Retirement Income Planning

Build a plan to help you move from saving to living

Fidelity INVESTMENTS

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

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

You may want 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.

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

Five challenges that could impact your 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, retirees are living longer. Because of this, you may need to plan for a longer retirement.

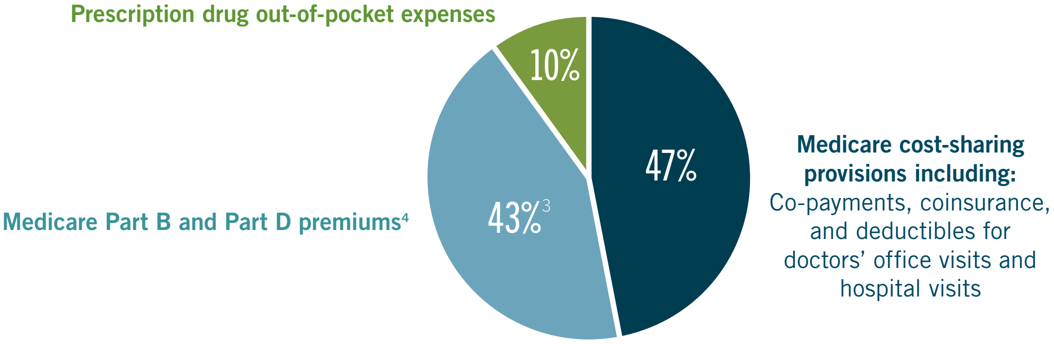
	65-year-old man	65-year-old woman
50% Chance	87 years	89 years
25% Chance	93 years	95 years

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

An average 65-year-old individual should expect to spend an average of $165,000 in health care and medical expenses during retirement.[1] This estimate does not include possible long-term care, which averages over $116,000 per year in the United States for a private nursing home room.[2] It is possible that 70% of those aged 65 today will need long-term care support at some point in their lives, reinforcing how important it is to ensure that you can cover these expenses.[3]

Where you are likely to spend your health care money:



This does not include other health-related expenses, such as over-the-counter medications, most dental services, and long-term care.

Source: "2024 Health Care Cost Estimate," Fidelity Workplace Consulting, 2024.

[1]For details used to estimate the $165,000 health cost, please refer to the back page.

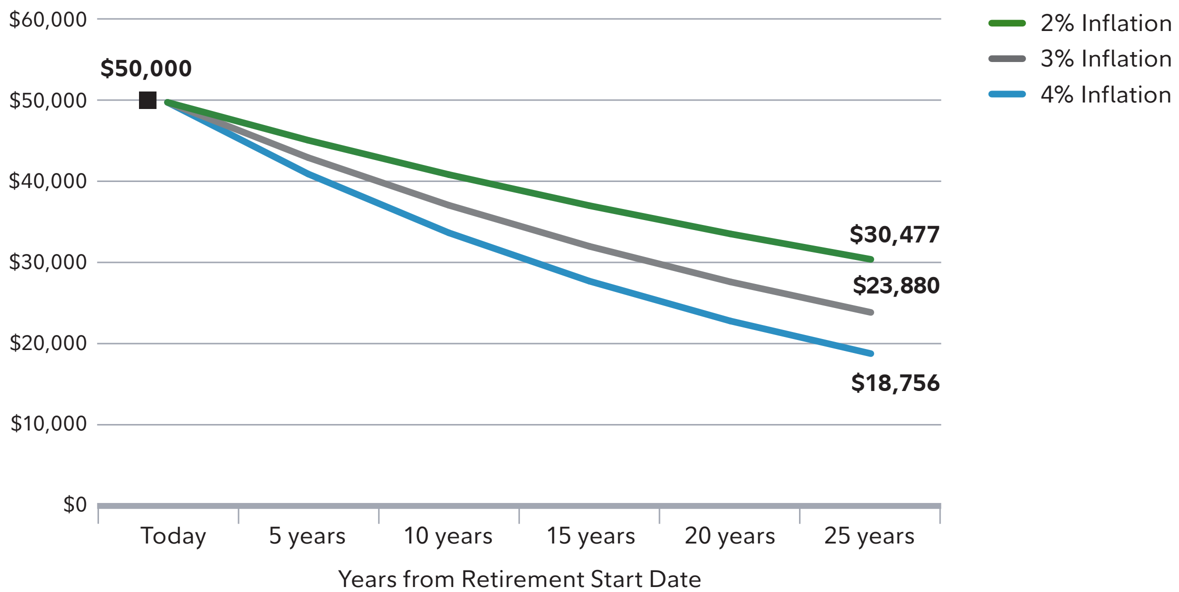
[2]"2023 Genworth Cost of Care Survey."

