Planning for Retirement

How Getting Ready Today, Ensures Freedom and Stability Tomorrow.

New York Life Investment Management

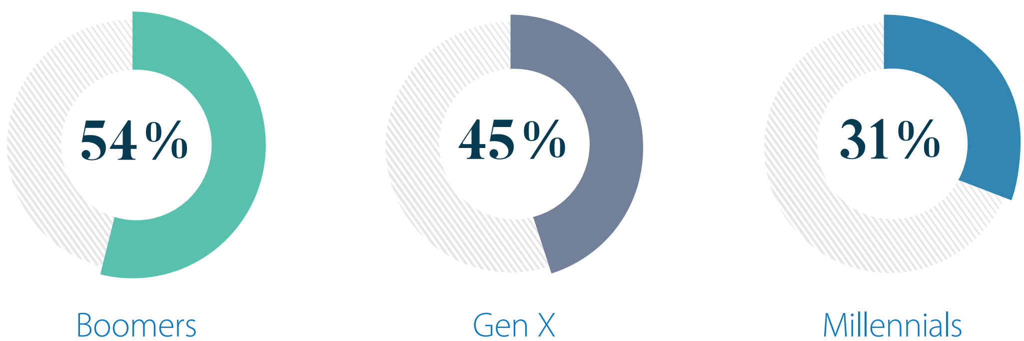
If you're worried about retirement planning, you aren't alone.

In fact, millions of Americans across different generations feel the same.

Particularly when it comes to creating a retirement strategy...

Percentage of Americans with retirement strategies in place

Source: New York Life (2020)

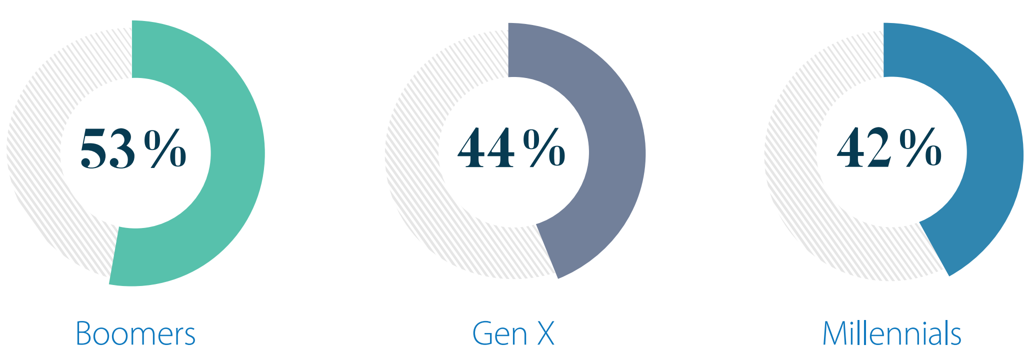


Based on the results of a national survey of 2,200 adults. Surveys were fielded first March 23-24, 2020, and again April 9-10, 2020.

...and feeling confident that their savings will last them for the rest of their lives.

Confidence level for having sufficient savings to last through retirement

Source: New York Life (2020)



Based on the results of a national survey of 2,200 adults. Surveys were fielded first March 23-24, 2020, and again April 9-10, 2020.

The good news is that it's never too late to start thinking about retirement.

How Much Should You Save?

Although this is one of the most frequently asked questions, it doesn't have a straightforward answer. That's because retirement planning isn't just about dollars saved. **It's also about income.**

1 Lifestyle

How do you plan to spend your later years in life? Hobbies, vacations, and other pursuits can be a significant expense.

2 Downsizing

How much space will you need in retirement? Selling your home and downsizing can be an effective strategy for increasing retirement cash flows.

3 Medical needs

It's always important to plan for future medical needs. The average American aged 65+ spends roughly $11,000 a year on medical expenses.

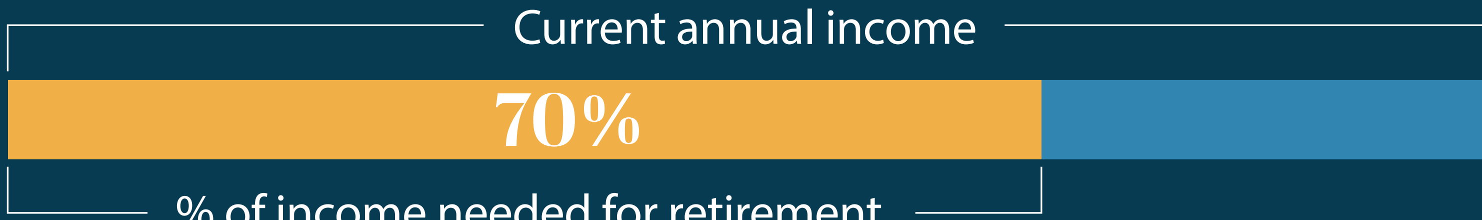
4 Inflation

Over time, inflation can erode the purchasing power of your retirement income. Picking the right investments can counter this effect.

