



# Retirement guide: creating a financial game plan

Investor's guide





# Your journey from pre-retirement through retirement

You've worked hard through the years and saved diligently for retirement. When you're ready to enjoy all that retirement offers, you'll want to be sure you have enough savings to take advantage of it. That's why it's important to take a closer look at what's next.

## You need a financial game plan

Pursuing new challenges, rediscovering old passions, or maybe just enjoying life's simple pleasures; no matter how you envision your life in retirement, now's the time to develop a financial game plan that takes full advantage of your resources. A sound plan will better align your expectations with reality and help ensure your money will last throughout your retirement years.

This brochure offers a practical guide to developing a financial game plan, including the benefits of consolidating your savings for manageability. It provides three worksheets to help you collect and organize the information you need to make appropriate choices. With the facts in hand, tap into the expertise of your financial professional to help create your personal financial game plan.



**“Even though we're still five years out from retirement, we want to start thinking about how our assets will help us do the things we've dreamed of doing. We're thinking of moving to a smaller house, buying a vacation home on the beach and traveling. Now's the time to figure out if we have enough money set aside.”**

**Nanci and Steve**

Ages 60 and 62



# Three steps toward creating your financial game plan

Developing a financial game plan to meet your needs from pre-retirement through retirement can be complex. At this important juncture, seeking the advice of a financial professional is more important than ever. A financial professional can guide you through these **three important** steps in creating your personal financial roadmap.

## Step 1 | **Get the facts**

First, work with your financial professional to evaluate your financial situation, taking into consideration your current age, retirement goals, concerns, the impact of inflation on your ability to meet future expenses and your anticipated budget during retirement.

## Step 2 | **Identify potential retirement income sources**

Many retirees need to establish a retirement plan that will provide an adequate income stream and sustainable portfolio withdrawals for up to 25 or 30 years. A financial professional can help you identify all your retirement resources, including Social Security, benefits, and estimate how long your retirement assets will last based on your budget, timeline and other assumptions.

## Step 3 | **Consolidate your savings to simplify your retirement plan**

Once you've identified your sources of expected income, your financial professional can help you understand how to roll over and consolidate your retirement assets, convert a portion of your retirement investment portfolio into a potential stream of cash withdrawals to sustain your spendings, and invest the remainder using asset allocation.

Asset allocation is a critical component. Working with your financial professional, you'll decide what amount of your savings should be in stocks, bonds and cash equivalents. Talking about how different combinations can work together may help you find the right balance between your tolerance for risk and the potential returns you need to meet your retirement objectives.

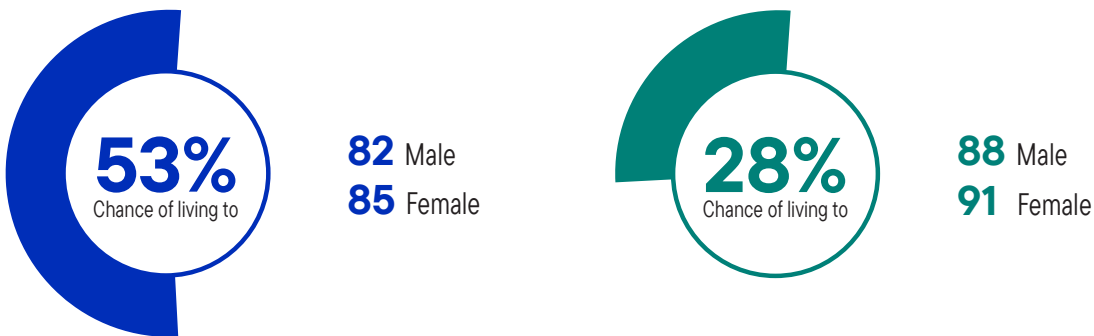
It is important to note that an asset allocation strategy does not ensure results superior to other investment strategies and also does not guarantee a profit or protect against a loss.

