support  
Your Retirement Lifestyle





## As you start to approach retirement, it's important to first define your retirement vision.

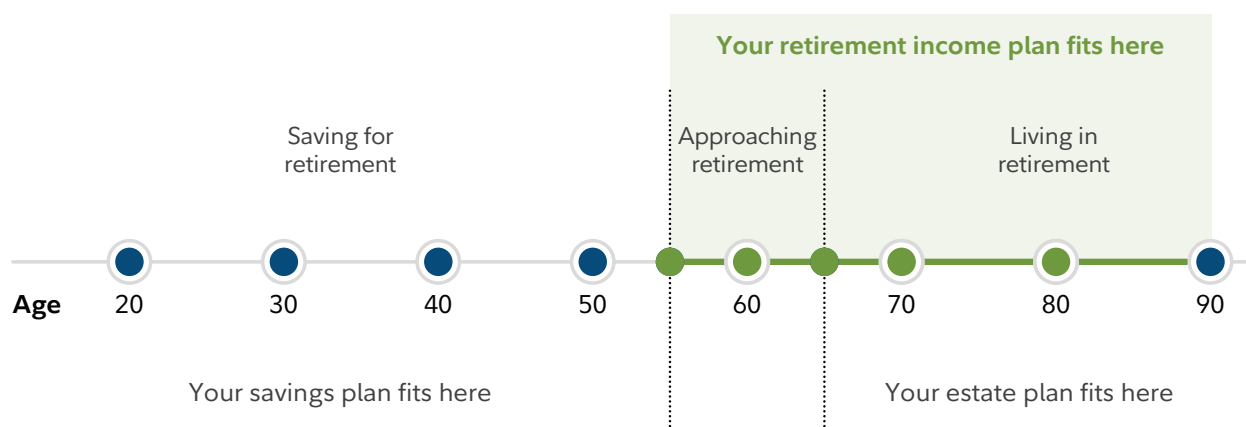
You've spent many years saving, investing, and planning for your future.

You'll need to spend some time thinking about what you envision doing when you have more time. This will help you create a thoughtful approach to how to spend your money in retirement.



Then comes the fun part: enjoying the lifestyle you've been envisioning along the way.

Before you begin personalizing your retirement plan, there are several key challenges you need to be aware of as you move from saving to living in retirement.






Let's explore the five key challenges that could impact your retirement.



## 1. Longevity: Planning for a longer life

With quality-of-life enhancements and access to health care, among other improvements, retirees are living longer. Because of this, you may need to plan for a longer retirement.

			
	65-year-old man	65-year-old woman	65-year-old couple*
50% Chance	87 years	89 years	93 years
25% Chance	93 years	95 years	97 years

\*At least one surviving individual.

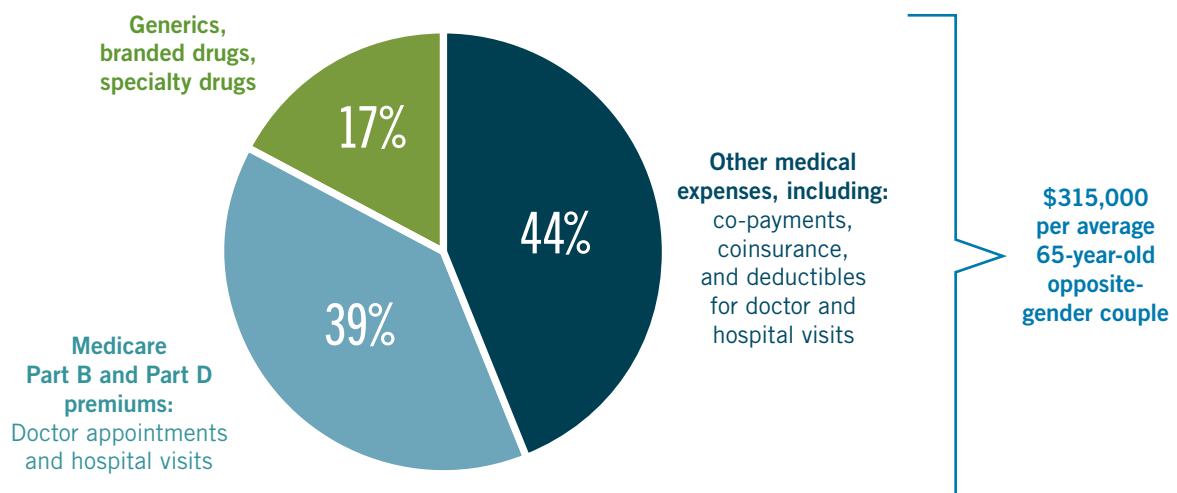
Source: Society of Actuaries RP-2014 Mortality Table projected with Mortality Improvement Scale MP-2021.

