Creating Retirement Income to Last

In this brochure, you’ll find:

- An overview of the five key risks
- How to maximize income sources
- Your action plan
- Fidelity contact information
Creating Retirement Income to Last

Your employer paycheck stops, but the bills keep coming. Welcome to living in retirement! It’s time to plan how you’ll create your own income to last through retirement.

Typically, retirement income is built from a combination of resources: Social Security, pensions, your assets, and work in retirement. If you have a pension and Social Security, a sizable portion of your retirement income may be covered. Otherwise, more of your income comes from your personal resources.

Figuring out how to construct an income to last is part art and part science. You can count on Fidelity to guide you through the process.

Source: Social Security Administration, “Income of the Aged Chartbook, 2012,” published April 2014. Based on highest quintile of $63,646. For illustrative purposes only. May not add up to 100% due to rounding.

Address the five key risks.

1. Longevity
2. Health Care Costs
3. Inflation
4. Asset Allocation
5. Withdrawal Rate
Longevity

How long might you need income? Many people plan according to “life expectancy” but, by definition, half the population will live longer than their life expectancy.

As medical advances continue, it’s likely that today’s healthy 65-year-olds will live well into their 80s or 90s. This means there’s a real possibility that you may need 30 or more years of retirement income.

When planning for income to last, it’s a good idea to plan for longevity. Simply stated, you’ll want to consider planning for income well into your 90s.

You may live longer than you expect.
People are living longer because they’re healthy, active, and taking better care of themselves.

<table>
<thead>
<tr>
<th></th>
<th>65-year-old man</th>
<th>65-year-old woman</th>
<th>65-year-old couple</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% chance of living to age:</td>
<td>87 years</td>
<td>90 years</td>
<td>94 years</td>
</tr>
<tr>
<td>25% chance of living to age:</td>
<td>93 years</td>
<td>96 years</td>
<td>98 years</td>
</tr>
</tbody>
</table>

Source: Society of Actuaries RP-2014 Mortality Table projected with Mortality Improvement Scale MP-2014 as of 2016.
For illustrative purposes only.

Challenge: Many people underestimate their life span by planning for life expectancy rather than for longevity. They risk outliving their assets.

What you can do: When building your retirement income plan, set your retirement horizon to age 92 or older. You may live longer than you think and will need income for all those later years.

Call 888-766-6813 for free one-on-one guidance.
Health Care Costs

Health care costs can be a challenge to your retirement budget. Fidelity estimates that retirees may need to fund a considerable portion of their health care that is not covered by Medicare, such as co-pays, deductibles, and over-the-counter drugs.

Inflation

Inflation is the long-term tendency of money to lose purchasing power over time. Even low inflation can have a particularly negative effect on retirees, because it chips away at retirement savings.

This is why it’s so important to have investments in your portfolio that can outpace inflation.

Asset Allocation

You may think conservative investments help reduce risk. However, an investment strategy that is too conservative can be just as uncertain as one that is too aggressive.

Why? A conservative portfolio might not earn enough to keep up with inflation, and you can miss out on higher returns when the market is on the rise. A more moderate strategy that includes investments for both growth and protection may be a better choice.

*Fidelity Consulting Services, 2015. Based on a hypothetical couple retiring in 2015, 65 years or older, with average (82 male, 85 female) and longer (92 male, 94 female) life expectancies. Estimates are calculated for “average” retirees, but may be more or less depending on actual health status, location, and longevity. The Fidelity Retiree Health Care Costs Estimate assumes that 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 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. Life expectancies are based on research and analysis by Fidelity’s Benefits Consulting Group and data from the Society of Actuaries, 2014.

†Diversification and asset allocation do not ensure a profit or guarantee against loss.
Withdrawal Rate

Even the savviest investment strategy can misfire without an equally wise withdrawal strategy. The withdrawal rate you decide on can affect how long your money may last. Withdrawing your savings too rapidly could put your retirement plans at risk.

