Fidelity Viewpoints®: Making a Plan for Retirement Income

TRANSCRIPT

SPEAKERS:

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SEGMENT 1: GO FROM SAVING TO LIVING IN RETIREMENT

Heather Hegedus: Welcome to Fidelity Viewpoints, Making a Plan for Retirement Income. I'm Heather Hegedus with Fidelity and this chapter is called Go From Saving to Living in Retirement. If you're watching this, then congratulations, you've probably spent much of your life working hard and now the prize is finally in sight, retirement. So this chapter is going to talk about how to transition from saving to living in retirement. That involves looking at the math, of course, but also the emotions involved in the process.

And we're going to walk you through the key potential retirement risks. So to talk about those things, I'm joined by Ryan Viktorin, vice president here at Fidelity and a financial consultant in the Boston area. She holds the CFP designation. And she's been a consultant for 15 years. And helps clients build and maintain their retirement plans.

And Scot MacDonald, vice president wealth management who also holds a CFP designation and has 20 plus years as a subject matter expert in the field of retirement income. Welcome to both of you.

Scot MacDonald: Thank you.

Ryan Viktorin: Thanks for having me.

HEATHER: Well, I want to start off by acknowledging, first and foremost, that this is a huge transition, right? Because most of us spend the majority of our lives focused on working, working, working, and saving our nest egg for retirement. So I'd really like to talk about this transition not just on a numbers level, but on an emotional level. Ryan, when you sit down with your clients, I'm curious, have you found that they are emotionally and mentally prepared for all of this?

RYAN: Yeah. I actually think this is something that people don't mentally prepare for enough. And then when they get there, they're surprised by how much of an emotional challenge. It really is. And I mean, on the one hand, it's really an exciting time because you can think about living the life in retirement that you've worked so hard for.

But on the other hand, when you actually get to that moment of transition, it can be kind of stressful. And you're going through a lot of emotions at once. And then the other thing to remember is that for decades, the focus has been save your money and grow your money.

And then once you retire, the focus shifts to use your money and make sure that it lasts. And this mental shift is arguably one of the most challenging things that my clients deal with. And I think it's where professionals like me can really help you in that transition from saving and retirement to living in retirement.

SCOT: Yeah. I completely agree, Ryan. It's a lot to wrap your head around. What comes to mind is an experience that I had with my son years ago that I think may be a helpful analogy in understanding what it's like. When my son was seven, I took him to climb Mount Monadnock in New Hampshire.

He was extremely excited as we started. He was eager to climb over every rock. And as we progressed, he grew more confident with the trail. And at times he stumbled a little, but kind of fell into the mountain, so no big deal.

After taking in some amazing views from the top, we started to make our way down. [? Caelan, ?] though, thought it would be better to crouch down and slide along these long, flat rocks. So I had stopped him right away and explained if he slipped and went head over heels, he would be hurt badly. When he misstepped or stumbled at the beginning on the way up, the stakes were pretty low. He probably wasn't going to get hurt. But if he fell forward at the top of the mountain near the start of our descent it could have been disastrous.

It's a familiar parallel with the experience of growing your savings to then for the very first time needing to live off of your savings. Both have risks, but these risks are very different. Paychecks from work are going to stop. What was once regular money coming in is now money going out or it's becoming less if you're working part time. It can be daunting and uncomfortable, but that's OK. With preparation and support, you can do this.

HEATHER: I love that analogy. I think the analogy is just so helpful for us understanding what it's going to be like. So thanks for sharing that, Scot. Ryan, I know you talked about how clients are surprised by how hard it can be to start thinking about spending down their savings often. And I think I used to think of financial consultants as number crunchers.

Yes, obviously you do that. But you also do so much more than that, I'm learning. Can you talk about how you and your team really coach clients to follow through with it, despite it all feeling so uncomfortable at times?

RYAN: Yeah, absolutely. And we really do love our numbers, OK? And honestly, it may sound a little bit hokey, but I do ask them to visualize what it's going to be like when the paycheck stops. And then just sit with that for a little bit. And then my clients start to tell me how they feel about the idea and how comfortable or uncomfortable they might be with it.

And I just want them to visualize some of the pain points, honestly, that might happen in retirement so that they're ready. Things like what it would be like to be in the throes of a recession and you have to withdraw your money and you're not saving it anymore. These moments can be difficult to live through. So I'm just trying to help them prepare for these moments before they happen.