[3]"Who Needs Care?" LongTermCare.gov, U.S. Department of Health and Human Services, last modified on 2/28/2020, https://acl.gov/ltc/basic-needs/how-much-care-will-you-need.

[4]This estimate takes into account Medicare Part B base premiums and Medicare Part D (prescription drug coverage) premiums.

3. Inflation: Eroding 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. That's why it's so important for your longer-term investments to have the potential to outpace inflation.



All numbers were calculated based on hypothetical inflation rates of 2%, 3%, and 4% (historical average from 1926 to 2022 was 3%) to show the effects of inflation over time. Actual inflation rates may be more or less.

4. Market Volatility: Impact of declining markets

Market declines can be disruptive, even during years you have income from employment. It's important to understand that market volatility will happen. On average over the past 150 years, U.S. stocks have dipped into bear market territory about every six years, with median losses of 33%.[1] But while market downturns may be unsettling, history shows stocks have recovered and delivered long-term gains. Having a proactive plan to navigate risk and staying the course may help ensure that you remain on track.

[1]FMRCo, Bloomberg, Haver Analytics, FactSet. Data as of 07/31/2024.

Fidelity Investments. Past performance is no guarantee of future results.

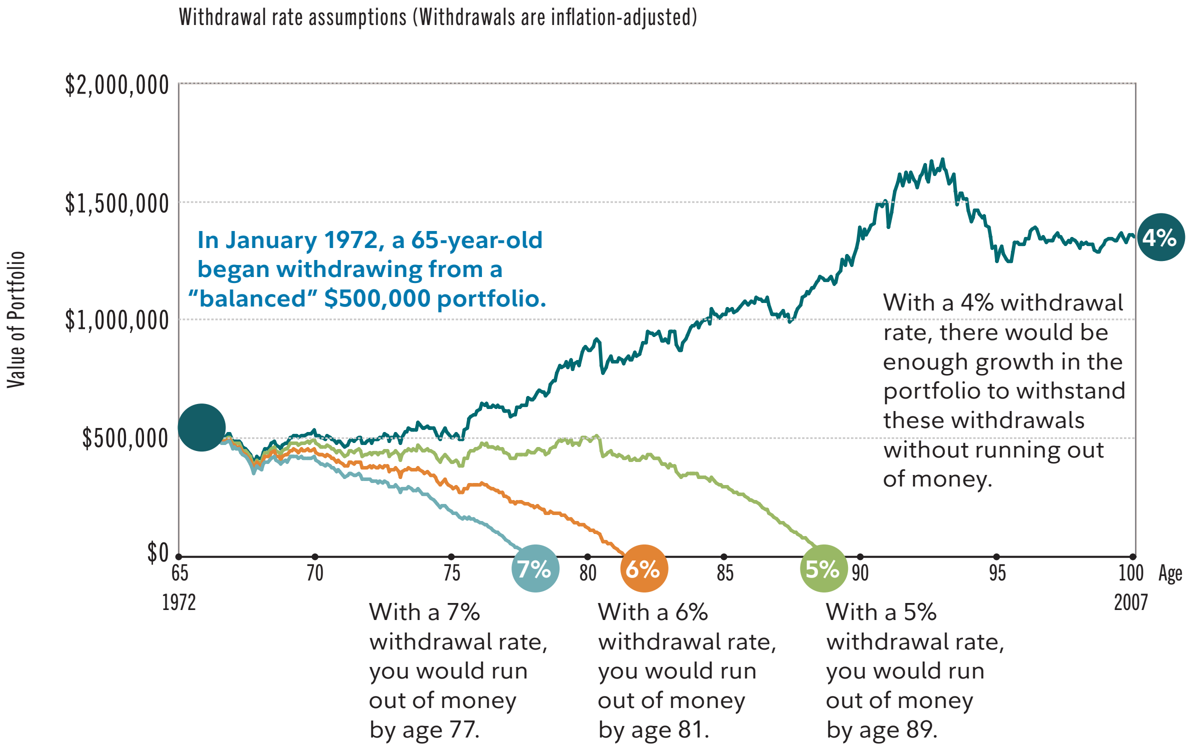
The S&P 500® Index is a market capitalization–weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation. S&P and S&P 500 are registered service marks of Standard & Poor's Financial Services LLC.

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

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 illustrate this, let's take one of the most challenging years to retire, 1972, and look at a scenario that highlights the effect of market conditions on various withdrawal percentages.

Value of portfolio using different withdrawal rates: 1972 retirement example



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.**

Understanding the sequence of returns

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

No one can predict what the markets will do, and this becomes increasingly important once you start withdrawing from your retirement 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.