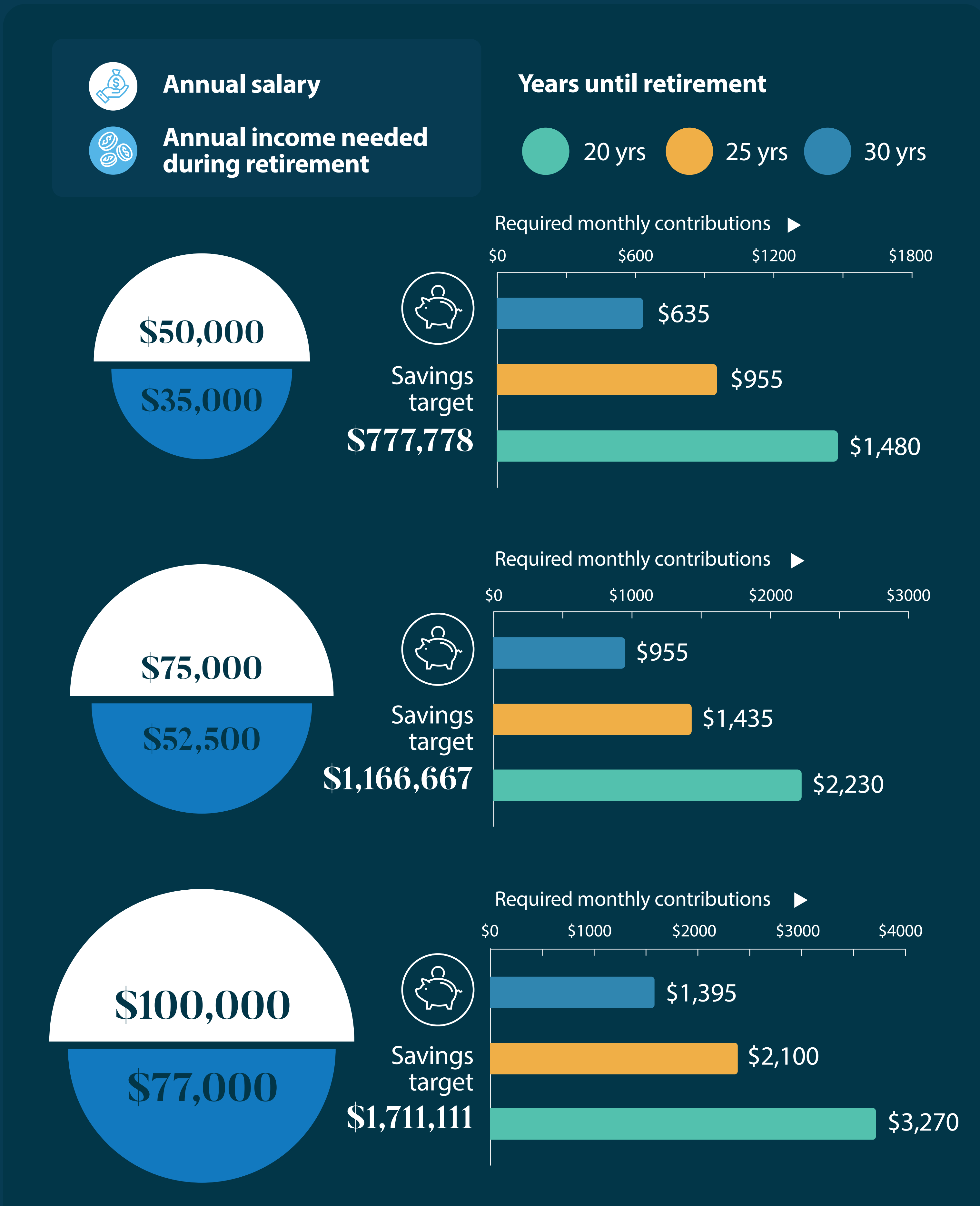
Source: U.S. Department of Health (2016)

After income needs are estimated, the next step is figuring out how to achieve it. Here's how a retirement savings plan might look for someone earning **$50K, $75K, or $100K** per year.