SCOT: Yeah, certainly. And this is where mistakes can be made, especially during challenging market times when emotions run high. That's really why you need a plan. We need to figure out how to build a plan that is going to be mathematically sufficient, but also is a good fit for what you want and you need to do.

RYAN: Yeah. And as someone who really helps clients make these plans all the time, I often say, listen, I might not be 65 and heading into retirement, but I've gone through retirement about 1,000 times with my clients. So we try to find a way to be comfortable with making the math work, but a plan that you're comfortable and that you can stick with. And we have experienced doing this.

So we know that the financial planning process allows clients to move away from an emotionally reactive state to proactively preparing for the risks that face us in retirement.

HEATHER: That's a lot of going through retirement, Ryan, and you still have so much energy. Let's go deeper a little bit on those risks that we face in retirement that you mentioned, Ryan. Scot, why don't you start us off and walk us through those risks. And touch on how planning can help protect against those risks.

SCOT: Sure. There are five key risks that we want clients to understand and be prepared for. Withdrawals, inflation, longevity, medical costs, and asset allocation. These risks apply to everyone, no matter how much money you've saved. So first is withdrawals.

And this comes into play when you start to draw down on your retirement savings. During the planning process, we'll help you understand a targeted withdrawal rate and determine whether or not it's sustainable. We'll get into more of that later in the discussion. But in other words, we want to ensure that you don't over draw the funds during your lifetime and run out of money. As you can imagine, the less you withdraw from your portfolio, the longer your money will last.

This can be pretty intuitive. But I love supporting this idea with a visual. As shown here, there's a huge difference when someone in their mid 60s in a balanced investment strategy has an inflation adjusted withdrawal rate of 4% versus 5%, 6%, or 7% rate. While the difference may seem minor, it can have big implications for how long your money will last. In this case, the 4% withdrawal rate would not only have preserved the savings, but also allowed the money to grow. While the 6% rate would have depleted the savings by the time this person is 81-years-old.

And that leads me to the next risk, inflation. You'll have to account for the fact that things will cost more. Your purchasing power can decrease over time. So your plan should keep pace with rising costs. Third, longevity. We're living longer and that means your money needs to last longer than in past generations.

RYAN: Yeah. And the elephant in the room here with retirement planning is that it's hard to guess how long you're going to live.

HEATHER: Right. Yeah. That seems like something nobody can predict, right? How do you do that?

SCOT: Right. And it is an uncomfortable thing to think about. However, we need to, to ensure your money lasts as long as you do. With many people retiring earlier and living longer, you may spend nearly the same amount of time in retirement as you did during your working years.

HEATHER: Wow.

SCOT: Fourth, medical costs. Most of the time we can't predict our health in the future. And we know that medical costs continue to rise. So you should make sure that you have an estimate of how much you might need for medical expenses and have the money allocated to cover them, including unexpected health care and long-term care costs that may surface. The last risk is allocation. And this means having your money invested in a diversified portfolio of stocks and bonds, which can help weather changing markets and give you the confidence to stay invested along the way.

HEATHER: Wow. That's a lot to think about, Scot. So how do we protect ourselves from these risks? And also from a big one, which is the fear of running out of money, which I think is something we can all relate to. Ryan?

RYAN: Yeah, it's an incredibly common fear. And it's actually the fear that can stop us from spending the money we've worked our entire career for. And therefore, not living the life we hope to in retirement. But it also stops us from planning altogether because sometimes we're just scared of the result. But the thing is it is the process of looking at the numbers and creating a plan itself that can help alleviate the fear and help you feel so much better.

And I know we're going to get into the details of this in the next chapter. But I'm just going to ask everyone to just push through the fear. Stay with us. It is what we are here for.

HEATHER: All right. Trust you, Ryan. I'm going to push through the fear and stay with you. And to synthesize what you just said, I think having a plan also gives you the grace to know when you can say it's OK for me to spend this. And I think sometimes just giving yourself that permission can be such a relieving feeling. So thanks for laying all of that out for us, Ryan and Scot.

And to recap the big takeaways from our discussion. First, acknowledging the transition to retirement can be both exciting and stressful at the same time. And this can lead to some emotional decisions if you're not prepared.

There are some key risks that we have to be mindful of throughout the planning process. And we need to build a plan that helps to mitigate those risks. So in the next chapter, we're going to go a little bit deeper on the major components of a retirement income plan. But for now, for Fidelity, I'm Heather Hegedus.