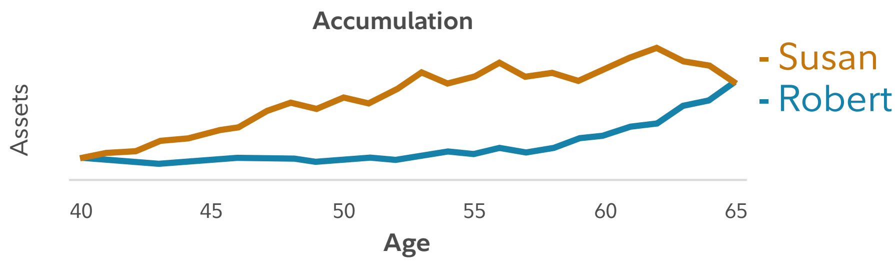
The returns you experience: Both investors start and end with the same investment amounts

SUSAN

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

ROBERT

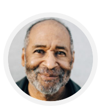
Portfolio returns are **negative during early years**, positive returns later



But sequence of returns may have enormous impact in retirement.

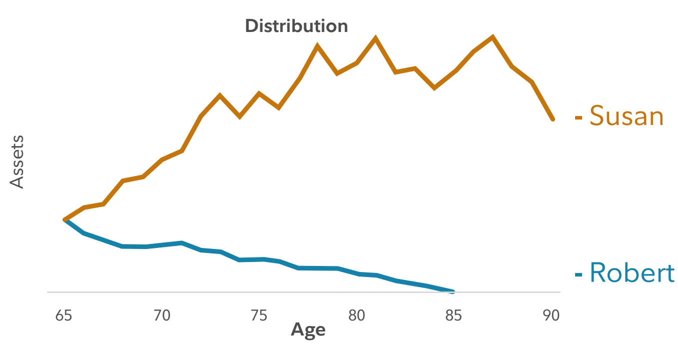
THE IMPACT ON YOUR **PORTFOLIO**

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. Inputs into hypothetical graphs shown can be found on page 12.

Let's discuss how a lifetime retirement plan can help you realize your vision.

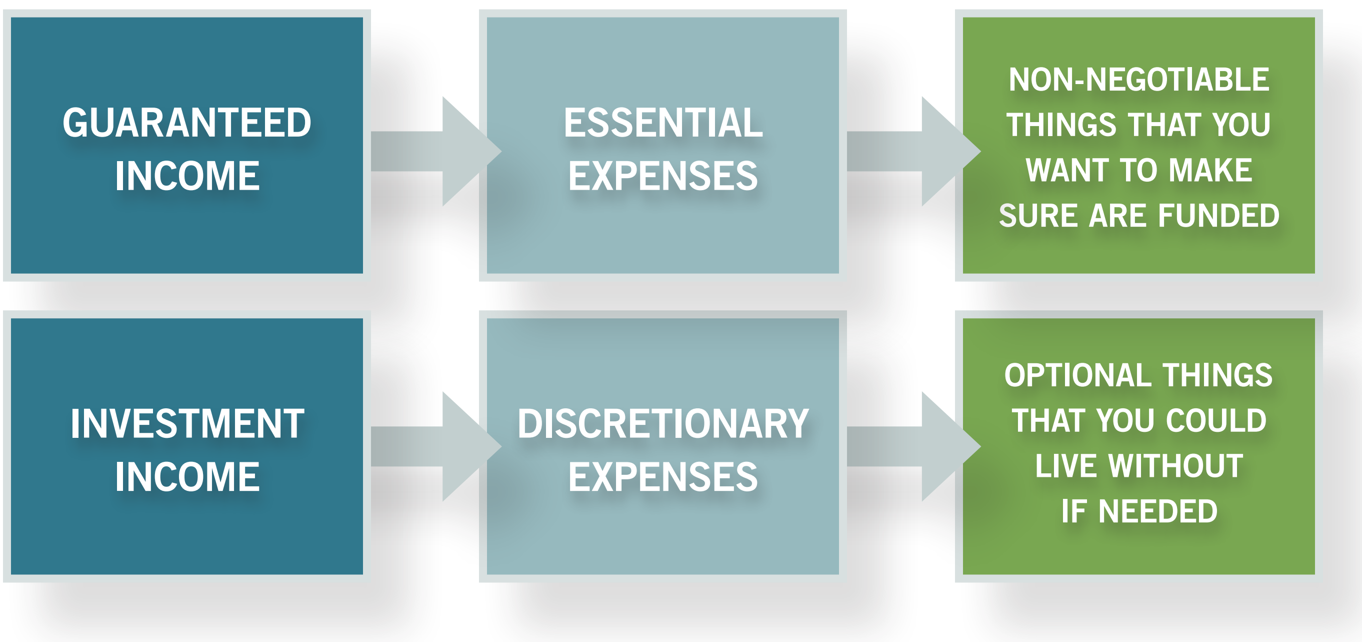
At Fidelity, we believe everyone should have a retirement income plan that incorporates a realistic estimate of anticipated expenses and sources of income.

