

Money Unscripted | [Can I retire with \\$1 million?](#)

ALLY DONNELLY: Can I retire with \$1 million?

GINA GILLESPIE: We get this question all the time.

LAURA: I think everybody has that magic number. Is it the right number? Who knows?

GINA: I think the bigger question is, what do you want your retirement lifestyle to look like?

LAURA: I'm going to work as hard as I can, save as much as I can, and hope what I need is there when I need it.

GINA: You don't need to predict the future perfectly. You just need to be prepared for a range of possibilities. And let's create a plan to get there.

[THEME MUSIC]

ALLY: A lot of people think retirement readiness comes down to one question. Have I saved enough? And sometimes that becomes a single magic number. Maybe it's \$1 million, maybe it's \$2 million. But my guest today says there may be a better place to start.

Hi, welcome to Money Unscripted™, a personal finance podcast from Fidelity. I'm Ally Donnelly. Here to help us optimize the way we're saving and planning for retirement is Fidelity VP Financial Consultant Gina Gillespie. But first, hear Laura's story.

She's been working hard to support her family and save for retirement. She does have that magic number in her head, but it might not be realistic or necessary.

LAURA: Harper!

DAUGHTER: Mom, I'm getting ready!

LAURA: My name is Laura Winters. I am 44 years old.

Hi, good morning.

I have three daughters...

What's on the agenda for today? So, Dad's picking you up?

...a husband, two female golden retrievers, and a bunny named Tammy.

DAUGHTER: This is Tammy.

[Rabbit sniffing]

LAURA: I don't have a traditional 9:00 to 5:00, which I am super grateful for, because I love the life that I have, but I'm super busy.

Come here, Biz, let's do your hair. No, no, no. We're gonna do it.

I am a real estate agent. I also own a political consulting business, and I own a property management company, so I really have to be good at being a self-starter to ensure my own paycheck is coming. Right now, retirement feels like a million years away.

ALLY: You are such a hard worker. What do you want your retirement to look like?

LAURA: The first word that comes to mind when I think about my retirement is travel. Travel is something that's really connected my entire family. My husband, my daughters and I, we all agree that we are at our best as a family when we're seeing new parts of the world and exploring new places. So in retirement, I just hope to be able to amp that up and see the world with my friends, with my family, and hopefully, one day, grandkids.

ALLY: When you think about that dream retirement, and you think about paying for it

LAURA: Yeah.

ALLY: what's your biggest concern?

LAURA: Is it ever enough? How do you know if you ever have enough? You can spend your entire career working hard and saving, but I think that there's always that level of doubt there. Did I do enough, and did I save enough? Because you don't know what the future looks like in terms of your health, healthcare needs of you and your family, especially. That's something we can't predict.

I can predict what I might need for travel. I can predict what I might need for housing, utilities, general bills, but healthcare, you just can't predict.

ALLY: Do you have a retirement savings number in your head?

LAURA: I do. I think as I get older that number keeps increasing. I keep just assuming as time goes by, we'll need more and more and more. But it's a guess that I didn't back into properly by thinking of what I want the retirement to look like. It's a number that I sort of picked arbitrarily and hope it's right, and I'll work towards it.

ALLY: What do you think having that one number does for you?

LAURA: I think it gives me a little bit of an anchor and the confidence that I am working towards something. Is it the right number? Who knows? But it makes me feel good to have one.

ALLY: Have you ever tried to calculate what your retirement could cost?

LAURA: I haven't. And that, I think, would be the right exercise to do, to start there and then work backwards. You spend a lot of time thinking that retirement is so far away, and I think that as I've gotten into my 40s, it feels more right around the corner, or this is the last chance you have to really get this right. And so, maybe, personal finance is the next learning adventure for me to make sure I do get it right.

ALLY: Oh, it's such a familiar story. Gina, let me bring you into the conversation. Welcome.

GINA: Hi, Ally.

ALLY: So many of us have been saving for retirement, sometimes for decades, and still, we worry that we don't have enough. Why do you think that nags at us?

GINA: Because retirement is very different than most of our other financial goals. Think about it. When you want to buy a house, you generally know the price. You're saving for college, we can estimate those costs. But retirement, it's full of unknowns. And a lot of the things that we think about, they can be very emotional.

ALLY: Like what?

GINA: Questions like, how long will I live? What will the healthcare costs look like? What will inflation be when I'm retired? Even questions like, what will I actually spend in retirement?