For illustrative purposes only.



## 2. Health Care Costs: Rising and unpredictable

Health care, and potentially long-term care, is expected to be one of your largest expenses in retirement—and you need to plan for that. It is estimated that the average opposite-gender couple will need \$315,000 (after tax) in today's dollars for medical expenses in retirement.<sup>1</sup> Below are estimates of where you are likely to spend your health care money.



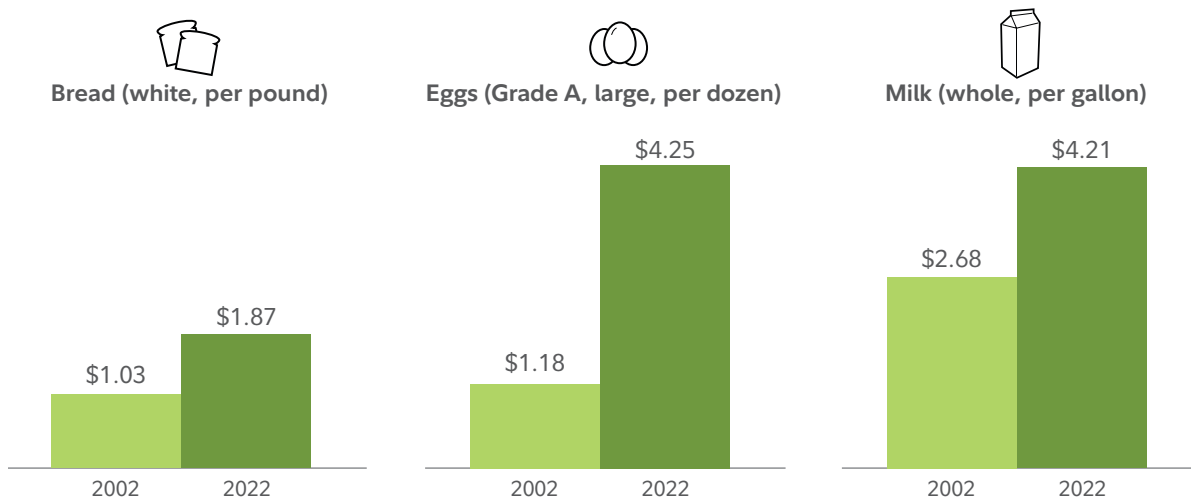
Source: "How to plan for rising health care costs," Fidelity Workplace Consulting, 2022.

<sup>1</sup>For details used to estimate the \$315,000 health cost, please refer to the back page.



### 3. Inflation: Can erode your buying power

Imagine how inflation might affect the buying power of your money over time and what that could mean for maintaining your lifestyle in retirement. Even a relatively low inflation rate could have a significant impact on your buying power.