The chart below provides an illustration of the potential impact time has on withdrawal rates. This time period uses historical returns and depicts a wide range of economic cycles, including bull and bear markets, as well as the effects of inflation, recession, and monetary policy.

Only conservative withdrawal rates, from 4% to 5%, are likely to sustain a portfolio for 20 to 30 years in retirement. Higher withdrawal rates could potentially deplete the portfolio too soon.

**Withdrawal too much too soon**

Withdrawals are inflation adjusted*

*Hypothetical value of assets held in a tax-deferred account after adjusting for monthly withdrawals and performance. Initial investment of $500,000 invested in a portfolio of 50% stocks, 40% bonds, and 10% short-term investments. Hypothetical illustration uses historical monthly performance, from Ibbotson Associates, for the 35-year period beginning January 1972. Stocks, bonds, and short-term investments are represented by the S&P 500® Index, U.S. Intermediate-Term Government Bond Index, and U.S. 30-Day T-bill, respectively. Initial withdrawal amount based on 1/12 of applicable withdrawal rate multiplied by $500,000. Subsequent withdrawal amounts based on prior month’s amount adjusted by the actual monthly change in the Consumer Price Index for that month. This chart is for illustrative purposes only and is not indicative of any investment. Past performance is no guarantee of future results. See last page for more information.

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Maximizing Your Income Sources

Piecing together all household income sources can seem complicated as you start to create your income for retirement, because each account has different rules, tax requirements, and availability.

Consider all the sources of income you will have available. The combination of resources becomes your “paycheck” in retirement. Figuring out how to maximize each can help you feel confident that your money will last.

Figuring out how to maximize:

<table>
<thead>
<tr>
<th>Income Source</th>
<th>How to maximize</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security</td>
<td>• Wait to claim until full retirement age or later.</td>
</tr>
<tr>
<td></td>
<td>• If married, consider other claiming strategies.</td>
</tr>
<tr>
<td>Pension</td>
<td>• Consider single-life payment if surviving spouse will be protected with other sources of income.</td>
</tr>
<tr>
<td>Employer Retirement Plans</td>
<td>• Know the rules for each plan.</td>
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<tr>
<td></td>
<td>• Roll over to an IRA if leaving the plan.</td>
</tr>
<tr>
<td>Traditional IRAs</td>
<td>• Start withdrawals after age 59½ to avoid penalties.</td>
</tr>
<tr>
<td></td>
<td>• Consider waiting to draw until required minimum distributions (RMDs) at age 70½.</td>
</tr>
<tr>
<td>Roth IRAs</td>
<td>• Provide tax-free withdrawals to avoid “tax-bracket creep.”</td>
</tr>
<tr>
<td>Taxable Accounts</td>
<td>• Supplement RMDs with withdrawals from savings and other taxable accounts.</td>
</tr>
</tbody>
</table>

Remember to factor in any other resources, such as income from a job, income from your spouse or partner, rental property, or your own house.
Creating a plan based on your personal situation, the sources you have for income, and a strategy to minimize the five key risks is the place to start.

Let Fidelity help you build your personal plan.

If you can take the first steps…

**DEFINING Your Retirement**
What are you looking forward to?  
How will you spend your time?

**FINDING Your Retirement Income Resources**
What sources will you have to create a “paycheck” in retirement?

**ESTIMATING Your Retirement Spending**
How much might you spend in retirement and which expenses are must-haves?

…we can help you build a retirement income plan.

1. Inventory expenses and income sources.
2. Cover your essential expenses.
3. Fund your discretionary expenses.
4. Meet with us to review your plan regularly.

Call 888-766-6813 for free one-on-one guidance.
Here for you when you need us.

As a free benefit to you, a Fidelity representative will help you create a retirement income plan that suits your needs and lifestyle.

You can also log in to NetBenefts.com to access our enhanced Planning & Guidance Center, where you’ll find tools, workshops, and resources designed to help you make sense of your total financial picture.

Remember, you can always contact a Fidelity guidance representative to help you reach the retirement you envision. Call us at 888-766-6813 to schedule your appointment today.