SEGMENT 2: UNDERSTAND THE PIECES OF A RETIREMENT INCOME PLAN

Heather Hegedus: Welcome to Fidelity Viewpoints, Making a Plan for Retirement Income. I'm Heather Hegedus with Fidelity. This chapter is called Understand the Pieces of a Retirement Income Plan. So if you watched our last chapter, we laid out the risks that retirees face as well as the emotions that come with this massive transition in your life.

And now we're going to go into the specific components of what makes up a retirement income plan. So with me again are our retirement income specialists, Ryan Viktorin, vice president and a greater Boston-based financial consultant, and Scot MacDonald, vice president wealth management here at Fidelity. Thanks to both of you again for making the time.

Scot MacDonald: Thanks for having us.

Ryan Viktorin: I'm happy to be here.

HEATHER: Happy to have you both. All right. Let's start off by defining exactly what a retirement income plan is for everybody out there. Scot, how would you explain it?

SCOT: At the most basic level, a retirement income plan is a map or blueprint to how you'll spend your retirement savings in a measured way. It's a detailed report that shows where and how your savings are going to be spent throughout your retirement. And it should help you make sure your retirement savings last, match your retirement vision with your financial situation, perhaps build a legacy for your family, and feel prepared for what's ahead.

HEATHER: OK. And generally when should you start documenting and developing that plan?

RYAN: So I work with clients of all ages. But I do see a pretty big uptick in requests to dive deeper on retirement income plans when clients are in their mid 50s because traditionally we see people retiring somewhere in their 60s. But everybody is different. So I have some clients who want to be done working at 55 and then some who want to just keep working into their 70s. And while there's no set number necessarily, it's within about five years of income slowing or stopping that you really want to start to put a plan in place. But don't worry, if you have less than five years to go, or you're even in retirement right now, it is not too late to put a plan in place.

HEATHER: OK. So within five years of when your steady stream of income slows or stops, that's when you start the preparations. OK, got it. Let's talk about when that time comes, what is step one in developing that plan? What would you say?

RYAN: Well, first, you want to think about what you want your retirement to look like. And I say to my clients, paint me a picture of your vision of retirement. And ask yourself what's most important to you and who's most important to you. And what do you want to do? Do you to travel? Spend time with kids or friends? Or help your community or causes you care about? Or even move to a dream retirement spot? Or leave a legacy to your kids. Think about it, and write it down.

But another important point here is that it's not always about wants in retirement. Sometimes that picture is shaped around what you need. And I'll give you a personal example. I'm one of five children. And I have an older sister with Down syndrome and three younger brothers. So my sister will never be fully independent. And she'll always need support, including financial assistance.

So my parents' major concern is leaving assets behind, so that she's taken care of. And the coordination and the financial responsibility doesn't have to fall on me and my three brothers. So me to figure out how to support her. Their entire retirement picture is wrapped around that primary goal.

SCOT: Wow, Ryan, thanks so much for sharing that. Caring for those we love can be a really big consideration for many people. Another consideration is for those retiring with someone, like a partner or a spouse, you've got to be on the same page. It's incredibly common when a couple retires to have one person who's leading the plan or investment strategies, the other's taking more of a back seat. And I get it. We're busy, divide and conquer, right? But if you're part of a couple, both individuals need to be part of the planning discussion.

Both of you need to answer the questions Ryan just mentioned. Like, what kind of life do you want to live in retirement? How do you want to get there together? It's commonly known women tend to live longer than men and may find themselves in a situation where their planning partner passes away before them. And in the midst of dealing with the grief of losing a loved one, now two other things have happened. The finances have changed. And the plan must evolve. I really believe it's important that both partners are at least aware of the plan.

RYAN: And also, I want to add here, the person who's a little bit less interested in being involved at the onset, they don't have to become an expert in the fine points of the plan. But I agree, they should at least know that it exists.

SCOT: Yeah, it should be a living, breathing, actual document that's easily accessible, that your partner knows where to find it and could put their hands on it. It should be able to change as your life changes.

HEATHER: It's such a great point, Scot, that it needs to be where it is, that you can put your hands on it, and you can physically touch it. OK, so we have that vision, Ryan. And then what do we do? What's next?

RYAN: So next is understanding the expenses that support that vision in your day-to-day needs. And we think about expenses in two main categories, essential and discretionary. And when it comes to essential expenses, we're talking about the categories you would expect, food and housing and taxes. But also, this is where we capture the costs associated with one of those risks that Scot mentioned in the first chapter, the medical costs.