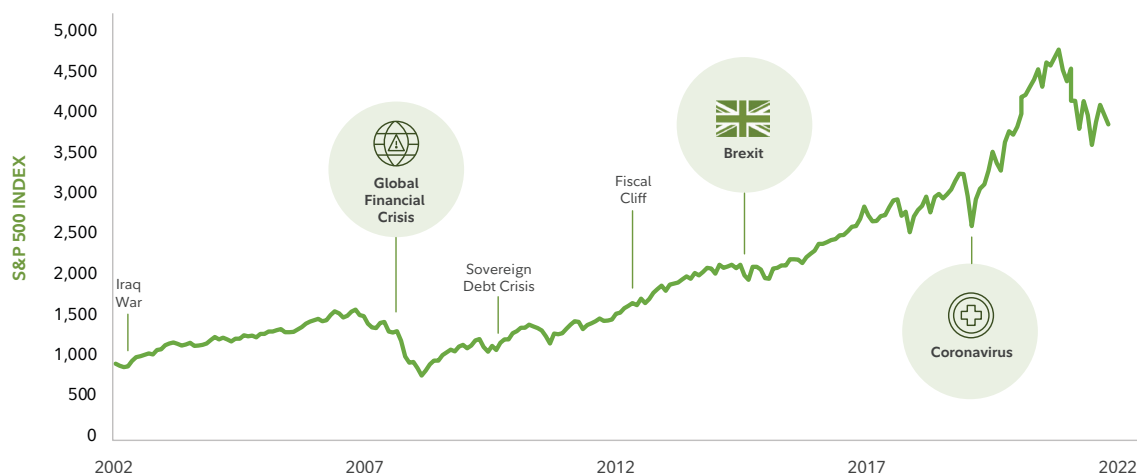
Source: United States Department of Labor, Bureau of Labor Statistics, [www.bls.gov/charts/consumer-price-index/consumer-price-index-average-price-data.htm](https://www.bls.gov/charts/consumer-price-index/consumer-price-index-average-price-data.htm) (December 2022).

Note: Figures are based on national averages.



### 4. Market Volatility: Impact of declining markets

Market declines were disruptive during your working years, but you had an income source, were still saving for retirement, and had time on your side. It's important to understand that market volatility will happen and staying the course may help ensure that you remain on track.



Source: Fidelity Investments, December 31, 2022.

#### Past performance is no guarantee of future results.

The S&P 500® Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation. S&P and S&P 500 are registered service marks of Standard & Poor's Financial Services LLC. The CBOE Dow Jones Volatility Index is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. You cannot invest directly in an index.

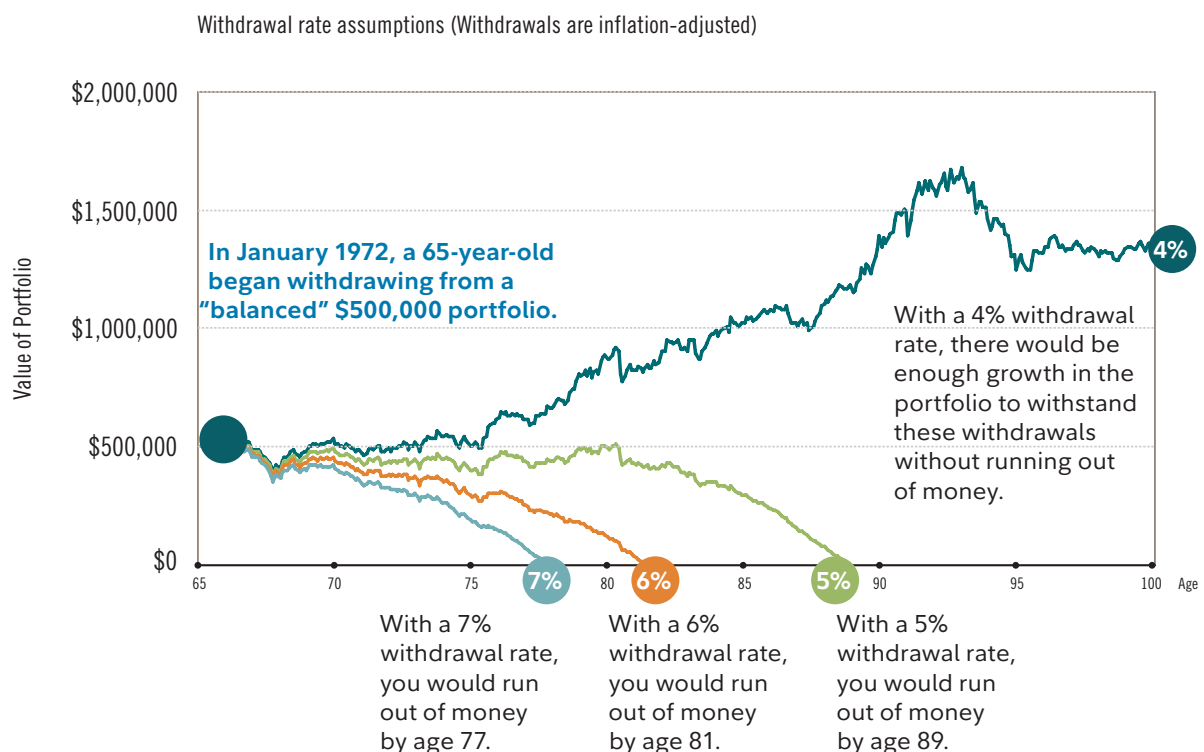


## 5. Withdrawals: Understand the importance of a sustainable spending rate

It's important to remember that retirement can last a long time. How much you withdraw and market conditions can have a dramatic impact on how long your money may last.