Underlying assumptions



7% estimated annual return



Source: The Motley Fool (2020)

Key takeaways

1. The earlier you start saving for retirement, the lower your monthly burden will be.

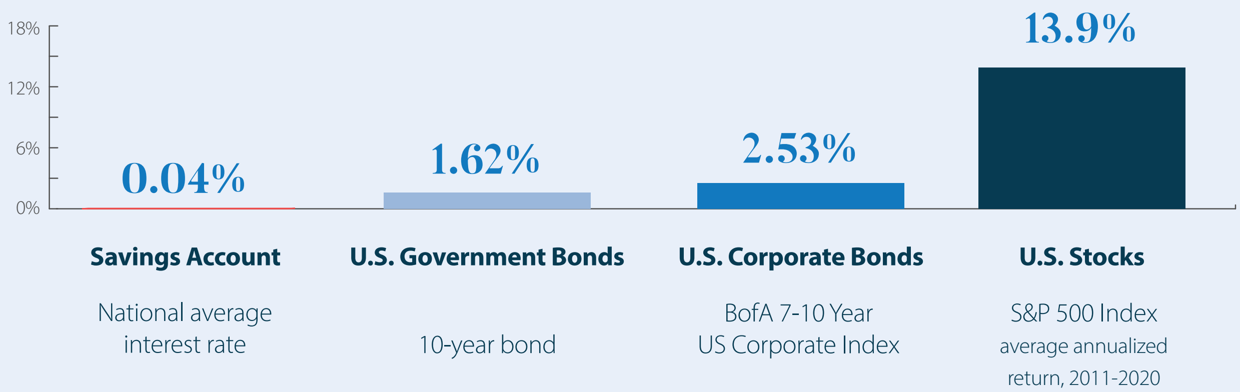
2. These figures are just a framework. Your retirement strategy will ultimately be guided by your unique needs.

Financial Assets

The Building Blocks of Your Retirement Strategy

Financial assets can potentially generate higher returns than cash held in a savings account, while also providing you with regular income.

Return (%)

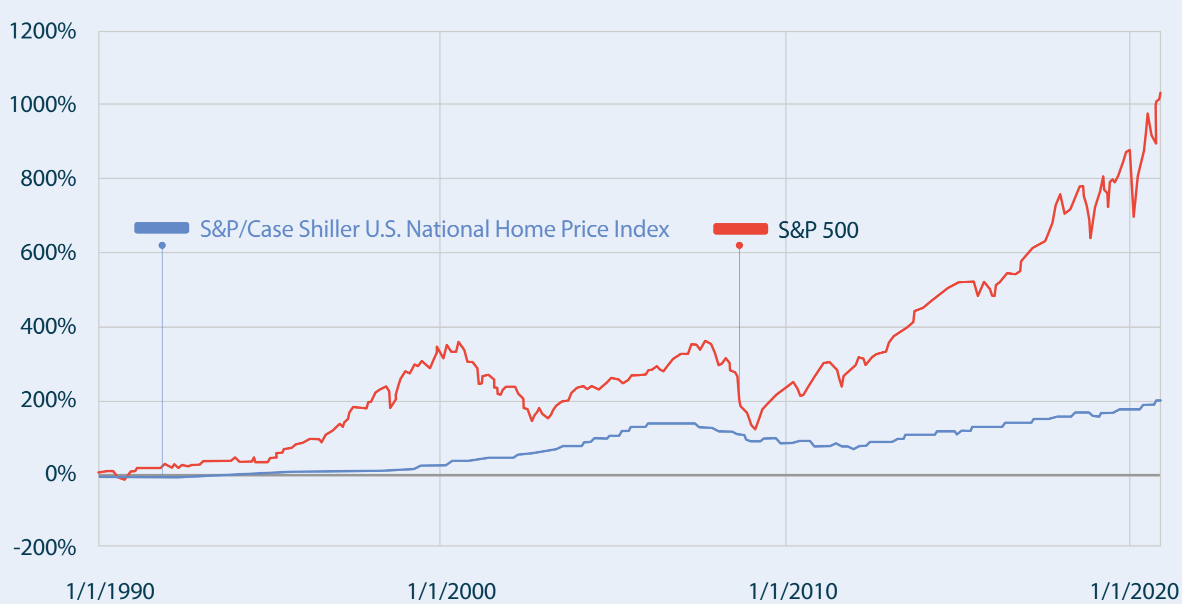


Sources: FDIC, U.S. Department of the Treasury, Federal Reserve, The Motley Fool, 3/15/21

Past performance is no guarantee of future results. An investment cannot be made directly into an index. Index definitions can be found at the end of this piece.

U.S. equities can be a valuable tool for growing your wealth. Here's how the stock market, represented by the S&P 500 Index, has outperformed real estate since January 1990.

Total Return (%)



Sources: Federal Reserve (2020), Yahoo Finance (2020).