ALLY: Yes. And that magic number is still so hard to break away from. You hear people ask, can I retire with a \$1 million? Or, what if I could just get to X number, then I'll be OK for retirement. What is that?

GINA: It's because it's simple. It's measurable. It's reassuring to have one number and reach that mark. And \$1 million is a lot of money.

ALLY: Yeah.

GINA: For some, it may be more than enough. And for others, it may be far from what we need. So instead of focusing on a single magic number, let's ask ourselves, have I built a plan to support the retirement that I want?

ALLY: And that feels empowering to me. I mean, Fidelity's 2026 State of Retirement Planning Study found that Americans who had a financial plan were more than twice as likely than their peers without one to feel confident about retiring.

So where should I start? How do I get to the answer of how much do I need to retire?

GINA: It's definitely a mindset change. Instead of thinking about a big pile of money, think about the income that you need to support the lifestyle that you want to live.

ALLY: Say that one more time for the people in the back.

GINA: Think about the income that you need to support the lifestyle that you want to live. So it's not about a magic number. You have to dig in and do some math. We're going to run some numbers here to talk about, what is the lifestyle that I want to live in retirement? What do those expenses look like? And some things may change.

What are expenses that may go away? Commuting expenses. Your mortgage may be paid off. Dry cleaning, because you're not going to work as much anymore or you're not going to work at all.

And then other things that may increase. Things like travel, hobbies. Another piece is that healthcare costs may go up. So consider changes that could occur in the future versus what you're spending today.

ALLY: So really, we're building a spending plan first, to know what we need for income.

GINA: Exactly. I love to do this exercise by splitting things up into two different buckets. The essential expenses, or the have-to-haves, and discretionary expenses,

like the like-to-haves. It really helps you to separate things and make sense of where you're going to spend money.

So the I have-to-haves are things like home expenses, insurance, food, and I'd like-to-haves are things like travel, maybe gifting money to your children, causes that you care about. When you can split expenses up into these two areas, it really helps make sense of where you may be spending money.

ALLY: I imagine that's really personal, too.

GINA: Oh, yeah, it's so personal. Recently, I met with a single mother. She just put her two daughters through college, and she came into the office saying, now I really want to focus on myself. We really honed in on breaking up her expenses and thinking about where she would spend money. She said to me, she was really hoping to retire a little earlier, and when she saw how much it was costing her to run her household, she decided, I want to downsize. That allowed her to retire two years earlier than she thought, just by doing the simple exercise. It really helped us to simplify things.

ALLY: Yeah, yeah. OK, so, once I roughly know what my retirement costs are, how do I think about paying for it? How do I create a retirement income plan?

GINA: Your income in retirement will most likely come from many different places. Things like Social Security, assets that you've saved for retirement. Some people could potentially have a pension, rental income. You might get guaranteed sources of income from things like annuities. It's important to think about the income that you have to help you pay for those essential expenses, as well as those lifestyle expenses.

ALLY: You mentioned that retirement comes with a lot of unknowns so I want to dig into some of the big ones. Longevity.

GINA: Living a long time can be a wonderful thing, but we also have to think about having enough to support our lifestyle for a longer period of time. If we look at family history, longevity, and health, it's not uncommon to try to support a plan well into your 90s.

ALLY: I'm assuming healthcare has to be a major part of these conversations. I mean, looking at Fidelity's annual retiree healthcare cost estimate, someone retiring in 2026 could expect to spend about \$185,500 on healthcare and medical expenses, and that's for one person. I mean, double it for a couple.

GINA: I talk to clients every day about how healthcare can be one of the largest and most unpredictable expenses for retirees. Even with Medicare, you could have costs for premiums, prescriptions, a lot of out-of-pocket costs when it comes to things like long-term care, deductibles. So you may want to consider getting long-term care insurance, many people do, or try to pull other levers inside their plan, to help to plan for some of these really large, unpredictable expenses in retirement.

ALLY: Yeah, yeah. Another stressor, like we talked about, and we know this is a huge concern for folks, is inflation.

GINA: Inflation affects people before retirement and what they can save, and then in retirement, with just the loss of purchasing power. So it's another reason why we don't just look at this one number. It just doesn't tell the whole story.

ALLY: Yeah, yeah. Let's talk about another number. Four. What is the 4% rule?

