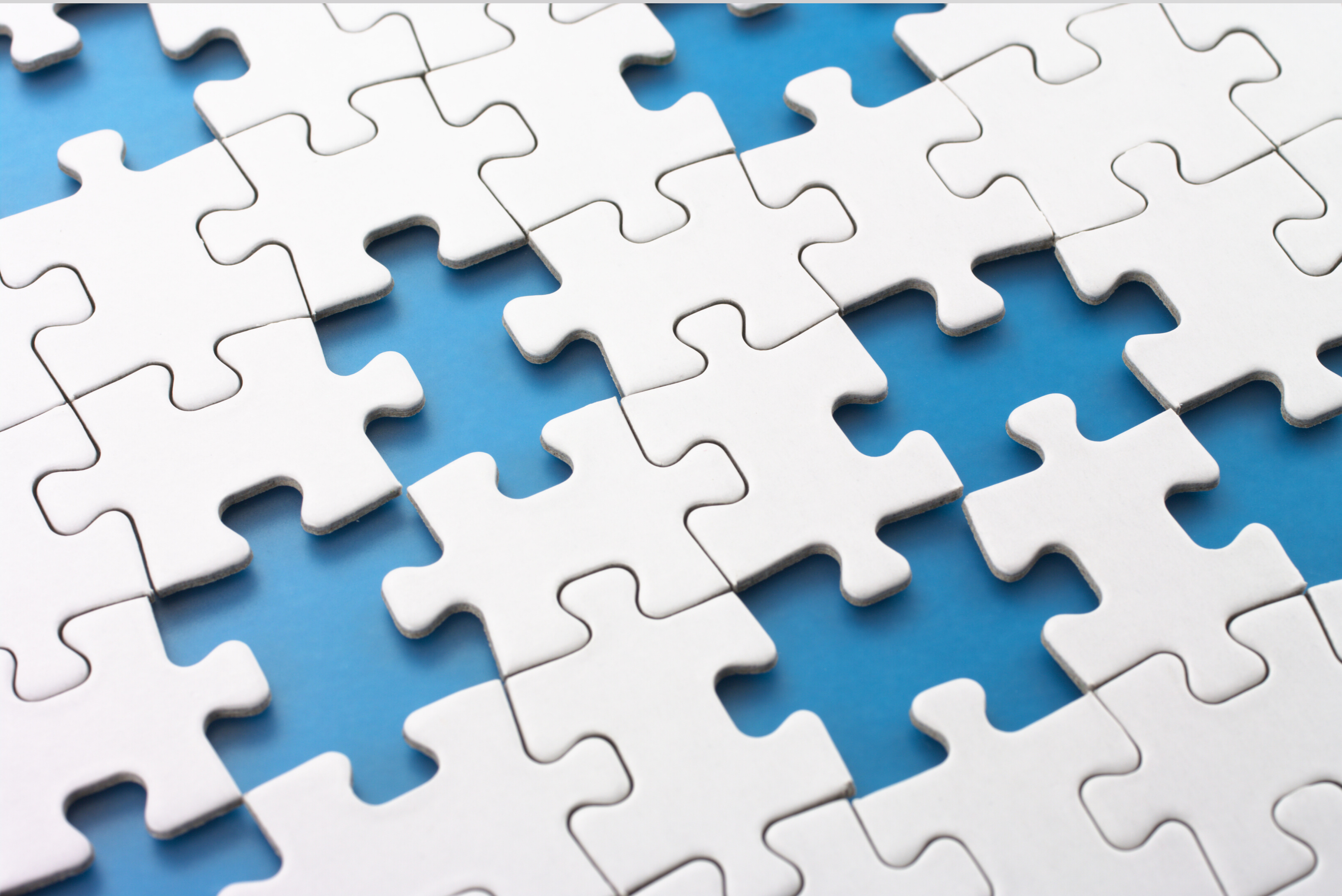
TRG THE RETIREMENT GROUP LLC
PARTNERS IN RETIREMENT

CLOSING THE RETIREMENT INCOME GAP



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RETIREMENT GAP

When determining how much retirement income you will need, the projection may be based on the kind of lifestyle you plan to live in retirement as well as expected longevity. However, as your retirement date approaches (or maybe even after a few years into retirement), you may find that your expected circumstances have changed and the income projection won't be enough to meet expense needs.

REPORT BY THE INSURED RETIREMENT INSTITUTE

A 2019 report by the Insured Retirement Institute found one-third of the baby boomer generation plans to retire at age 70 or older, or not at all. In addition, they found that six in 10 baby boomers have taken no action with their workplace defined contribution plans. Of this generation only 55 percent have money saved for retirement. The other 45 percent do not have retirement savings and one-half of this percentage at one point did have savings. This is troubling, but the Institute also reported that seven in 10 baby boomers who work with a financial adivsor have a calculated savings goals as opposed to the 25 percent without a financial adivsor.

