

A photograph of an older man and woman sitting at a desk, looking at two computer monitors displaying financial data. A financial advisor, a man in a suit, is sitting across from them, looking at the monitors. The scene is set in a professional office environment with large windows in the background.

What Happens After the Paychecks Stop?

A Retirement Income Primer

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Edward Jones[®]
MAKING SENSE OF INVESTING

What Happens After the Paychecks Stop?

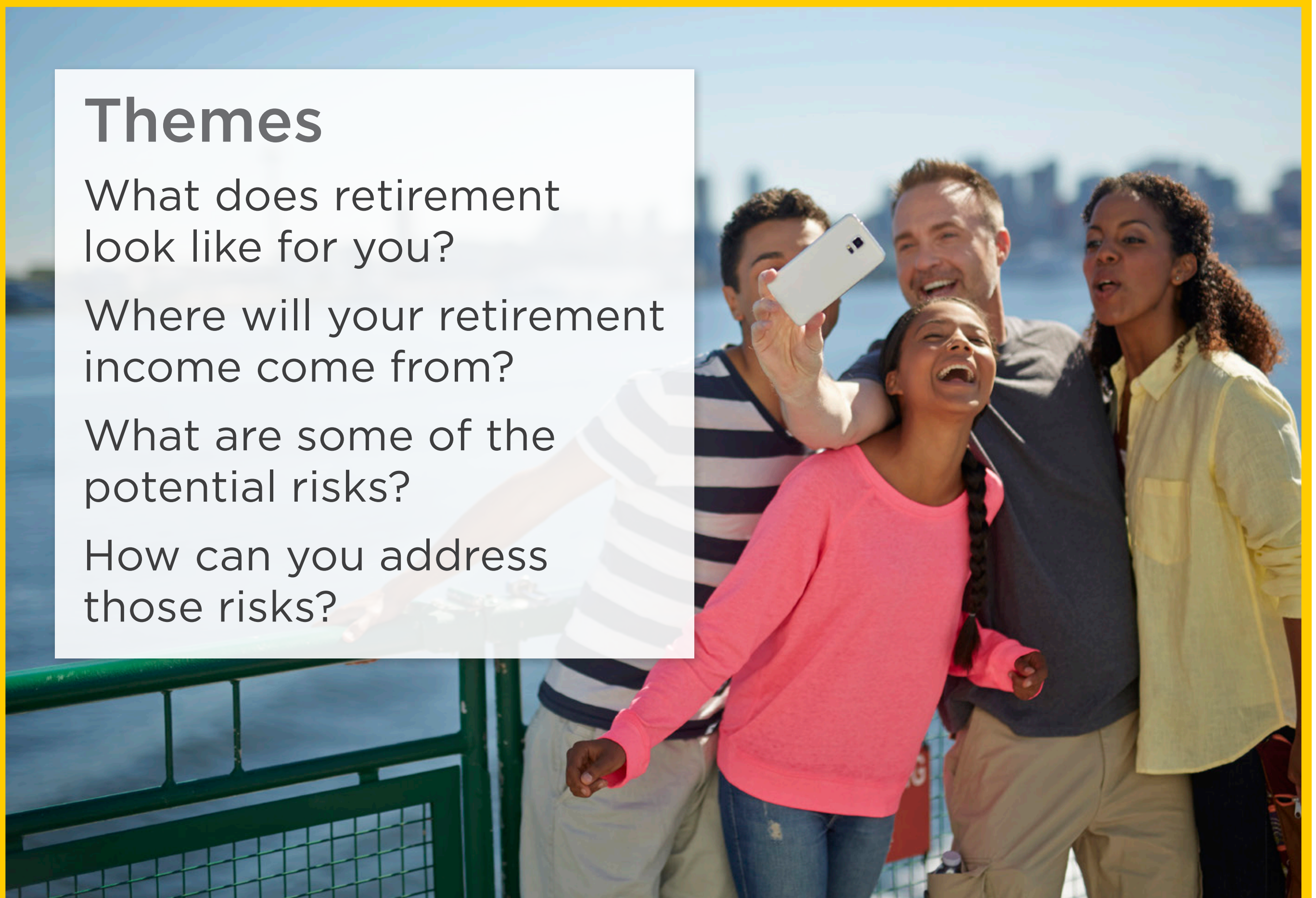
Themes

What does retirement look like for you?

Where will your retirement income come from?

What are some of the potential risks?

How can you address those risks?