But essential expenses are also things that sometimes we call non-negotiable to you. And sometimes those are needs, like in my family's case for caring for my sister. And sometimes they're expenses that might help you maintain a sense of fulfillment. So let me give you an example. I have a client who told me that one of her expenses is an annual trip to Australia, which to me sounded like an optional fun trip at first, until she told me that's where her grandbabies are. And it's a yearly non-negotiable expense for her. And we helped build her whole plan around that.

The second category of expenses would be considered discretionary or flexible. This could be the fun stuff, like dining out or taking a trip. And I tell my clients, write it all down. We have so many budgeting apps and worksheets available online to help you do this.

HEATHER: All right. So you can either write it down, if you're a pen-to-paper person like me, or use an app. That all makes total sense, Ryan. And I love you sharing, by the way, about that client. After we do all of this, and after you categorize and capture your expenses, then what do we do? What's the next step from there, Scot?

SCOT: The next step would be to identify your sources of predictable income in retirement. Now Fidelity believes your essential expenses should be covered by predictable income sources. We're putting the three main ones on your screen. They are Social Security, pensions, and certain types of annuities. You can think of these as your retirement-based salary. It's the cash flow you can count on every month for the rest of your life, no matter how long you live.

These predictable sources of income can address longevity risks, as I mentioned earlier in chapter 1. Let's first talk a little more about Social Security. This will likely be a primary source of retirement income for most of us. And you'll want to know your options before claiming your benefit. Many people wait until full retirement age, which for most will be age 66 or 67. The Social Security Administration also allows you to claim early benefits at age 62. However, your benefit will be reduced.

Also, you may delay your benefit until age 70, which will boost your income by 8% for each year beyond full retirement age. And finally, married couples have additional options to consider when claiming their benefit. Fidelity has a tool that can help you decide by estimating how much you might receive at different ages, whether you're married, divorced, single, or widowed. And at the end of this chapter, there will be a QR code that will take you there.

RYAN: All right. So I'll jump in here and mention the second source of predictable income, which is pensions. Candidly, though, not as many people have access to pensions nowadays. But I'll explain them. They are an employer-sponsored form of retirement income. And there are many different kinds of pensions. There's military, government, teacher pensions, and then, of course, those sponsored by private companies.

So just like how Scot was describing the complexities around Social Security for a couple versus someone who's single, the same idea applies to pensions. Those considerations are usually tied to when and how to take it and also why it's important that decision is made within the context of the whole plan because once you make those elections, you can't change it.

SCOT: Thanks, Ryan. And the third source of predictable income is a guaranteed income annuity. Annuities are becoming more common. And we've been getting more client questions about them over the last several years, especially with pensions going away. An annuity is a contract that's issued by an insurance company where you invest part of your savings in exchange for a guaranteed income for the rest of your life or you and your spouse's lives. It's essentially like having your own personal pension. This is a simple way to generate reliable income to support your lifestyle. And you don't have to worry about the stock market volatility and fluctuating interest rates affecting your income at all.

Now there are different types of annuities and different customization options. Some annuities allow for the money to start now or the money to start in the future. And they can be customized with features such as cost-of-living increases, and beneficiary protection. And something interesting that we're seeing is employers are now starting to help retirees and making it convenient for them by offering direct access to guaranteed income choices within the workplace plan. But you'd have to check with your employer to see if that's something that you do have access to.

RYAN: I want to step in and focus a little bit more on the beneficiary-protection feature that you mentioned, Scot, because there's some common misconceptions in this area. I get a lot of questions from my clients about what happens to the assets you invest in an annuity when you pass away. And I would hear things like, OK, I get that it's income for life. But if I buy annuity, and I pass away a year later, well, then the insurance company gets all of my money. And this is actually not true.

You have the ability to customize features of an annuity to ensure that if you pass away earlier than expected, and there are assets left over, those assets can go to your beneficiaries. As with any investment, you always want to make sure you consider the provider, the terms, and the fees for annuities. And that's where a financial professional like me can help you sort through what all of this means, especially if it feels overwhelming.

HEATHER: That is so helpful and reassuring. And thank you both for explaining those three main sources of predictable income. So once you have a clear picture of your expenses and your income sources, what do we do next?

RYAN: All right. So then you want to take a look at the expenses you captured versus your predictable-income sources to see if you have a gap between the two. And if you have a gap, the next phase of planning is dedicated to answering the question, how do we fill the gap? This is where we start to look at your savings and investments to see how they're set up to help with all of this.

