

3 Keys to Income Planning and Answering, 'What's Next?'



CHALLENGE: Americans spend decades working, saving, and anticipating retirement. But as they approach their post-work life, many don't know how their retirement savings will generate a reliable source of protected income.

KEY #1

Income planning is a critical subset of retirement planning because it focuses on the income you'll need in order to live the life you want.

INCOME PLANNING

- Answers how essential expenses are covered in retirement, especially essential costs
- Considers funding of needs, wants, and wishes
- Matches income sources to projected budget
- Addresses risk of income shortfall

An income plan addresses longevity, inflation, cash flow, and market volatility.

KEY #2

It's important to understand the difference between the two main schools of thought for retirement income planning.

SYSTEMATIC-WITHDRAWAL APPROACH

- Generates *probable income*
- Answers: How much can retirees *confidently* withdraw from their investments without running out of money?
- **Chief goal:** Maximizing income to support retirement lifestyle for 30-plus years

Systematic-withdrawal: Accepts the risk of the markets and funds income through consistent annual investment withdrawals hoping to last for 30 years.

SAFETY-FIRST APPROACH

- Generates *protected income*
- Answers: How do you live a full life and get the most satisfaction, once you've funded your essential expenses?
- **Chief goal:** Fund your basic, or essential, expenses first with protected lifetime income, followed by wants and wishes spending.

Safety-first: Removes risk of running out of money in retirement by using protected income to fund basic spending.

STUDY: 8 out of 10 pre-retirees don't have a specific financial plan they follow

Source: Protected Lifetime Income Index Study, Alliance for Lifetime Income

HOW DOES SAFETY FIRST AND PROTECTED INCOME WORK?

- Generates a portion of retirement savings you can't outlive
- Builds a "floor" of safe, or guaranteed, income to meet essential spending needs
- Includes Social Security and pensions
- Features annuities as a key role in creating protected lifetime income

KEY #3

Using an "Income Hierarchy Analysis" helps you understand how your income will be applied to covering your needs, wants, and wishes in retirement.

CALCULATING YOUR EXPENSES

- Add up essential monthly expenses
- Create plan that checks off your basics
- Focus on pursuing your passions

Goal: Feel secure knowing that your basics are covered.

Is there a security gap?

COMMON INCOME PLANNING QUESTIONS

- What's the process for identifying sources of income?
- How do I really know I've anticipated everything?
- What steps are needed to creating steady income?
- How do we know that we'll actually have enough?

3 STEPS TO A BETTER INCOME PLAN

- How will you spend your money?
- How will you prioritize your expenses?
- How will you fund them?

LET'S HAVE AN INCOME PLANNING DISCUSSION

- We'll discuss your retirement readiness
- We'll talk about your goals for your life in retirement
- We'll talk about how to keep you on track



Annuities are long-term investments designed for retirement purposes. The value of variable annuities is subject to market risk and will fluctuate. Product guarantees are subject to the claims-paying ability of the issuing insurance company.

Earnings, when withdrawn, are subject to federal and/or state income tax, including a 10% tax penalty for withdrawals before age 59½.

Some income guarantees offered with annuities take the form of optional riders and carry charges in addition to the fees and charges associated with annuity products.

There is no guarantee that any investment will achieve its objectives, generate positive returns, or avoid losses. Investments in annuity contracts may not be suitable for all investors.