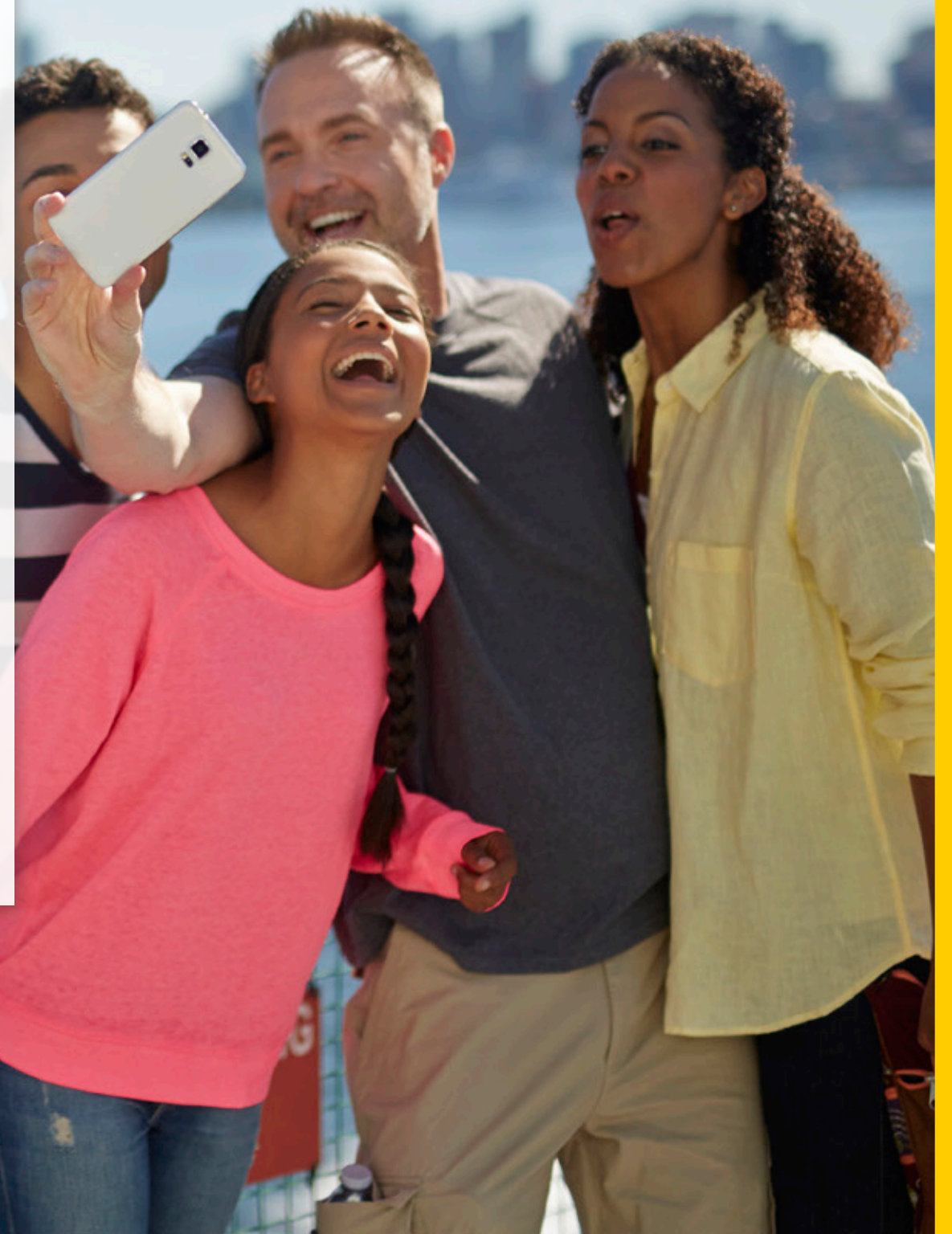
How Do You Expect to Spend Retirement?

Where would you like to be?

What would you like to do?

What's important to you?

Who would like to share what they envision when they retire?