To better illustrate this, below is a hypothetical example highlighting the effect of market conditions on various withdrawal percentages. We chose an economically challenging time to retire from a market perspective, January 1972, to show how your withdrawal rate on top of a bad sequence of returns can impact your portfolio in retirement.

### Value of portfolio using different withdrawal rates: 1972–2007



Hypothetical value of assets held in a tax-deferred account after adjusting for monthly withdrawals and performance. Initial investment of \$500,000 invested in a portfolio of 50% stocks, 40% bonds, and 10% short-term investments. Hypothetical illustration uses historical monthly performance, from Ibbotson Associates, for the 35-year period beginning January 1972: stocks, bonds, and short-term investments are represented by the S&P 500® Index, U.S. intermediate-term government bond, and U.S. 30-day T-bills, respectively. Initial withdrawal amount based on 1/12th of applicable withdrawal rate multiplied by \$500,000. Subsequent withdrawal amounts based on prior month's amount adjusted by the actual monthly change in the Consumer Price Index for that month. **This chart is for illustrative purposes only and is not indicative of any investment. Past performance is no guarantee of future results.**

The timing of distributions and market performance are critical considerations which determine the quality of your retirement lifestyle.

No one can predict what the markets will do, and this becomes increasingly more important once you start taking withdrawals from your savings. This is why we believe it's important to have a calculated plan for taking withdrawals in any type of market conditions.

The hypothetical examples below and in this [video](#) highlight the impact market conditions can have on your portfolio while you are still accumulating for retirement versus taking withdrawals in retirement:

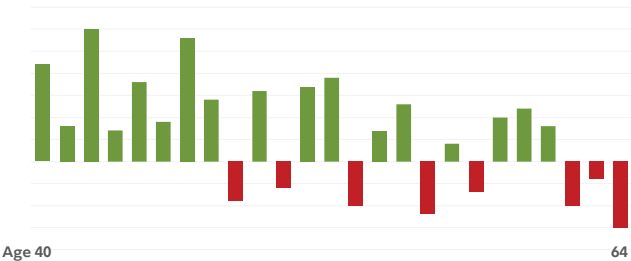
Sequence of returns may have no impact when accumulating assets.

The returns you experience: Both investors start and end with the same investment amounts



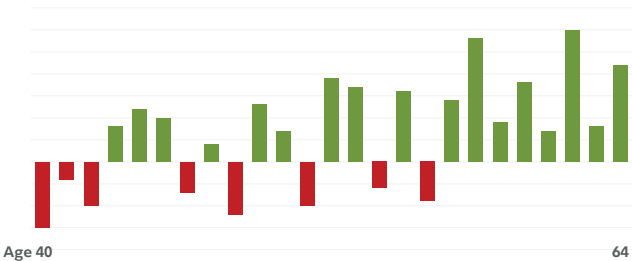
SUSAN

Portfolio returns are **positive** during early years, **negative** returns later



ROBERT

Portfolio returns are **negative** during early years, **positive** returns later



But sequence of returns may have enormous impact in retirement.

THE IMPACT ON YOUR **PORTFOLIO**

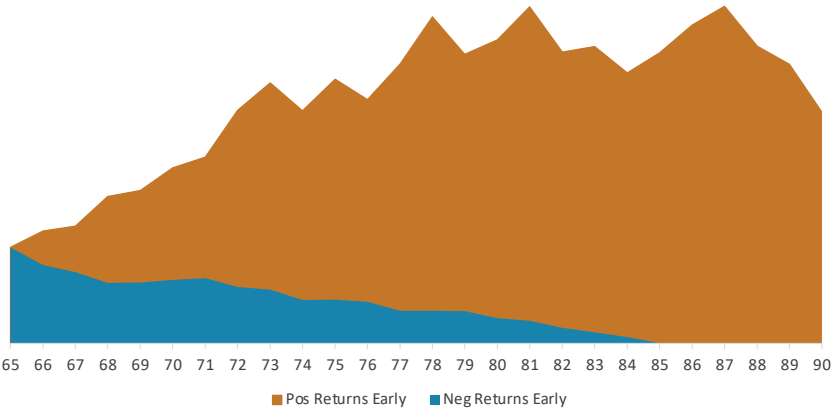


Positive returns early on help the portfolio grow throughout retirement, even with ongoing withdrawals