There are, however, several steps that can be taken that can help narrow or close the retirement income gap.

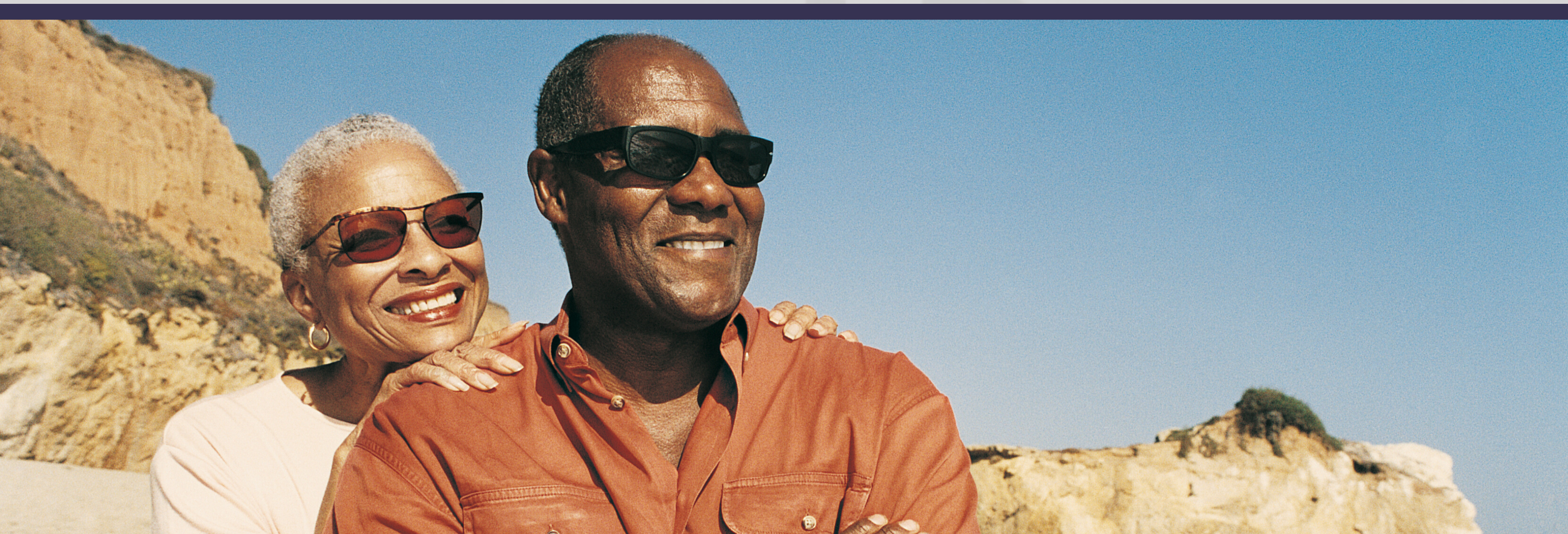
DELAY RETIREMENT TO AGE 70

The easiest way to help close the projected retirement income gap is to stay in the workforce longer than planned. For one, delaying retirement to age 70 has a few advantages:

- Social Security benefits are approximately 32% more than the payment received if benefits start at age 66
- Some lifetime income options may become more attractive at an older age
- There are additional years to build up retirement savings and five fewer years that the savings will be needed to produce income

Also, if you're covered by a pension plan at work, you could also consider retiring and then finding work elsewhere. In this situation, you could receive a salary and a pension benefit at the same time.

Looking at the average retiree, delaying retirement until age 70 instead of 65 can reduce needed retirement savings to approximately $720,000 (in addition to social security benefit) to meet retirement needs until age 95.

