Retirement Income Planning
Todd M. Macaulay, CFP®, AIF®
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UK Financial Well-Being

Find Your Balance
FINANCIAL WELL-BEING  FINANCIAL STRESS
Financial Stress

Some Uncertainties

- How long will I remain healthy?
- How long can I work?
- Will Social Security be available when I retire?
- How long will I live?
- Will I need long term care?

So where do I start?
Start with what you know.
Keep It Simple

Income Expenses

B

BUDGET
Divide Expenses

Essential Expenses
- Housing
- Food
- Health care
- Transportation
- Debt payments

Discretionary Expenses
- Dining
- Travel
- Second Home
- Entertainment
- Hobbies
- Saving

Divide Income

Guaranteed Income
- Social Security
- Pensions
- Annuities

Variable Income
- Part-Time Work
- Rental Income
- Withdrawals from Investments

Slightly More Complicated

Income Expenses

Guaranteed
- Essential

Variable
- Discretionary
Where are you short?

- Increase Income
- Guaranteed or Variable
- Decrease Expenses
- Essential or Discretionary

Guaranteed Income

- Social Security
- Pension
- Annuities

Social Security

- Now or later?
- Cost of taking early
- Bonus if you delay
- Protects against longevity
Social Security: 201

Hedge your bet.

One spouse file at normal retirement age, the other wait.

It may make sense for higher earner to wait.

75/25 Split

<table>
<thead>
<tr>
<th>Earnings</th>
<th>62</th>
<th>67</th>
<th>70</th>
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<tbody>
<tr>
<td>$75,000</td>
<td>$1,594</td>
<td>$2,292</td>
<td>$2,856</td>
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<td>$25,000</td>
<td>$795</td>
<td>$1,149</td>
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</table>

Should I take an Annuity?

What is it?

Insure against outliving your money.
How much should I annuitize?

How much do you need?

It is not all or nothing!

The 201 on Annuities

Pro: Essential expenses covered by lifetime income
Con: Amount annuitized no longer available
Amount not inflation adjusted
Where are you short?

Increase Income
Guaranteed or Variable
Decrease Expenses
Essential or Discretionary

Withdrawals from Retirement Account

Take out the money all at once or gradually

Situations and examples for both types

Why would you take a lump sum?

In most cases best to leave bulk of assets in the UK plan

Circumstances where you would take a large amount out
**Required Minimum Distributions**

Is it RMD or MRD?

70 ½ or when you retire

Factor decreases over time

**Take the Earnings Only**

Pro: Leave principal intact

Con: Dependent earnings

**Take a Sustainable Percentage**

Pro: Money could last

Con: Timing is everything
Tips for Taking Distributions

- Leave a year of income in cash
- Rebalance as the cash is used

Where are you short?

- Increase Income
  - Guaranteed or Variable
- Decrease Expenses
  - Essential or Discretionary

Decrease Essential Expenses

- Downsizing
- Lowering healthcare costs
- Paying down debt
Paying Down Debt

How far away from retirement?
How much time will it take?
What is cash flow result?

Example

$1,000 each year @ 7%

Two options:
• Pay extra towards mortgage
• Invest for retirement

Length of Investment

<table>
<thead>
<tr>
<th></th>
<th>5 Years</th>
<th>10 Years</th>
<th>20 Years</th>
<th>40 Years</th>
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<tr>
<td>Additional Investment</td>
<td>$6,153.29</td>
<td>$14,783.60</td>
<td>$43,865.18</td>
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<tr>
<td>Annual Income</td>
<td>$246.13</td>
<td>$591.34</td>
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<td>Monthly Income</td>
<td>$20.51</td>
<td>$49.28</td>
<td>$146.22</td>
<td>$712.03</td>
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</table>
Retirement Income Planning

• Budgeting for retirement
• Income sources in retirement
• Expenses in retirement

Questions?

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