We can help you build a plan that:

1. Identifies all the income and assets you have to fund retirement, including when to claim Social Security
2. Maps income sources to expenses and identifies any gaps
3. Reviews asset allocation to identify growth opportunities and help combat inflation and market volatility
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
to help your retirement plan succeed.

What guaranteed sources of income are you expecting in retirement (e.g., pensions, annuities)?

GROWTH
potential to meet your long-term needs.

How are you investing for growth potential (e.g., stocks)?

FLEXIBILITY
to refine your plan over time.

There is a balance between flexibility and efficiency, what's most important to you?

Guarantees: We believe that essential expenses in retirement should be covered by reliable sources of income.

This approach means you have your essential costs covered, and your discretionary spending can fluctuate appropriate to market conditions.

VARIABLE INCOME SOURCES

- Principal Interest
- Interest and Dividends

GUARANTEED INCOME SOURCES

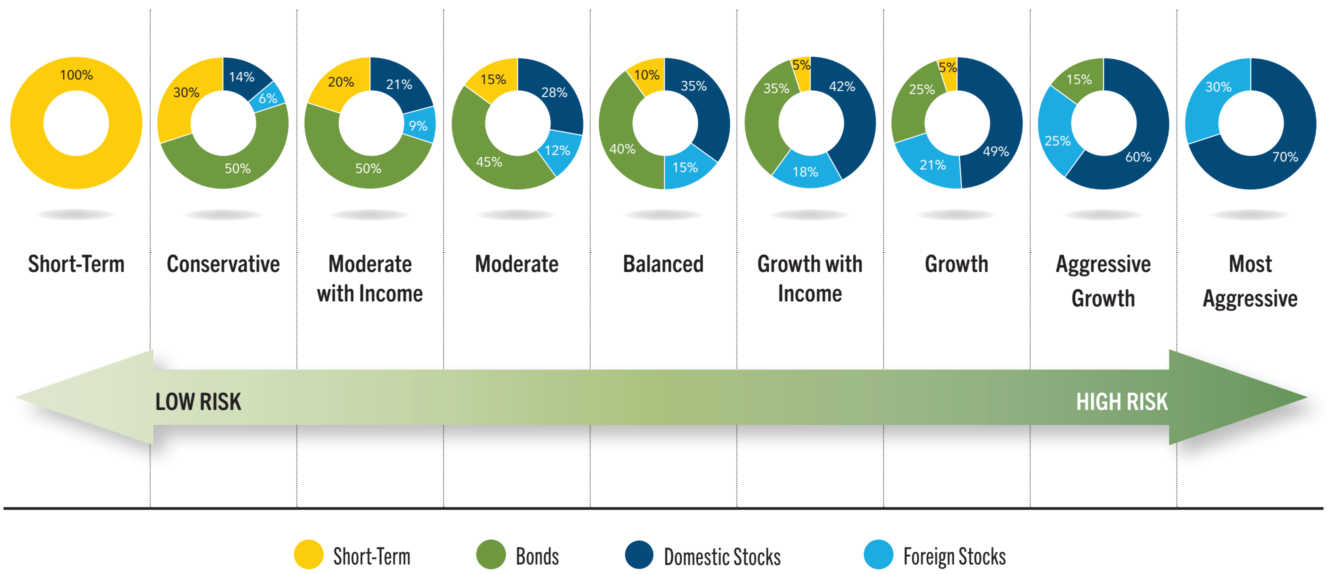
- Social Security
- Pension
- Income Annuities

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

People who fear losing their nest egg may choose conservative investments in the hope that this strategy will help mitigate risk. But by doing so, they are giving up long-term growth potential and may outlive their savings.