SCOT: It's also important to acknowledge there are some people who don't have a gap between their income and expenses. For example, some people from your parents or grandparents' generation may have access to a pension, which would have covered all of their needs. And they didn't have to dip into savings at all. But that's not the reality for the majority of people today.

And to Ryan's point, most retirees today have to find ways to generate more income from savings that they'll have. Now, if you're one of the fortunate few who have all of your expenses already covered by Social Security or a pension, that's great. If that's the case, we can focus our attention on your growth goals and other financial objectives.

HEATHER: And we will dig more into that growth component later in this discussion. But I do want to stick right here for a moment with the concept of what to do if you have a gap between your income and your expenses. So, Ryan, what do we do if we have a gap/ How do we tackle that?

RYAN: All right. So first we want to figure out how your assets are organized and actually look at, where are the assets? Meaning literally, which financial institutions are they held at? Then we want to look at what types of accounts do you have, 401(k)s, IRAs, brokerage accounts, health savings accounts, things like that. And then we want to look at, how are the assets invested right now? Meaning, what's the allocation of stocks and bonds and cash in each account? And given that mix, how much income potential can come off of this portfolio?

Note that I also said income potential and not return. So let me break it down. Income from the portfolio usually comes from two categories, dividends off of stock and interest off of bonds. So once we have that captured, then we can use Fidelity tools to run an analysis to see, A, whether the way you're set up right now can generate enough income to help fill the gap and, B, what types of withdrawals beyond the income generated are needed. And that's what's called the withdrawal rate that we talked about before.

It's important to point out. I know we're talking a lot about income. But it is OK to have a withdrawal rate and actually spend your money. That is what it is there for. We just want to ensure that the withdrawal rate isn't too high to be sustainable. And we want to see whether any changes are needed to improve the overall plan.

SCOT: That's exactly right, Ryan and Heather. And something to point out here. You've probably noticed that we haven't talked about making any changes yet. To this point in the planning process, we've focused on understanding where you are today, analyzing your current situation. Next, we can talk about exploring ways to strengthen your income plan.

HEATHER: All right. We'll think about that. But that's all great homework for all of us building out our retirement plans. I feel like we've got a lot of homework on our hands now. So we just covered the basics of a solid plan. And to recap for you, that includes prioritizing your essential expenses, identifying your predictable income sources, and then identifying any gaps between the two.

So if you're near your screen right now, take out those camera phones because here's a QR code to the Social Security benefit calculator that Scot mentioned that can help you decide when you might start claiming your Social Security benefit and determine how much that benefit could be. Together with Ryan Viktorin and Scot MacDonald, I'm Heather Hegedus with Fidelity. And you've been watching Fidelity Viewpoints, Making a Plan for Retirement Income.

SEGMENT 3: CREATE RETIREMENT INCOME WHILE PROTECTING YOUR SAVINGS

Heather Hegedus: Welcome to Fidelity Viewpoints, Making a Plan for Retirement Income. I'm Heather Hegedus with Fidelity. This chapter is called Create Retirement Income While Protecting Your Savings. Up until this point, we've been discussing the transition from working and saving for retirement to actually living in it, and the importance of building a detailed income plan, which is a map of how to spend your retirement savings in a measured way.

As part of that exercise, you might find that your essential retirement expenses aren't covered by your predictable income sources like Social Security, and there is a gap. In this chapter, we're going to talk about how we approach covering that gap and the importance of making sure that your money continues to grow in the years ahead.

So joining me to talk about that once again are Ryan Viktorin, a vice president and a financial consultant in the Boston area for Fidelity, who helps clients establish and maintain plans every day, and Scot MacDonald, vice president, Wealth Management, who has spent his entire career helping people with retirement income planning needs. Welcome back to both of you, and thanks again for joining us.

Scot MacDonald: Thank you.

Ryan Viktorin: Yeah, thanks for having me.

HEATHER: Hopefully, you've had a chance to watch our previous chapters. Now we're at the point where we want to look at all of our assets and determine if our asset mix provides income through dividends off of stocks and interest off of bonds to cover the gap. So the question now is, what if, after you go through that exercise, your asset mix doesn't do that? What should you do next? Scot, you want to tackle this one?

SCOT: Sure, again, at Fidelity, we believe your essential expenses should be covered by predictable income sources. And your discretionary or the nice to have expenses, they can be met by withdrawals from your portfolio. If there are essential expenses still unmet by your current lifetime income sources, this is where an income annuity may be a good fit for you.