Negative returns in the early years, on top of taking withdrawals, can drain a retirement portfolio

Impact of Sequence of returns on portfolio value (when taking withdrawals to fund retirement)



These hypothetical examples are for illustrative purposes only. It is not intended to predict or project investment results. Your rate of return may be higher or lower than that shown above.

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## Next, let's discuss how a lifetime retirement plan can help you realize your vision.

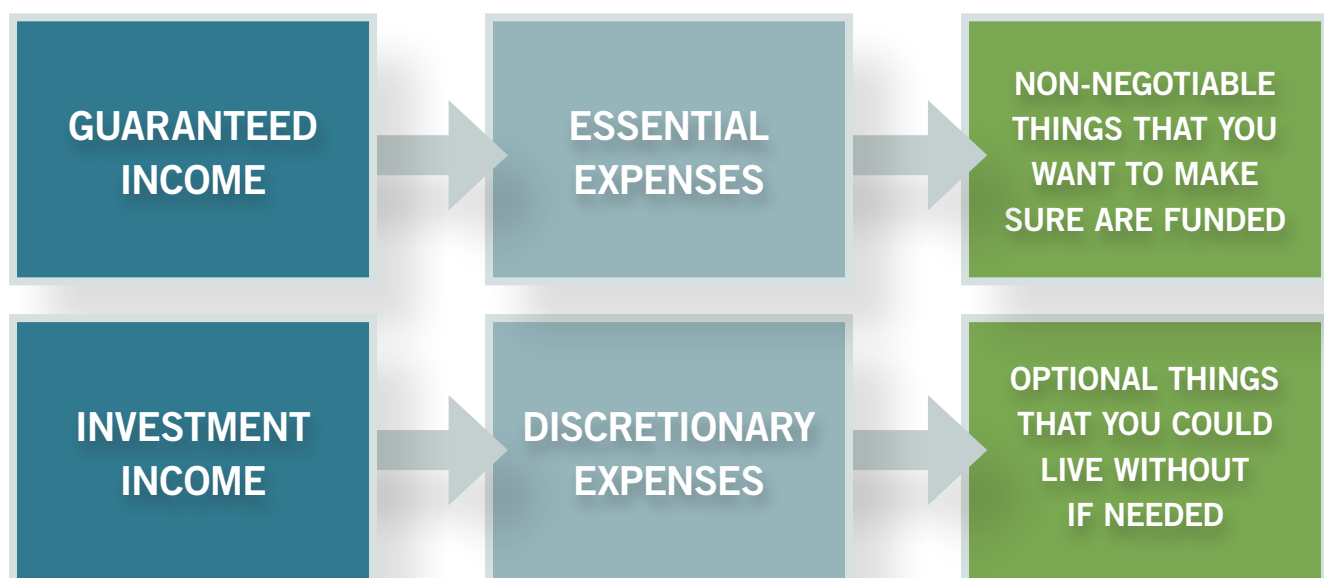
At Fidelity, we believe everyone should have a retirement income plan that incorporates a realistic estimate of anticipated expenses and sources of income.

We can help you build a plan that:

- 1 Builds a solid foundation from your income sources by categorizing expenses
- 2 Maps income sources to expenses and identifies any gaps
- 3 Reviews asset allocation to identify growth opportunities and help combat inflation
- 4 Includes flexible options to plan for the unexpected

Your plan for generating income in retirement should begin with determining how you will be spending your retirement years and how much it may cost.

To help you plan for the future, it's useful to link your different income sources to specific categories of anticipated expenses:



Once you understand what types of expenses you’re likely to have in retirement, then you can start to build a plan where your sources of income would work together to help provide:



**Guarantees:** We believe that essential expenses in retirement should be covered by reliable sources of income, and to use your investment portfolio to cover discretionary expenses.