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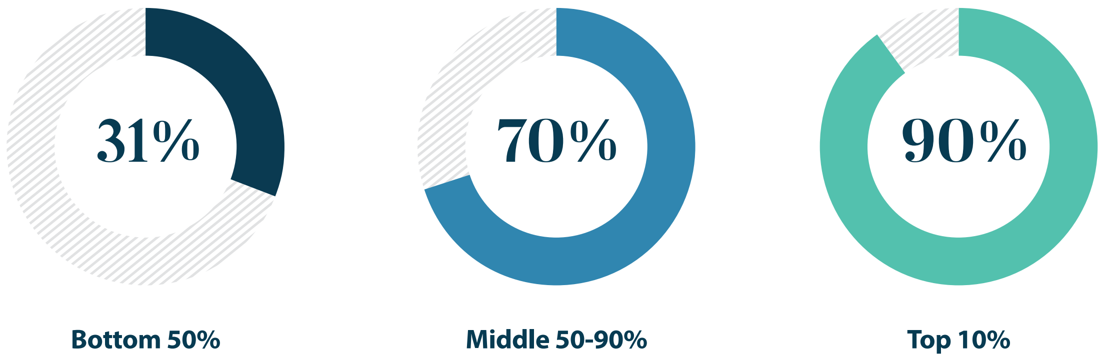
The issue?

While **66%** of Americans own their home,
only **53%** of families have exposure to equities.

Families with direct and/or indirect equity exposure



Equities often play a large role in the success of a retirement strategy, yet a majority of families in the bottom **50%** do not own any.

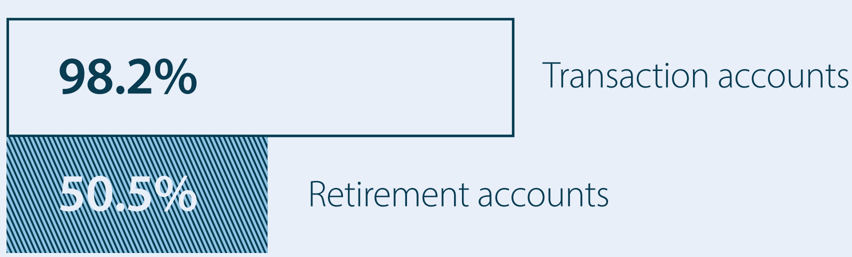
Sources: Statista (2020), Federal Reserve (2020) | Note: By wealth.

Retirement Accounts

Getting The Most From Your Available Tools

Most Americans have a checking or savings account, but when it comes to specialized retirement accounts, ownership rates are much lower.

Account ownership rate



Source: Federal Reserve (2020)

What exactly is a retirement account, and how can it benefit you?
Here's a basic overview of your most common options:

Traditional IRA*

A traditional IRA provides tax benefits to help you prepare for retirement.

Where can I open an IRA?

An IRA can be opened online or in-person through various banks, brokerage firms, wealth managers, or trading platforms.

What are the advantages?

Contributions to this type of account may be tax-deductible, meaning they have the potential to reduce your taxable income. These assets are locked until retirement and then any untaxed income would be taxed upon withdrawal.

What are the restrictions?

Withdrawals before retirement are subject to taxes plus a 10% penalty.

Traditional 401(k)*

The 401(k) is an employer-sponsored account that provides tax benefits to help you prepare for retirement.

Where can I open a 401(k)?

The 401(k) is typically offered by your employer.

What are the advantages?

Contributions to a 401(k) are made automatically from your payroll, and reduce your taxable-income. In many cases, your employer will match some or all of the contributions you make.

What are the restrictions?

Withdrawals before retirement are subject to taxes plus possible penalties.

Roth IRA and Roth 401(k)*

The Roth IRA and Roth 401(k) follow the same concept as their traditional counterparts, however, the contributions are taxed, while withdrawals are tax-free.

*You should obtain advice specific to your circumstances from your own legal, accounting, and tax advisors.

Everyone has different goals for retirement, but the need for financial security is shared by all.

It's been estimated, however, that the average American has a retirement savings shortfall of nearly 10 years.

Source: World Economic Forum (2019)

With this in mind, it's never too late to take control of your future and have a strategy in place.

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A 10-Year Bond is a debt obligation issued by the United States government with a maturity of 10 years upon initial issuance.

The S&P 500 Index measures the stock performance of 500 large companies listed on stock exchanges in the U.S.

The S&P Case-Shiller U.S. National Home Price Index tracks changes in home prices throughout the United States.

The Bank of America 7-10 Year U.S. Corporate Index includes all securities with a remaining term to maturity of greater than or equal to 7 years and less than 10 years.

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