In the last chapter, we mentioned that annuities can make a lot of sense when we're faced with a gap. And the reasons we believe an annuity is a good consideration is because it can address two of the risks that we all face in retirement—longevity, because you can't outlive the income, and the allocation or the markets, because the annuity payments do not fluctuate with the ups and downs of the markets.

The last thing that we want you to do is jeopardize your ability to continue to afford what you've told us is most important. An income annuity addresses this challenge with certainty. And if your portfolio is unable to meet your spending expectations in retirement, you may have to make some changes, which may include either working a little longer, consider supplementing your income with part-time work, or reducing your expenses.

HEATHER: Reducing your expenses is never the first preference, right? Never fun. So anything you would add here, Ryan?

RYAN: Yeah, sure, I have actually a little bit of a qualitative addition to what Scot just mentioned. The reason we stress the importance of predictable income goes back to where we started this whole conversation with how stressful and difficult staying invested can be in those times when you're watching your life savings affected by market turmoil that you just can't control. Now you add withdrawals on top of that scenario.

And if it's too much of your lifestyle moves with the whims of the stock and the bond market, it can lead to some emotional decision-making. And the reality is the more you have in predictable income to cover those critical expenses that Scot mentioned, the less you really have to worry.

HEATHER: Well, I can see the value of covering those critical expenses with predictable income or guaranteed income. While it's OK to actually spend some of your money and therefore have a withdrawal rate, you just want to make sure it's not so high that it leads to a stressful experience, right? All right, let's move on to the next big piece of a plan, which is growth. So, Ryan, talk to me about why, even though you're retired, it does not mean that you shouldn't continue to grow your portfolio.

RYAN: Sure. So once you go through all the steps we've outlined so far, you will know how much of your assets will be used to fund your retirement. And everybody's a little different. Some clients need every penny. Some clients are fortunate enough to be able to leave behind a legacy. And lots of clients are somewhere in the middle.

And even if you need all of your money to support your retirement, there has to be a growth component to the plan. In fact, the more of the assets that you need to support your retirement, the more important it is to get the growth piece right. And you can't just keep it all under the mattress. Your money needs to work for you.

And I totally get it. Our clients have worked so hard for their money, and sometimes we just find them like hanging on to their savings so tight, and they're unwilling to risk it. And I know it feels like the safe thing to do, but what you have to realize is that not having a growth piece, and therefore, not participating in growth over time, can potentially be more harmful than being invested and experiencing the market's up and downs.

SCOT: Yeah, Ryan, you're absolutely right. And the other thing to point out here is that sometimes when we hear the word, "growth," it's really easy to make that leap automatically to think aggressive growth, all stock, ultra risky, and that is not what we mean. We're still talking about a diversified portfolio that's managed in a disciplined way with a primary goal of potentially increasing the account value over time.

We use Fidelity tools to determine how much risk might be appropriate for you based on your personal situation. It's critical that we identify the right mix for you based on your criteria, your risk tolerance, time frame, and most importantly, one that you're comfortable sticking with, even during challenging times. We know that things are going to be more expensive in the future. And having a plan for growth can allow you to potentially live comfortably throughout your retirement.

So whether you're planning yourself or working with a professional to do it, we want to make sure that you have the tools available to potentially keep your money growing and working for you.

HEATHER: Wow, all of that makes sense for anybody who needs all of their assets in retirement, which is most of us. Ryan, I know you mentioned at the start of this discussion, though, that some people want to or need to leave behind a legacy. So I'd like to dive a little bit deeper on that topic now.

RYAN: Yeah, absolutely. If you're fortunate enough to not need all of your assets for retirement, you could actually be planning with two goals in mind—retirement and legacy, legacy being when you want or need to leave assets to the people or causes you care about once you pass away. This means that you could also have two growth components to your plan.

The first could be the part of your portfolio dedicated to addressing inflation and rising costs in that retirement goal, and the second could be a part of your portfolio that, for lack of a better way of saying it, is for beyond your lifetime. And that means you might be fortunate enough to have assets that won't be even touched for 20, 30, or 40 years or more, in some cases. And with that type of time horizon, a more growth oriented portfolio could be beneficial.

HEATHER: OK, well, that's helpful. And it really reinforces the importance of knowing how much to dedicate to each goal. I can see why having growth as a part of an overall plan really makes total sense. I'd like to talk now about the options that clients have for actually going about building a portfolio for growth. What are the options, Scot?