This approach will help you maintain your lifestyle no matter what happens in the markets or how long you live.



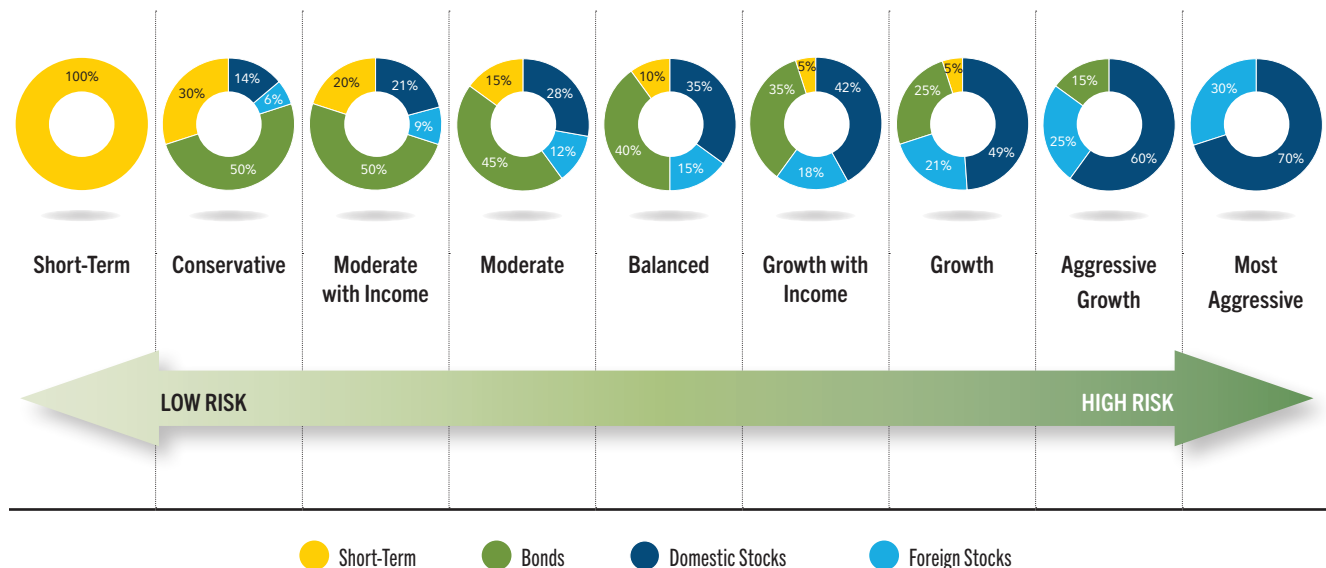


**Growth:** Part of your retirement income portfolio should be invested for growth, to help address inflation risk and support a long retirement.

While the market provides growth potential over the long term, it will go up and down. As you near retirement, you may want to consider diversifying your investment portfolio with income in mind.

By varying the mix of different types of assets in your portfolio, your investment strategy can strike a balance between risk and reward. Keep in mind that while a conservative strategy can reduce risk, it may cause you to miss out on the long-term potential of stocks. Similarly, while an aggressive strategy can expose you to more dramatic potential growth, that potential also increases risk.

## Target asset mixes



The purpose of the target asset mixes is to show how target asset mixes may be created with different risk and return characteristics to help meet an investor's goal. You should choose your own investments based on your particular objectives and situation. Remember, you may change how your account is invested. Be sure to review your decisions periodically to make sure they are still consistent with your goals. **The asset allocation does not ensure a profit or guarantee against a loss.**

**Flexibility:** Your plan should align your income sources with your overall retirement vision.

It is important to combine income from multiple sources to create a diversified income stream in retirement to:

- ▶ Help reduce some important key risks
- ▶ Adjust your strategy as your financial priorities change
- ▶ Take advantage of potential income growth

	LIFETIME INCOME		INVESTMENT INCOME	COMBINED INCOME
	Social Security, pensions	Annuities with guaranteed lifetime income	Principal, interest, dividends	
Market Volatility	✓	✓		✓
Longevity	✓	✓		✓
Inflation	✓	✓	✓	✓
Flexibility		✓	✓	✓

✓ Strong Alignment

✓ Moderate Alignment

Note: The terms “moderate and “strong” above are intended to represent which product categories generally align with a desired objective. The check marks do not, however, precisely represent the features and benefits of specific products. Certain features and benefits are subject to product terms, exclusions, and limitations.

