

Retirement Connection

Second Quarter 2015



Paul Prete

Vice President, Retirement Programs

During his 35 year career with Foresters Financial, Paul has focused on retirement plans. In his current role, Paul provides our branches and Representatives with support and training related to retirement to better serve their existing clients as well as developing new markets.

5 Questions to Ask About Retirement Income Planning

You're probably working diligently to save money for retirement. But you then face the next, even more daunting challenge: How do you turn that savings into an income stream that could last your lifetime?

Determining how to generate income in retirement is difficult because it depends on so many factors, including the amount of savings you have, your other retirement income sources, market performance, your expected retirement expenses and goals, and your longevity.

Because everyone's situation is different, you need a retirement income plan tailored to your unique needs. A First Investors representative can help you build a retirement-income plan by helping you answer these five key questions:

1. Will I Have Enough Savings to Retire?

This is a highly personal question, because it depends on your specific goals and expected expenses. For some investors, \$300,000 or \$400,000 in savings may be adequate. But for those who will still be paying off a mortgage, expect high healthcare costs or hope to travel the world, that amount may not be nearly enough.

A Representative can use our sophisticated planning tools to help you assess how much you need saved up by retirement to meet your income needs and determine whether you're on track. Even if you're 20 or 30 years away from retirement, it's important to make sure you're saving enough today so you don't find yourself falling way behind on savings in the future.

2. When Should I Start Claiming Social Security?

This question often doesn't get the attention it deserves. Even though Social Security may make up only a small percentage of your total retirement income, it provides an invaluable safety net by paying a monthly benefit as long as you and/or your spouse live. Claiming benefits at the youngest possible age, 62, is often unwise because you would sacrifice the much larger lifetime monthly benefit amount you would receive by waiting to claim benefits. For example, waiting to claim Social Security until you reach full retirement age will increase your monthly benefit by 33%. Delaying benefits until age 70 would provide a benefit that's 76% more than claiming at age 62.

For married couples, the potential advantages of delaying Social Security are even greater because when one spouse passes away, the surviving spouse will receive the higher of their own benefit or their deceased spouse's benefit.

(Continued)

(Continued)

3. How Much Can I Safely Withdraw From My Retirement Savings Each Year?

A commonly cited rule of thumb suggests retirees should withdraw no more than 4% of their retirement savings each year to have the best chance of a prolonged retirement.

While that may provide a quick, rough estimate of your retirement income potential, you shouldn't rely on that calculation.

For example, if your portfolio value falls 10% in the first year of your retirement due to a market downturn and you withdraw 4% of your balance for that year, you will have lost 14% of your assets in one year. That's a risky proposition for most retirees. Instead, how much you can withdraw each year in retirement should depend on your specific situation, including how much you have saved, your other income sources and your portfolio's performance.

4. Which Accounts Should I Tap First in Retirement?

Some people have multiple investment accounts, including a workplace retirement plan, an individual retirement account (IRA), a taxable brokerage account and other personal savings. It can make sense to first withdraw money from your taxable accounts in order to allow your tax-advantaged accounts—such as your workplace retirement account—to keep its tax benefits as long as possible. That said, there can be benefits to tapping multiple accounts at once in retirement, as you must start withdrawing from tax-deferred retirement accounts once you reach age 70½. This strategy may also give you the opportunity to defer collecting social security and earning the guaranteed 8% annual deferred credits from your full retirement age to age 70.

5. How Can I Create a More Reliable Income Stream?

Many people want—and rightly so—a steady, reliable income stream in retirement that allows them to spend money confidently without worrying about depleting their savings early. Social Security provides that kind of income stream, but it's generally only enough to cover basic necessities.

A Representative can help you evaluate all of your retirement income sources, including helping you identify old pension accounts or 401(k) accounts you may have lost track of. The representative can then help you determine how much income will come from annuitized sources such as Social Security and pension benefits.

In some cases, it may make sense to put a portion of your savings into an annuity that helps you ensure that you will have a steadier, more reliable income stream throughout your retirement. This can also help protect against the risk of a market downturn and or an extended period of low interest rates—two factors that can hurt the value of your retirement savings.

The most important thing you can do for yourself is start thinking about your retirement income plans sooner—ideally 10 or even 20 years before you reach retirement. This will allow you to more easily determine whether you're on track to achieving your income needs and help you enact any solutions and strategies that help generate enough income in retirement so you can achieve the goals you've been working toward.

IMPORTANT DISCLOSURES:

The views expressed herein are based on the information available at the time they were issued and may change based on market or other conditions. Nothing herein should be construed as investment advice or be relied upon to make an investment decision. Investment decisions should be based on an individual's personal goals, time horizon and risk tolerance. Any forward-looking statements made herein are based on assumptions of future events. Actual events are difficult to predict and may differ from those assumed, thus there is no guarantee that forward-looking statements will materialize. All investing involves risk, including the risk that you can lose money. Past performance does not ensure future results.

This material has been prepared for informational purposes only and is not tailored toward any individual's investment objectives or financial situation. This material should not be construed as a recommendation, or an offer to buy or sell any mutual fund, variable and/or insurance product or security. Please speak with your Foresters Financial Representative if you have questions about your particular financial needs.