SAVING FOR A
30-YEAR RETIREMENT

The year in which an investor retires can make a difference in how long their money will last. Market performance, inflation rates, and declining Social Security benefits are only some factors to consider when planning for a 30-year retirement.

Investing Principles

Diversification does not guarantee a profit or protect against loss.

INVESTMENT PRODUCTS: NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE
Investors are retiring at age 65. They want their money to last until age 95 or older. The investor has $1 million set aside to provide income during their retirement.

The chart below indicates what age the investor’s money would have lasted until if they had started their retirement in any year since 1926. For example, retiring in 1974 would have allowed only 13 years of withdrawals. But retiring in 1975, just one year later, would have allowed for 30-plus years of withdrawals. When withdrawing income, market performance may make a difference, particularly when a decline is experienced early in retirement.
THE CHALLENGES OF RETIREMENT

Withdrawal rates have a dramatic impact on how long a portfolio can last.

The higher the withdrawal rate, the faster an investor will run out of money. Therefore, retirees who anticipate long payout periods may want to consider assuming lower withdrawal rates.

### Withdrawing less will make funds last longer

In this example, a 65-year-old retiree withdrawing 10% from their retirement funds depletes their funds in nine years, at age 74. But a retiree withdrawing 5% makes their funds last 12 additional years, until age 86.

### Inflation reduces your purchasing power

A dollar today will likely be worth less at retirement because of inflation. Since everyday items get more expensive over time, one would need to plan for future price increases when saving for retirement.

### Social Security benefits are not enough

While Social Security benefits account for 44% of the average retiree’s monthly income, the current average monthly Social Security benefit payment is just $1,288.10 and this amount may decline in the future as the ratio of workers paying into the system to retirees collecting benefits continues to fall.

#### The effect of inflation on everyday costs (2)

<table>
<thead>
<tr>
<th>Year</th>
<th>College (Private)</th>
<th>College (Public)</th>
<th>PCE</th>
<th>Pair of movie tickets</th>
<th>CPI</th>
<th>New car</th>
<th>Gallon of milk</th>
<th>New home</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>16,630</td>
<td>1,780</td>
<td>100.0</td>
<td>4.10</td>
<td>100.0</td>
<td>4,951</td>
<td>1.54</td>
<td>42,525</td>
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<tr>
<td>2017</td>
<td>46,950</td>
<td>20,770</td>
<td>371.28</td>
<td>17.94</td>
<td>455.81</td>
<td>25,670</td>
<td>3.16</td>
<td>398,900</td>
</tr>
<tr>
<td>2042</td>
<td>87,532</td>
<td>90,145</td>
<td>839.78</td>
<td>42.69</td>
<td>69,548</td>
<td>10.74</td>
<td>4.82</td>
<td>1,488,213</td>
</tr>
</tbody>
</table>

### Social Security: Ratio of covered workers to beneficiaries

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</thead>
<tbody>
<tr>
<td>1970</td>
<td>3.7</td>
<td>3.2</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
<td>2.9</td>
<td>2.7</td>
<td>2.3</td>
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<tr>
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<td>2.9</td>
<td>2.7</td>
<td>2.7</td>
<td>2.7</td>
<td>2.3</td>
<td>2.1</td>
<td>2.1</td>
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</tbody>
</table>

#### Sources

2 The calculation methodology was based on dividing the difference of the individual years totals by the previous year’s amount. After the percentage difference was calculated, an average of the historical percentage changes (inflation average) was used to calculate forecasted years.


5 Box Office Mojo. Adjusting for Ticket Price Inflation 2016 (boxofficemojo.com/about/adjuster.html).


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What should I know before investing?
All investments involve risk, including possible loss of principal. Equity investments generally provide an opportunity for more capital appreciation than fixed income investments, but they are subject to greater market fluctuations. Fixed income securities may be subject to extension risk, which is the risk that the issuer will repay their obligations more slowly than the market anticipates in the event that market interest rates rise. Issuers also have the right to pay their payment obligations ahead of schedule in the event that market interest rates fall, subjecting to prepayment risk.