SCOT: Yes, this is what's great about doing this within the context of your overall plan because you'll have a great sense of your goal, what you need your portfolio to do at this point to help you achieve the goals, and how you're feeling about it, particularly from a risk standpoint. Once you have this understanding, you can land on an appropriate asset allocation and invest accordingly. But remember, Heather, this is not just a set it and forget it. As markets move, you should also be making adjustments.

RYAN: It's a great point. And I also think we put a lot of pressure on ourselves to tackle all of this on our own. And the reality is, you have choices. And I work with all sorts of clients from an investment management perspective. I have some that absolutely love doing this. They want to be in the weeds and the details. They love using our tools and the resources online to support their investing needs.

But I also work with clients who say, yeah, this is not for me. I need help. I need to outsource this. And we have a discussion about what type of professional management they really want to explore. Two other important points I want to make. One, there's no one way that you have to do it, and two, professional help is not just reserved for the wealthy.

HEATHER: Two great points there, Ryan, and we could probably have an entire discussion just dedicated to those last two points. But this highlights the importance of reaching out to us so that we can help you navigate all of this. We talked in this chapter about what to do if there's a gap and why your plan needs to have a growth element to it in order to keep pace with inflation. And we talked about how even sometimes a secondary growth element is needed for those who are hoping to build a legacy plan.

To recap, your retirement income plan is a living, breathing document, and you certainly don't want to set it and forget it. For help, you can reach out to us. You can go online to find more information. You can call us, or you can book an appointment online. In the next chapter, we're going to talk about the instances where you'll want to make sure you're revisiting the plan to make sure it's still supporting the life that you're living. For Fidelity, I'm Heather Hegedus.

SEGMENT 4: MANAGE THE UNEXPECTED BY ADJUSTING YOUR PLAN

Heather Hegedus: Welcome back to Fidelity Viewpoints—Making a Plan for Retirement Income. I'm Heather Hegedus with Fidelity. This chapter is called Manage the Unexpected by Adjusting Your Plan. I hope you've had a chance to watch the previous three chapters of this webcast. So everything we've talked about so far has centered around setting up your plan, but then life happens, right? Either economic conditions change or even personal situations change, or possibly both.

So now we're going to talk about how to know when it is time to make a change to your retirement income plan and how to go about making those adjustments. And we're going to arm you in this chapter with some actionable next steps that you can start as soon as you finish watching this webcast. Once again, I'm pleased to be back with Fidelity's Ryan Viktorin, Vice President and a financial consultant in the Boston area, who helps clients establish and maintain plans; and Scot MacDonald, Vice President, Wealth Management, who's an expert in retirement income planning strategies. Welcome back, once again, to both of you.

Scot MacDonald: Thank you, Heather.

Ryan Viktorin: Thanks.

HEATHER: Ryan, I know you talked earlier about how you've gone through this thousands of times alongside clients. Could you share with us what to do when the unexpected happens? In other words, how do you know when it is time to reevaluate your plan?

RYAN: Well, first, I think it's important to understand that sometimes we actually have a misconception about what financial planning actually is. And the visual that comes to mind is that you go through this big exercise and you do all of this work, and you get this inch-thick printout that you stick on a bookshelf and then it just sits there collecting dust that we never revisit again. And I get it. I acknowledge that this process is a little frontend heavy to establish, but that's why we've been describing a retirement plan as a living, breathing thing that grows and adapts and adjusts with you as you go through your life.

And just like anything else that's living and breathing, it has to be cared for and tended to, so that when events outside of our control happen, we have a framework for how to adapt. And some examples, like you talked about before, are major market events, like a recession, or personal events. And I don't just mean hardship events, like the death of a family member or a spouse or a significant change in your health. While those are important, I'm also talking about happy reasons to reevaluate your plan, like a marriage or grandchildren.

So it's also good to review your expenses annually, especially because we've already talked about the importance of addressing inflation. And the reality is even when we do set up a plan that tries to anticipate the risks we face in retirement, we can't foresee everything. And that's why financial planning also involves monitoring the progress to ensure that things are coming together in the way that we wanted and adjusting when needed.

HEATHER: OK, well, Ryan, you just hit on how market events and personal events could affect a plan. And I want to go a little bit deeper on market events specifically, because they not only affect everybody, but also, there's so much information coming at us these days, it feels like—in the media and online—and it can be so easy to get wrapped up in the noise and feel nervous and get worked up about what it all means. So Scot, I was hoping you could talk us through how we can navigate that.