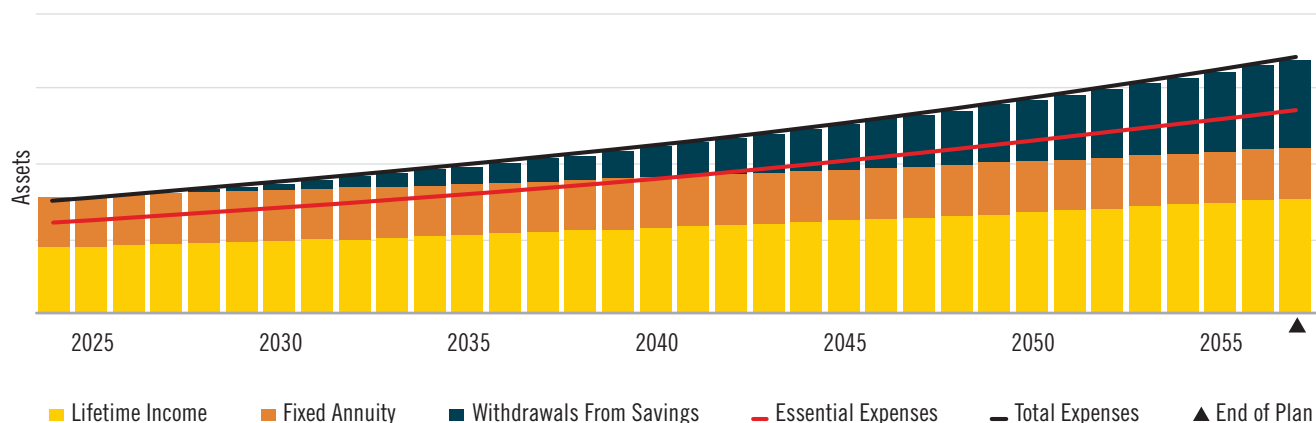
Annuity guarantees are subject to the claims-paying ability of the issuing insurance company.



# Create your retirement cash flow plan

We will work together with you to help you create a plan to support your lifestyle in retirement.

**Fidelity's Planning & Guidance Center** is an interactive experience that can help you create a comprehensive retirement plan to see if your savings are on track with your goals. You will be able to monitor your progress, revise your plan, and explore how changes can impact your plan.



For illustrative purposes only.

**IMPORTANT: The projections or other information generated by the Planning & Guidance Center's Retirement Analysis regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Your results may vary with each use and over time.**

Seeing your hard work paying off through the years as you get closer to achieving your objectives can keep you motivated and on track.

## Next steps to help you with your path to retirement:

- 1 Contact your Fidelity representative or call 800-544-2442 to discuss your vision and help prepare for retirement.
- 2 Visit Fidelity.com anytime to:
  - Explore educational videos and content
  - Create, review, monitor, and update your retirement income plan
  - Learn about different income options and how they could fit into your plan



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This information is intended to be educational and is not tailored to the investment needs of any specific investor.

***Keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.***

Details for the estimated \$315,000 health care cost referenced on page 3

Estimate based on a hypothetical opposite-gender couple retiring in 2022, 65 years old, with life expectancies that align with Society of Actuaries' RP-2014 Healthy Annuitant rates projected with Mortality Improvements Scale MP-2020, as of 2022. Actual assets needed may be more or less depending on actual health status, area of residence, and longevity. Estimate is net of taxes. The Fidelity Retiree Health Care Cost Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government's insurance program, Original Medicare. The calculation takes into account cost-sharing provisions (such as deductibles and coinsurance) associated with Medicare Part A and Part B (inpatient and outpatient medical insurance). It also considers Medicare Part D (prescription drug coverage) premiums and out-of-pocket costs, as well as certain services excluded by Original Medicare. The estimate does not include other health-related expenses, such as over-the-counter medications, most dental services, and long-term care.

Fidelity does not provide legal or tax advice. The information herein is general in nature and should not be considered legal or tax advice. Consult an attorney or tax professional regarding your specific situation.

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