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Retirement Planning

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How Much Will You Need for Retirement?

Longevity

Age 82
Age 84

- Average life expectancy for age-65 biological males and females[1]
- How does your current health and family health history influence your expectations for longevity?

Healthcare Costs

$157,500

- Estimated total healthcare costs in retirement for an age-65 individual[2]
- Have you factored in additional savings for future healthcare costs? Have you thought about Medicare coverage options?

Savings

> 80%

- Monte Carlo simulation target probability of having enough money at age-65 to last 30+ years
- Have you reviewed a retirement simulation to gauge the sufficiency of your savings?

Income Needs

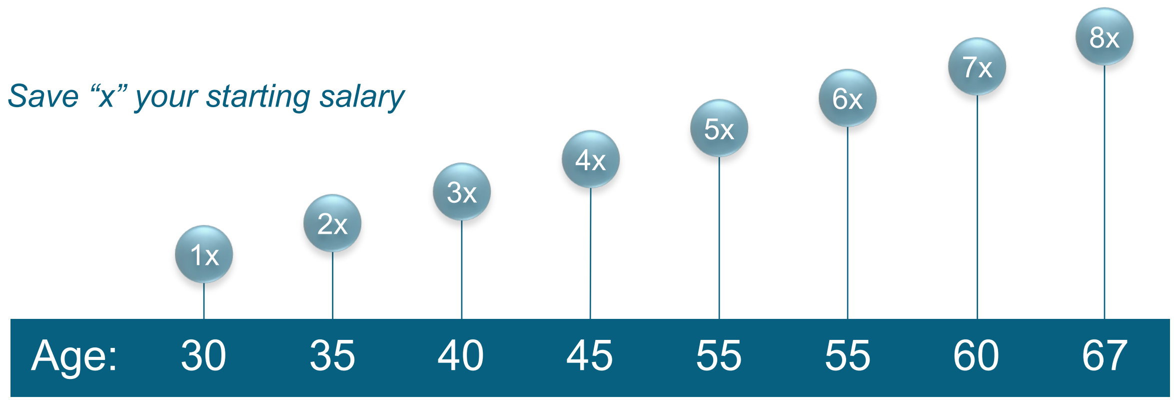
75% - 85%

- Recommended income replacement ratio for estimating future retirement expenses[3]
- Do you have a current budget? Do you have an estimate for what you might need in retirement?

[1] *Source: Social Security Administration, Period Life Table 2019 (as published in the 2022 OASDI Trustees Report)*
[2] *Source: Fidelity – "How to Plan for Rising Health Care Costs", data as of June 21, 2023*
[3] *Source: T. Rowe Price – "How to Determine the Amount of Income You Will Need at Retirement" (February 1, 2023)*

Are You “On Track” for Retirement?

Retirement Savings Checkpoint



Source: Fidelity – “How Much Do I Need to Retire?” (August 3, 2023)

Income Replacement Ratio

- General rule-of-thumb is at least 75% of pre-retirement income
- Why less than 100%?… Reduced expenses in retirement, savings no longer needed for retirement, and, in general, a reduction in income taxes
- High income earners will be more reliant on investment savings for retirement income, as Social Security will only provide for a small portion of income need