SCOT: Yes. It's human nature to be influenced by headlines and social media, which lead to emotional decisions, and acting on them may be inconsistent with your goals and harmful to your success over time. Sometimes you have to set this aside and not make rash decisions, and instead keep focused on your goals. Through the planning process, we aim to minimize the impact of market events that you can't control. And if your plan is put under conditions that test it, having it documented can help us ensure you're remaining on track, and it gives you perspective. And if you're unsure about the potential impact of market events or a change in your life, you can review your plan with a financial professional.

HEATHER: OK. Thanks, Scot. For clients planning with a spouse or a partner, I want to talk about, how do you help clients plan for the difficult but pretty likely scenario that one person will pass away first? Should you get that detailed in the plan? Ryan, what do you think?

RYAN: Absolutely. Yeah, we definitely do get that detailed. The reality is we try to plan for a variety of outcomes. and as you just mentioned, it's not uncommon to have a blended scenario, when one spouse or partner might pass away a little earlier, maybe in their 70s, and the other might live all the way into their 90s.

And unfortunately, Heather, though, it's one of the most emotionally difficult aspects of what I do, but it's really important to talk about. And while there's absolutely no way to avoid the grief that comes with these moments, the more prepared the plan is for these moments, the less my clients have to worry about finances during that time time, though. And it allows them to just focus on their grief and really taking care of their family.

SCOT: Yeah, and that's key, right, Ryan? You have to prepare for both scenarios. You have to be mindful of that. And the reality is when a spouse or partner passes away, the Social Security benefit picture will change, so the income in retirement has shifted. So the power of planning is really twofold. One, it accounts for these possibilities before they happen, and two, if they do happen, then we're better prepared to make these necessary adjustments.

RYAN: I also want to say, you've probably noticed that we've repeated a few times "refer back to the plan. Create a plan. Monitor the plan."

HEATHER: Yeah, go back to the plan. Go back to the plan.

RYAN: That is the point. Each of these events is when you should refer back to the plan. It's a constant monitoring.

HEATHER: OK, that's an important point. You guys have been so great today. I have one final question for both of you, and that is, what should we do once we stop watching this webcast? What should be our very next step? Scot, I'll throw it to you first.

SCOT: Yeah, that's an easy one. Get started. Gather all of your details. Get organized. Include your partner or spouse, or whoever you're going through retirement with. I've been part of meetings where planning partners are totally on different pages, where one person says, this is exactly what we want, and the other immediately responds, absolutely not. So it's really a matter of trying to figure out the proper level of compromise in agreement, and really to get on the same page.

RYAN: Yeah, I couldn't agree more. My suggestion, coming off of that first part, is take action. You've put so much effort into understanding the exact steps to take to protect what you've worked so hard for, and to continue to grow it so that you can live the life you've always wanted to in retirement. So make sure you actually implement those changes. And we realize that this is complex and it can probably sound a little overwhelming, but that's what we are here to help you with. Call us. Go online. Come visit us in an investor center. We want to see you and help you.

HEATHER: You are here to help, I got it. Thank you to both of you, Ryan and Scot. We covered a lot here. We hope that approaching and planning for how you'll manage your money in retirement now feels a lot less overwhelming after watching our webcast. So to recap, we talked today about the importance of getting organized and being honest, and how to go about identifying expenses and predictable income sources, and the importance of making a plan that addresses any gaps and also continues to grow your money throughout your retirement.

We also discussed how to approach planning if there are partners involved. Both partners need to be aware of the plan. They need to participate, to some degree, and have a unified vision. And remember, everybody affected should be a part of that conversation. Also, a big one here, remember, retirement income planning isn't one-and-done. It is something that you do need to monitor and revisit throughout your retirement.

For those of you who are really close to making the jump to retirement, we hope this webcast energizes you to start your detailed retirement income plan now. You can visit our Planning and Guidance Center on our website. Or if you need help, you can call us. Or believe it or not, it's also free to set up an appointment with a professional, just like Ryan.

Or if you're at the stage where you're trying to visualize your retirement, well, we have a great digital planning experience available on our website for you called the Retirement Decision Guide. It can help you navigate many of the decisions that you'll have to make about your money, health, lifestyle, and loved ones. For Scot MacDonald and Ryan Viktorin, and everybody who is a part of this one, thanks so much for watching Fidelity Viewpoints—Making a Plan for Retirement Income. We wish you well as you prepare to embark on this exciting new chapter in your life.

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