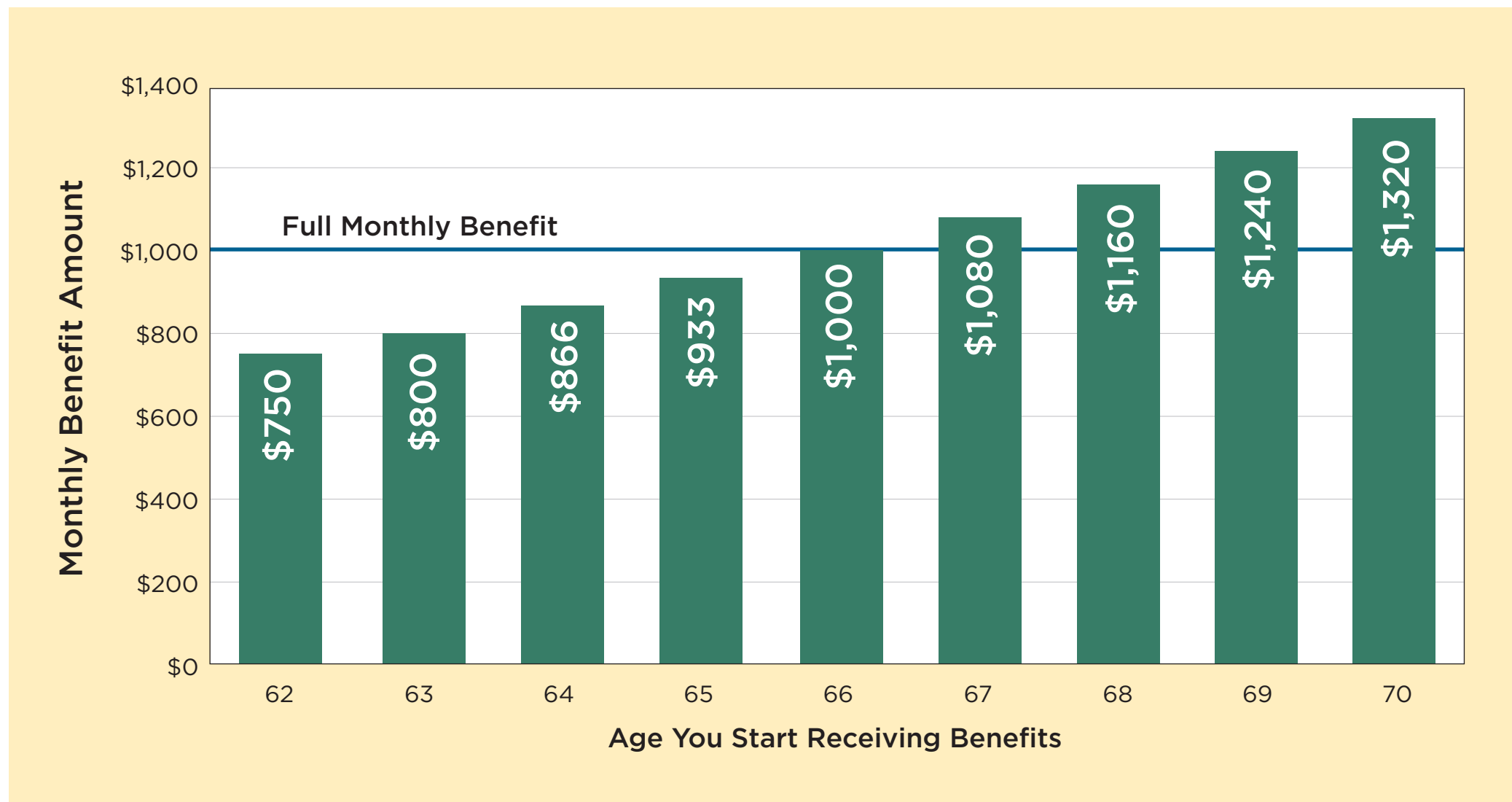
Sources of Income

1. Outside sources
of income
2. Savings and
investment income

Outside Income Sources

Monthly Benefit Amounts Differ Based on Age You Start Receiving Benefits

(Assumes \$1,000 Monthly Benefit at Full Retirement Age of 66)



Source: Social Security Administration. Example does not include any potential cost-of-living adjustments (COLAs).

The Income Gap

Expenses
— Income

Income Gap

A photograph of an elderly couple smiling and looking at each other. The woman on the left has short grey hair and is wearing a dark blue quilted jacket over a white and green patterned scarf. The man on the right is balding with grey hair on the sides, wearing a brown zip-up sweater over a plaid shirt. They are standing in front of a wooden fence and a white sign with the letters 'FR' and 'SH' visible.

Savings and Investment Income

- Withdrawal rate
- Reliance rate

Withdrawal Rate

The percentage of your portfolio you use every year

**\$ Withdrawn from Portfolio
(pretax)**

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Total Portfolio Size

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Withdrawal Rate (%)

Reliance Rate

The percentage of your income that comes from your portfolio
(how much you ***rely*** on your portfolio for income)

$$1 - \frac{\text{Income from Outside Sources (e.g., Social Security, pension)}}{\text{Total Income Needed}} = \text{Reliance Rate (\%)}$$

Addressing Risks to Retirement Income

Incorporate versus Insure



Outliving Your Retirement Savings



Incorporate or Insure?

