

# Three-step retirement income review

1. Plan for four key factors when investing; think L.I.V.E. your way
2. Identify your “M.U.S.T.-haves” (expenses in retirement)
3. Determine guaranteed income needed in retirement

## 1. Plan for four key factors when investing; think L.I.V.E. your way

Check off what applies to your situation:

<b>Longevity fact</b> —There’s a 50% chance at least one spouse of a 65-year-old couple will live to age 95. <sup>1</sup>	
<b>L</b>	Don’t have a pension, or it only covers one person; concerned about reduced income with loss of a spouse <input type="checkbox"/>
	Worried about running out of money if I live a long life <input type="checkbox"/>
<b>Inflation fact</b> —Just 3% annual inflation reduces purchasing power by 30% over 10 years.	
<b>I</b>	Want investments that have the potential to keep up with rising costs (inflation) <input type="checkbox"/>
	Concerned about taking on more investment risk to keep up with inflation <input type="checkbox"/>
<b>Volatility fact</b> —In the last 75 years, there’s been six bear markets with an average 30% drop. <sup>2</sup>	
<b>V</b>	Concerned that volatile markets will affect when I can retire <input type="checkbox"/>
	Concerned that volatile markets may deplete my savings and I may have to go back to work <input type="checkbox"/>
<b>Emotions fact</b> —The average investor underperforms the market by 5.88% due to their behavior. <sup>3</sup> Four in 10 preretirees are concerned about running out of money in retirement. <sup>4</sup>	
<b>E</b>	Would likely get out of the market if my investments dropped significantly <input type="checkbox"/>
	Don’t want to worry about having enough—stable lifetime income in retirement is important to me <input type="checkbox"/>

## 2. Identify your “M.U.S.T.-haves” (expenses in retirement)

Calculate monthly M.U.S.T.-have expenses:

M	Mortgage/rent/real estate taxes	\$
	Medical/Medicare	+
U	Utilities (gas, water, electric, cable)	+
S	Shopping (food, pharmacy, personal)	+
T	Transportation (car payment, insurance, gas, maintenance)	+
	Other (things that you do regularly such as hobbies, vacations, working out, golf, etc.)	+
	<b>Total monthly M.U.S.T.-have expenses</b>	=
	<b>Multiply by 12 for total estimated annual expenses</b> (Yearly income need)	<b>A</b>

Guaranteed monthly income:

	Social Security	+
	Pension	+
	Other guaranteed income	+
	<b>Total monthly income</b>	=
	<b>Multiply by 12 for total estimated annual income</b> (Yearly income)	<b>B</b>

Do you have a yearly M.U.S.T.-have income gap?

\$ _____	-	\$ _____	=	\$ _____
<b>A</b> Total estimated annual expenses (Yearly income need)		<b>B</b> Total estimated annual income (Yearly income)		<b>C</b> Yearly income gap

**If you have a yearly income gap, consider a “pension alternative” to cover it.**

- Guaranteed lifetime income for you and your spouse that can increase—but not decrease

### 3. Determine guaranteed income needed in retirement

Calculate what you'll need to cover your yearly M.U.S.T.-have income gap in retirement. Here's how much to consider investing if you:

#### Want INCOME NOW—two options

##### 1. Non-guaranteed income (withdrawals from investment, savings, or retirement accounts)

$$\text{\$ } \underline{\hspace{2cm}} \div \underline{\hspace{2cm}} [\text{Withdrawal rate}] = \text{\$ } \underline{\hspace{2cm}}$$

**C** Yearly income gap      Withdrawal rate: 0.03 to 0.04 (typical industry recommendation)      **Amount needed to fund yearly NON-GUARANTEED income**

##### 2. Guaranteed lifetime income from an annuity—pension alternative

$$\text{\$ } \underline{\hspace{2cm}} \div \underline{\hspace{2cm}} [\text{Withdrawal rate}] = \text{\$ } \underline{\hspace{2cm}}$$

**C** Yearly income gap      Guaranteed 0.05 to 0.0525      **Amount needed to fund yearly GUARANTEED lifetime income**

#### Want GUARANTEED INCOME LATER

(If you have more years until retirement, you can invest less.)

$$\div ( \underline{\hspace{2cm}} \times \underline{\hspace{2cm}} [\text{Simple interest}] + 1 ) = \text{\$ } \underline{\hspace{2cm}}$$

**D** Number of years until first withdrawal      0.06 or 0.07 growth rate      **Amount needed to fund yearly GUARANTEED lifetime income**

#### Fund your "nice to haves"



Travel



Family time



Entertainment/  
recreation



Vacation/  
second home

Use other investment, cash, or retirement savings accounts to pay for nonessential expenses.

#### Ensure you have what you need in retirement

A guaranteed income strategy that works for you means you can retire knowing you can maintain your current lifestyle—and do some things you've been wanting to do once you have more time.

<sup>1</sup> Social Security Administration, Period Life Table, 2017 (published in 2020).

<sup>2</sup> According to Goldman Sachs data, reprinted with their permission, there have been 13 bear markets since (and including) World War II. The average time between bear markets was 4.9 years, with 9.4 years being the longest time period between bear markets. Copyright © 2020 Goldman Sachs & Co. LLC. All rights reserved.

<sup>3</sup> "Improving Financial Outcomes and Client Confidence Through the Confluence of Human and Digital Advice," Jack Sharry, Wayne Chopus, and Corey Walther, IRI Insight, Issue 3 Vol. 10, Fall 2019. Stats attributed to the 2018 DALBAR Quantitative Analysis of Investor Behavior.

<sup>4</sup> "The Retirement Income Reference Book," Fourth Edition, LIMRA Secure Retirement Institute, page 83.

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