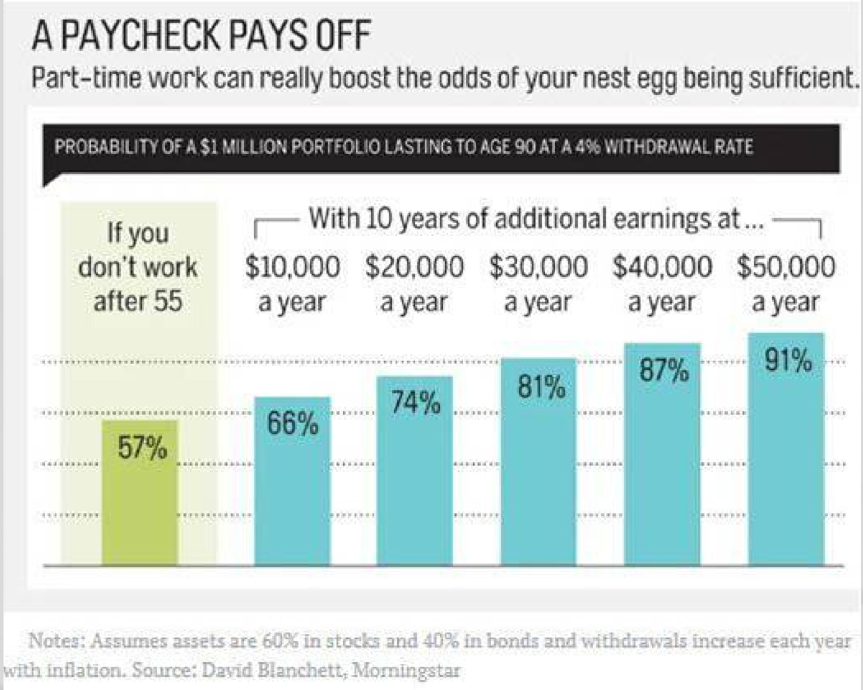


WORK PART-TIME IN RETIREMENT

Part-time labor can give retirees of all ages a financial cushion to protect their nest-egg in the case of an unexpected event such as a healthcare cost or a major market downturn.

As seen in the chart below, a 55 year-old retiree with $1 million in savings and a withdrawal rate of 4% (increased by inflation after the first year) can increase the chances of their savings lasting through retirement by almost 10% by earning just $10,000 a year for 10 years. Note, if the withdrawal rate was lower or if the allocation was more aggressive these number would improve. Past performance is not a guarantee of future results. Individual investor experiences will vary. Investing involves risk including the potential lost of principal.

Part-time income can also help by allowing you to delay claiming social security until age 70. By delaying until age 70 you can receive an annual amount that is 132% of what the benefit would be had you started claiming benefits at full retirement age (full retirement age for social security determined by birth year).



Notes: Assumes assets are 60% in stocks and 40% in bonds and withdrawals increase each year with inflation. Source: David Blanchett, Morningstar

SPEND LESS, SAVE MORE

Reducing spending and increasing savings is a hard strategy for most people to follow consistently, but can often make the difference between meeting your retirement needs or realizing you need to return to work a few years into retirement. Saving even a little money can really add up if you do it consistently and earn a reasonable rate of return. Make permanent changes to your spending habits and you'll find that your savings will last even longer. Start by preparing a budget to see where exactly the money is going. Some suggested way to stretch retirement dollars:

- Refinance your home mortgage if interest rates have dropped since you took the loan
- Reduce your housing expenses by moving to a less expensive home or apartment
- Sell one of your cars if you have two. When your remaining car needs to be replaced, consider buying a used one
- Access the equity in your home. Use the proceeds from a second mortgage or home equity line to pay off higher-interest-rate debts
- Transfer credit card balances from higher-interest cards to a low-interest card
- Ask about insurance discounts and review your insurance needs
- Reduce discretionary expenses such as lunches and dinners out

REALLOCATE ASSETS: GET MORE AGGRESSIVE

While you always want to consider the suitability of each investment and how it affects your investment profile as a whole, some people make the mistake of investing too conservatively to achieve their retirement goals.

If you are facing a projected income shortfall, you may want to consider shifting some of your assets to investments that have the potential to substantially outpace inflation. The amount of investment dollars you might consider keeping in growth-oriented investments depends on your time horizon (how long you have to save) and your tolerance for risk.

[In general, the longer you have until retirement, the more aggressive you can typically be. Still, if you are at or near retirement, you may want to keep some funds that can provide a hedge against inflation investments, even if you decide to keep bulk of funds in conservative, fixed-income investments. **Talking to a financial professional can help determine what asset allocation is appropriate for you.**

MAINTAIN HEALTHY HABITS

While automobile and housing costs tend to decrease in retirement, other costs, like healthcare, tend to increase. Living a healthier lifestyle can mean a longer lifespan, but it could also significantly lower the annual cost of medical care. Cutting out unhealthy habits (such as smoking) and exercising regularly and maintaining a healthy diet may lower the need for recurring medical costs. Living a healthy lifestyle may also have the additional benefit of improving quality of life in retirement.

LOWER STANDARD OF LIVING

If your projected income shortfall is severe or if you're already close to retirement, you may realize that no matter what measures you take, you will not be able to afford the retirement lifestyle you have dreamed of. In other words, you will have to lower your expectations and accept a lower standard of living.

Fortunately, this may be easier to do than when you were younger. Although some expenses, like health care, generally increase in retirement, other expenses, like housing costs and automobile expenses tend to decrease.

Selling a large house and moving into a smaller property can reduce ongoing property maintenance costs and free up money that could be reinvested for retirement income.

Once you are within a few years of retirement, you can prepare a realistic budget that will help you manage your money in retirement.

CONCLUSION

Think long term: Retirees frequently get into budget trouble in the early years of retirement, when they are adjusting to their new lifestyle. In retirement, every day feels like Saturday so it is easy to start overspending. Creating a budget and coming up with a plan for multiple scenarios can help ensure that you are able to set realistic expectations and have enough income to meet expense needs.

Have questions, call The Retirement Group to learn more about retirement planning!
or
Visit theretirementgroup.com to schedule an appointment with an adviser today!

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