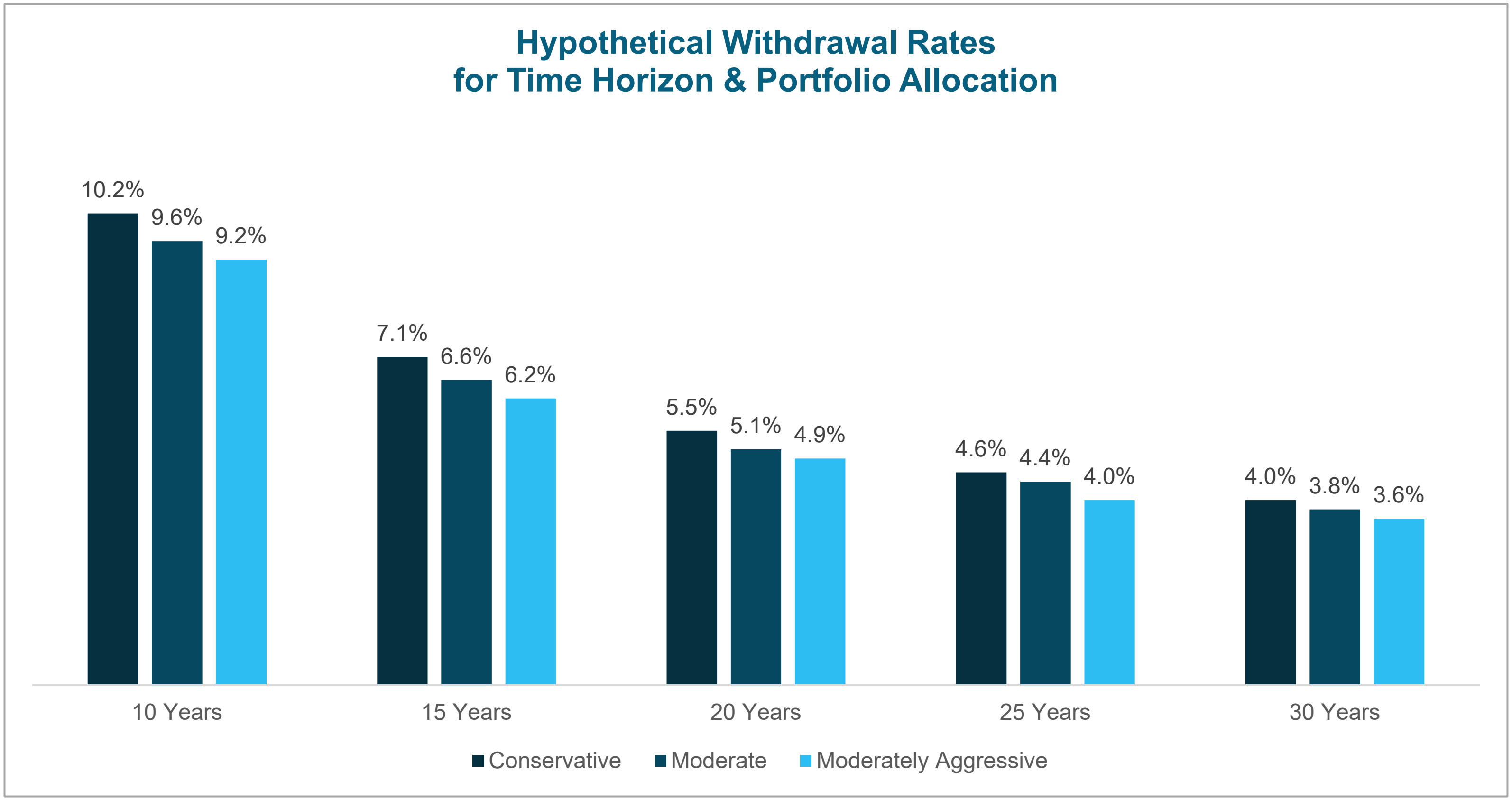
Avoid These Common Retirement Mistakes

- Saving too little and/or starting too late
- Retiring too early
- Assuming maximizing 401(k)/403(b) contributions will fully provide for future retirement income needs
- Underestimating lifestyle
- Underestimating longevity and future health care expenses
- Assuming too much risk to “catch up” for a savings shortfall
- Holding too large of an allocation to a few securities and/or company stock
- Filing for early (reduced) Social Security benefits despite expected longevity

[1] Source: Fidelity – “How Much Should I Save for Retirement?” (January 2023). Fidelity's suggested total pre-tax savings goal of 15% of annual income (including employer contributions) is based on our research, which indicates that most people would need to contribute this amount from an assumed starting age of 25 through an assumed retirement age of 67 to potentially support a replacement annual income rate equal to 45% of preretirement annual income (assuming no pension income) through age 93.

Choosing a Prudent Spending Rate

The “4% spending rule” is well-known but may **not** be applicable for all retirees. Ideally, a sustainable spending rate should be built on: time horizon, portfolio allocation and risk tolerance.



Source: Schwab – “Beyond the 4% Rule: How Much Can You Spend in Retirement?” (February 27, 2023).
Source: Schwab Center for Financial Research, using Charles Schwab Investment Advisory's (CSIA) 2023 10-year long-term return estimates and volatility for large-cap stocks, mid/small-cap stocks, international stocks, bonds and cash investments. Spending rates target a 90% confidence level for time horizon. Distribution rates are hypothetical and should be reviewed for an individual’s personal goals and risk factors.

How Can You Save for Retirement?

While contributing to a 401(k)/403(b) retirement plan is a great first step, it may not be sufficient in adequately providing for retirement needs, particularly for high-income earners. Aim to maximize contributions to retirement plans, and, whenever possible, seek additional savings opportunities.

Account Examples	Individual, Joint, Trust accounts	Traditional 401(k)/403(b) Plans, Traditional IRAs	Roth 401(k)/403(b) Plans, Roth IRAs
Taxable Income	Interest, dividends and capital gains	Account withdrawals	Earnings not taxable Qualified Withdrawals not taxable
Tax Deductions	Contributions not tax-deductible	Contributions tax-deductible (AGI limits for IRAs)	Contributions not tax-deductible
Contribution Limits	None	Yes, specific to type of account	Yes, specific to type of account

Maximizing Your Savings: Traditional vs. Roth?