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 key risks
- Adjust your strategy as your 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

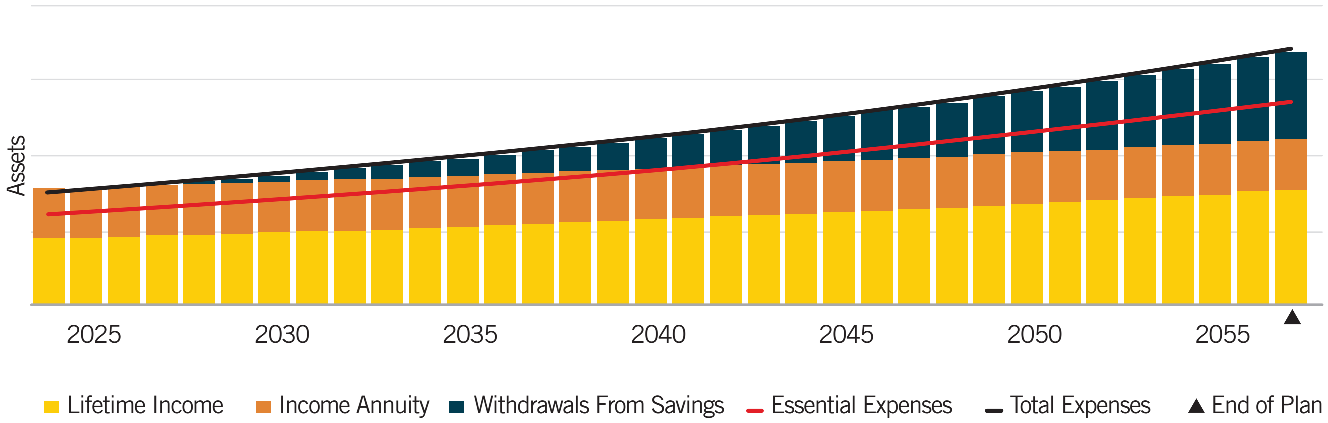
Note: The terms "moderate and "strong" above are intended to represent which product categories generally align with a desired objective. The check marks do not, however, precisely represent the features and benefits of specific products. Certain features and benefits are subject to product terms, exclusions,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

Like a good roadmap, a well-thought-out retirement income plan, built with the assistance of your financial representative, may provide reassurance and the confidence of knowing you are heading in the right direction.

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:
   - Estimate how much you could spend every month and explore ways to impact your cash flow in retirement.
   - Create or update your retirement income plan.
   - Explore educational videos and content.

Market Volatility: Market returns aren't predictable

Hypothetical example

	Portfolio A		Portfolio B	
Year	**Return**	**Balance**	**Return**	**Balance**
0		$430,096		$430,096
1	–15%	$350,958	22%	$503,728
2	–4%	$319,991	8%	$524,981
3	–10%	$271,725	30%	$658,979
4	8%	$273,454	7%	$685,284
5	12%	$285,000	18%	$786,227
6	10%	$292,089	9%	$835,771
7	–7%	$253,088	28%	$1,044,249
8	4%	$241,944	14%	$1,167,131
9	–12%	$194,464	–9%	$1,043,015
10	13%	$195,467	16%	$1,184,974
11	7%	$185,585	–6%	$1,093,175
12	–10%	$146,711	17%	$1,252,604
13	19%	$147,053	19%	$1,463,066
14	17%	$144,305	–10%	$1,295,415
15	–6%	$112,796	7%	$1,360,084
16	16%	$101,941	13%	$1,508,740
17	–9%	$69,526	–12%	$1,305,216
18	14%	$49,417	4%	$1,330,200
19	28%	$28,908	–7%	$1,212,132
20	9%	$1,532	10%	$1,303,092
21	18%	$0	12%	$1,427,890
22	7%	$0	8%	$1,510,915
23	30%	$0	–10%	$1,333,167
24	8%	$0	–4%	$1,250,697
25	22%	$0	–15%	$1,036,643
Arithmetic Mean	6.8%		6.8%	
Standard Deviation	12.8%		12.8%	
Compound Growth Rate	6.0%		6.0%	

Sequence of returns risk revolves around the timing or sequence of a series of adverse investment returns. In this example, two portfolios, A and B, each begin with $430,096. First year withdrawal equals 4% of the starting balance ($17,204 = 4% x $430,096) with subsequent years withdrawal equal to the prior year plus a 2.5% inflation increase. Each experiences exactly the same returns over a 25-year period-only in inverse order or "sequence." Portfolio A has the bad luck of having a sequence of negative returns in its early years and is completely depleted by year 21. Portfolio B, in stark contrast, scores a few positive returns in its early years and ends up two decades later with more than double the assets with which it began.

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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 $165,000 health care cost referenced on page 3

This estimate is based on a single person retiring in 2024, 65-years-old, with life expectancies that align with Society of Actuaries' RP-2014 Healthy Annuitant rates projected with Mortality Improvements Scale MP-2021 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. This calculation takes into account Medicare Part B base premiums and 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. This 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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