Rising Withdrawal Guidance

		More Conservative	Less Conservative
Age in Retirement	Early 60s	3.0%	4.0%
	Late 60s	3.5%	4.5%
	Early 70s	4.0%	5.5%
	Late 70s	5.0%	7.0%
	80s+	6.0%	8.0%

The above withdrawal rates can include the withdrawal of principal. If preservation of principal is a high priority, you will likely need to use a lower withdrawal rate. In general, the higher your withdrawal rate, the greater the risk that your money may not last throughout your time horizon. The above withdrawal rates are based on estimates and assume a diversified portfolio – 50% equities, 50% income – and a life expectancy to at least age 90. Assumes increased withdrawals each year to combat inflation, which is based on a 3% annual rate.

Outliving Your Retirement Savings

Incorporate

- Age plays a role.
- Allow expense flexibility, reliance rate and risk tolerance to influence withdrawal rate.
- Asset allocation is critical.
- Desire to leave a legacy should be considered, as appropriate.

Outliving Your Retirement Savings

Insure

Consider Social Security and/or other investment options.



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Market Declines



Incorporate or Insure?

Sequence of Returns and Withdrawal Rates

Beginning Portfolio Value: \$500,000										Ending Portfolio Value	
Annual Portfolio Returns									Average Return	4% Withdrawal Rate	6% Withdrawal Rate
Year	1	2	3	4	5	6	7	8			
Scenario 1	25%	16%	8%	15%	0%	-8%	4%	-12%	6%	\$590,000	\$500,000
Scenario 2	-12%	4%	-8%	0%	15%	8%	16%	25%	6%	\$490,000	\$355,000

Source: Edward Jones. Hypothetical illustration. Examples assume withdrawals increased by 3% each year for inflation. Ending Portfolio Value rounded to nearest thousand.

Market Declines

Incorporate

- Have one year's worth of your income needs.
- Short-term fixed-income or CD ladder
- Flexibility with spending

CD Ladder

Today You Buy a	At Maturity in:				
	1 year	2 years	3 years	4 years	5 years
1-year CD	1-yr. CD matures, spend or reinvest in a 5-yr. CD				
2-year CD	2-yr. CD matures, spend or reinvest in a 5-yr. CD				
3-year CD	3-yr. CD matures, spend or reinvest in a 5-yr. CD				
4-year CD	4-yr. CD matures, spend or reinvest in a 5-yr. CD				
5-year CD	5-yr. CD matures, spend or reinvest in a 5-yr. CD				

Market Declines

Insure

Consider Social Security and/or other investment options.

Edward Jones operates as an insurance producer in California, New Mexico, and Massachusetts through the following subsidiaries, respectively: Edward Jones Insurance Agency of California, L.L.C., Edward Jones Insurance Agency of New Mexico, L.L.C., and Edward Jones Insurance Agency of Massachusetts, L.L.C.

Inflation



Incorporate or Insure?

The Impact of Inflation

	1993	2018	2043 (est.)
Car	\$17,600	\$29,000	\$47,784
Tank of Gas (17 gallons)	\$18	\$45	\$110
Monthly Groceries	\$224	\$611	\$1,664
Health Care (per capita)	\$2,610	\$6,723	\$18,014

The inflation rate used to calculate 2043 prices is based on historical inflation rates from 1993 to 2018: car = 2.0%; gas = 3.7%; groceries = 4.1%; health care = 4.0%. Car: MSRP for automatic transmission Toyota Camry. Gas: national average for unleaded regular gasoline. Groceries: family of two with moderate cost plan. Health care: 2017 data; median household expenditure for 65- to 74-year-old couple from Consumer Expenditure Survey. Sources: Bureau of Labor Statistics, U.S. Department of Agriculture and Centers for Medicare & Medicaid Services.

Inflation



Incorporate

- Use a modest withdrawal rate.
- Include investments with the potential for rising income.

Inflation

Insure

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Health Care and Long-term Care Costs



Incorporate or Insure?

Budget

\$4,500 to \$6,500

Can You Afford Long-term Care?

Cost of nursing
home care

\$100,000+/year

Average nursing
home stay

2.5 years+

Starting
point

\$250,000

Source: Genworth 2018 Cost of Care survey; Home Health Aide Services assumes \$22/hr, 44 hours/week, 52 weeks

Health Care and Long-term Care Costs



Incorporate
Saving toward the potential cost

Health Care and Long-term Care Costs

A photograph of an elderly couple sitting together and smiling. The woman is on the left, wearing a light purple top, and the man is on the right, wearing an orange shirt. They are in a room with a white wall and a window with blue shutters in the background.

Insure

- Long-term care insurance
- Life insurance with long-term care benefits

Staying on Track



Questions & Answers

Thank You

Please Complete Your Evaluation Now

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