

RETIREMENT PLANNING WORKSHEET

Developing Your Personal Investment Strategy.

When you build a house, you need a blueprint. When you take a long trip to a new place, you need a road map. In planning for retirement, you need a clear idea of how much income you'll need to live on and where that income will come from.

The road to a successful retirement begins with a plan. The first part of that plan involves finding out how much money you will need to live on in retirement. Your expenses will generally be less in retirement than they are when you are working. Your mortgage may be paid off, your children will be grown and on their own, and you won't have work related expenses such as commuting costs, meals, and work clothes. However, some expenses – medical costs, for example – may be higher.

Recent studies show that retirees usually need about 80% of their pre-retirement income to live comfortable. Take a look at the following chart. It shows how much income you will need for retirement based on your last annual salary before you retired, using the basic 80% rule. (Of course, your own future situation may require more or less income.)

Retirement Income Needed

| Annual Salary Before Retirement | Needed Retirement Income in Today's Dollars |
|---------------------------------|---------------------------------------------|
| \$20,000 | \$16,000 |
| \$30,000 | \$24,000 |
| \$40,000 | \$32,000 |
| \$50,000 | \$40,000 |
| \$75,000 | \$60,000 |

Your Retirement Resources

- * Assume 3% annual inflation.
- ** Assume 8% annual investment return.
- *** Future investment returns cannot be predicted and your actual returns and principal value will differ.

| Years to Retirement | Inflation Factor * | Investment Factor ** |
|---------------------|--------------------|----------------------|
| 5 | 1.16 | 5.87 |
| 10 | 1.34 | 14.49 |
| 15 | 1.56 | 27.15 |
| 20 | 1.81 | 45.76 |
| 25 | 2.09 | 73.11 |
| 30 | 2.43 | 113.28 |
| 35 | 2.81 | 172.32 |
| 40 | 3.26 | 259.06 |

Now that you have an idea how much income you would need if you were retiring today, you need to figure out where that income will come from and how much will be required in the future.

| Line Number | Example | You |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------|
| Line 1- Your current yearly income. | \$30,000 | \$ <input type="text"/> |
| Line 2- Yearly income you need at retirement. (80% of \$30,000) | \$24,000 | \$ <input type="text"/> |
| Line 3- An estimate of your Social Security benefit. Multiply Line 1 by .25 up to a maximum of \$13,880. | \$7,500 | \$ <input type="text"/> |
| Line 4- The annual income you will need to replace through retirement savings and personal assets. Subtract Line 3 from Line 2. | \$16,500 | \$ <input type="text"/> |
| Line 5- Now adjust your current replacement income for inflation by multiplying Line 4 by the inflation factor from the accompanying table. The inflation factor figure is across from the number of years you have left until you retire. For this example, we assume 20 years left to retirement. Thus, we multiply \$16,500 by 1.81. | \$29,865 | \$ <input type="text"/> |
| Line 6- Value of your current assets (home value less mortgage owed, savings, investments, etc.) adjusted for inflation (Example: \$100,000 multiplied by inflation factor of 1.81). | \$181,000 | \$ <input type="text"/> |
| Line 7- What lump sum at retirement will you need to have to give you the yearly income in Line 5 to last throughout retirement? Multiply Line 5 by 10***. | \$298,650 | \$ <input type="text"/> |
| Line 8- Subtract Line 6 from Line 7 to find how much you'll need to save. | \$117,650 | \$ <input type="text"/> |
| Line 9- How much will you have to set aside each year in order to work toward your retirement goal of \$117,650? Divide Line 8 by the investment factor in the accompanying table (example: \$117,650 divided by 45.76). | \$2,571 | \$ <input type="text"/> |
| Line 10- The amount you need to invest each month toward retirement. Divide Line 9 by 12. | \$214 Monthly Investment | \$ <input type="text"/> |