Review objectives and marginal income tax bracket to evaluate whether to contribute to a Traditional retirement account, a Roth retirement account or a combination of both.

	Traditional IRA [1]	Traditional 401(k)/403(b) [2]	Roth IRA [1]	Roth 401(k)/403(b) [2]
Tax Benefits	Tax-deferred growth		Tax-free growth and tax-free qualified withdrawals	
Tax Deduction	Contributions may be tax-deductible depending on AGI	Yes, for current year contributions	No, funded with after-tax contributions	
Taxation of Withdrawals	Taxed as ordinary income		Qualified withdrawals are tax-free	
Early Withdrawal Penalties	With limited exceptions, withdrawals prior to age 59½ result in a 10% penalty (in addition to the distribution being treated as ordinary income)		Contributions can be withdrawn penalty-free while earnings are taxable and may be subject to a 10% penalty	The earnings portion of a non-qualified distribution will be taxable and may be subject to a 10% penalty
Income Limits for Contributions	No, but deductibility is subject to income limits	None	Yes	None
Age Limits for Contributions	As of 2022, none	None	As of 2022, none	None
Eligibility to Contribute	Must have earned income	Actively employed	Must have earned income	Actively employed
Deadline to Contribute	April 15 of the following tax year	December 31	April 15 of the following tax year	December 31

Tax Diversification: Individuals may consider utilizing a combination of both Traditional and Roth retirement plan accounts as a 'tax hedge' given uncertainty over future income tax rates.

[1] *Source: Vanguard Investor Resources – "Roth vs. Traditional IRAs: A Comparison"*
[2] *Source: Nerdwallet – "Roth 401(k) vs. 401(k): Which Is Best for You?" (January 2024)*

Retirement Contribution Limits

Retirement Benefit Limits [1, 2]

	2023	2024
Contribution Limits for 401(k)/403(b) Plans	22,500	23,000
Age 50+ Catch-up	7,500	7,500
Contribution Limits for SIMPLE IRA Plans	15,500	16,000
Age 50+ Catch-up	3,500	3,500
Contribution Limits for IRAs	6,500	7,000
Age 50+ Catch-up	1,000	1,000
Contribution Limits for Defined Benefit Plans	265,000	275,000
Contribution Limits for SEP IRA and Solo 401(k) Plan	66,000	69,000

Modified Adjusted Gross Income (MAGI) Limitations for IRA Contributions [2,3]

	2023	2024
Traditional IRA:		
Single, Head of Household	73,000 – 83,000	77,000 – 87,000
Married Filing Jointly	116,000 – 136,000	123,000 – 143,000
Roth IRA:		
Single, Head of Household	138,000 – 153,000	146,000 – 161,000
Married Filing Jointly	218,000 – 228,000	230,000 – 240,000
Married Filing Separately	0 – 10,000	0 – 10,000
Roth Conversions	None	None

Beware of the 5-Year Rule for Roth IRAs:

Earnings cannot be withdrawn tax-free unless it has been at least five years since contributions were first made to the Roth IRA.

Converted funds must remain in the Roth IRA for at least five years, regardless of an individual's age.

A separate five-year period applies for each Roth conversion. Failure to do so may result in a 10% early withdrawal penalty.[4,5]

[1] Source: TIAA – "IRS Announces 2024 Plan Contribution and Benefit Limits"
[2] Source: Fidelity – "IRA contribution limits for 2023 and 2024" (November 2, 2023)
[3] Source: Fidelity – "Roth IRA contribution limits for 2023 and 2024" (November 16, 2023
[4] Source: The Motley Fool – "Roth IRA 5-Year Rule" (January 2023)
[5] Source: USA Today – "What is the Roth IRA 5-Year Rule?" (November 8, 2023)

Questions to Ask an Apollon Advisor

Do I have enough savings to retire?

Before deciding to retire, an evaluation should be completed comparing current savings to future income needs.

Reviewing a Monte Carlo simulation can be a helpful exercise to gauge the sufficiency of current retirement savings, while also estimating what might be left for beneficiaries.

Does my portfolio allocation reflect my longer-term goals and needs?

Given the potential for a retirement which could last 30+ years, it is imperative to have a portfolio allocation which is anchored to longer-term goals, risk tolerance and time horizon.

Some retirees may think retirement signals a time to “de-risk” the portfolio, but one cannot overlook the importance of continuing to grow portfolio assets during the retirement years.

How long might my savings last relative to my income needs?

Periodically revisiting a retirement plan can be helpful to alleviate any concerns of running out of money.

Your goals and needs may change over time; your retirement plan should have the flexibility to adjust accordingly.

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