GINA: I'm so glad you asked this, Ally. The 4% rule is a framework that we can use to help us to figure out how much income we can generate from the assets that we've saved for retirement. So let me say it in another way. How much you can withdraw from your savings without running out of money. The idea behind it is that when you head into retirement, you can take 4% to 5% of your assets and then each year increase that with inflation, to help give you an idea or guideline of what you could spend.

Let me give you an example. In the 4% framework, \$1 million in retirement savings could potentially generate about \$40,000 in retirement income for you to spend annually. If you had less saved, say \$500,000 in retirement savings, you could plan for \$20,000 in annual retirement income to withdraw.

So here's the thing. Retirement is not static. Markets change. Inflation changes. Your life can change. That's why we call it a guideline. It's not a hard and fast rule. In the beginning years of retirement, you may want to travel more and spend more, and then as years go on, you might spend less and stay closer to home. That's why, I think, it's important to build flexibility into your plan.

ALLY: What about someone who's close to retirement and they realize they just don't have enough saved, or maybe they lost their job, or had a healthcare event, or were forced into retirement for some reason? What then?

GINA: You know what, Ally? The good news is that we oftentimes have more control than we think. Really, there's four major levers that we can pull. Save more, maybe

work a little bit longer if we can or work part-time, spend a little less, or look at our investment strategy and make some tweaks inside of our plan.

ALLY: I mean, what that says to me is that people don't necessarily need one dramatic change.

GINA: Exactly. I work with clients who are understandably stressed. So we go in and do some analysis, and we, oftentimes, make some small tweaks or changes to their plan, working one or two years longer, holding off on Social Security. Saving just those one or two years can help to really make a difference in their plan. I think, in many ways, one of the things we can see is that we've got more control than we think about.

ALLY: I do want to dig into that investing piece. How do we look at our investing strategy for retirement?

GINA: That's a great question. When we think about investing, we're really trying to balance today's income needs and also, think about growth potential over the long-term. We really want to create an income plan or retirement plan that has three key elements-- growth, guaranteed income, and flexibility.

With growth, we really want to base a plan off of your risk tolerance, your time horizon, how much money that you need. That will help us to figure out and build a diversified portfolio that you want to stay invested in over time.

A big piece then next is to think about where you'll get income from. So it's important to look at your essential expenses, things that you want to have covered by your guaranteed sources of income. Remember, we mentioned earlier, Social Security, pension, things like, maybe, you have annuities, as well.

Then, we can think about the other lifestyle bucket, that discretionary items. Those are the things that we can pull from this investment or growth bucket.

ALLY: Also, too, your retirement can last for decades.

GINA: Yeah. So remember inflation, right? We have to make sure that it can last a long time, and then that this growth can help us keep up with inflation.

ALLY: So if I'm doing the work and I've looked at my numbers, how can I stress test my plan to see if I am in that good place?

GINA: This is when planning tools really become valuable. On our website, we have many different tools, as well as resources, that you can utilize to help you get started.

ALLY: I think one of the cool things for me is that Retirement Income Calculator. So tell me how it works. If I'm a client sitting in your office, run me through it.

GINA: We want to start with first taking a step back and looking at an analysis together. And the things that we're going to need are things like your statements, any balances that you have in accounts, what are estimated expenses are, and then any guaranteed sources of income that we want to consider.

Then, we start to input this into our tools, and it allows us to create a baseline plan. When do you want to retire? How much will you need? Where will our income come from? And we can start to make some tweaks and changes to that together.

So in the planning tools, you can start to then plug-in, what if I retire a couple of years earlier, at 62 versus 67? What if I save a little bit more now, how does the outcomes change, and what does it look like?

ALLY: All right. Terrific. Any final thoughts?

GINA: I think it's important to recognize that everyone's plan is different. Your goals are different. Your needs are different. It's a really personal thing. And remember, you don't have to predict the future perfectly. You just want to prepare for a range of outcomes. And you can do it.

ALLY: Excellent, excellent. Gina, this has been such a good conversation. Thank you.

GINA: Thank you, Ally.

ALLY: If you want to check out the planning tools for yourself, we put links in the show notes and on our website, Fidelity.com/MoneyUnscripted. Be sure to like, follow, share the podcast. We'll see you next time on Money Unscripted. It's your life. Get your money's worth.

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[Disclosures]

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The Retiree Health Care Cost Estimate (RHCCE) is based on a single person retiring in 2026, 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 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. The estimate does not include other health-related expenses, such as over-the-counter medications, most dental services and long-term care.

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