# Step 1 | Get the facts

## Retirement means planning for the long term

Life expectancy statistics show that you could spend up to one-third of your life in retirement.<sup>1</sup> Most people need to establish a financial game plan that will help provide adequate income for 25 to 30 years. As you can see in the chart below, a woman at the age of 65 has a 53% chance of living to age 85. That means she should consider having resources in place to support her financial needs for at least 20 years.

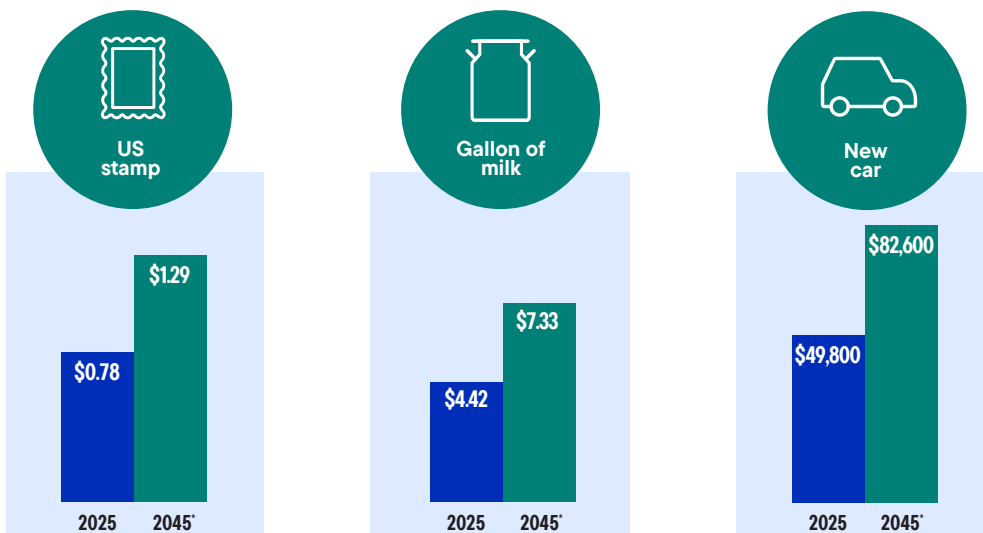
### How Long Will You Need Retirement Income?<sup>2</sup>



## Don't let inflation take away your purchasing power

Not only do your retirement savings need to last for many years, they also need to be protected from rising prices. As you can see below, the cost of basic items is expected to increase significantly during the next 20 years. With your financial professional's assistance, you can develop a retirement investment portfolio that will help reduce the impact of rising costs on your savings.

### How Much More Will Things Cost in Retirement?<sup>3</sup>



<sup>1</sup>2045 figures are based on historical averages. The hypothetical examples are for illustrative purposes only and are not intended to predict or project inflation rates. Actual inflation rate may be higher or lower.

<sup>2</sup>Calculations are based on data from United States Life Tables, 2024. Centers for Disease Control and Prevention, National Center for Health Statistics. Mortality in the United States, 2024. NCHS Data Brief, January 2026. Based on the 28% probability that a male will live to age 88 and 53% probability that a female will live to age 91.

<sup>3</sup>Calculations are based on data from United States Life Tables, 2024. Centers for Disease Control and Prevention, National Center for Health Statistics. Mortality in the United States, 2024. NCHS Data Brief, January 2026. <https://www.cdc.gov/nchs/data/databriefs/db548.pdf>.

Based on an average annual inflation rate of 2.6% for the 20-year period ended December 31, 2024. Source: Federal Reserve Bank of St. Louis, FRED Economic Data. Source: U.S. Postal Service. US stamp prices are based on the year-end rate effective July 13, 2025 for the first ounce of a first-class letter. Source: Cheese Reporter/Federal Order Market Administrators. Price per gallon of milk is based on 2025 average retail whole milk prices. Source: Kelley Blue Book/Cox Automotive. New car historical prices are based on average transaction prices for 2025.

## Focus on your goals and address your concerns

What will make your retirement special? What will keep you up at night? Retirement is different for everyone. To build an individual strategy that reflects your personal style, you need to identify and prioritize the elements that have greatest impact on your retirement strategy—your goals and your concerns.

The section below lists common goals and concerns. Take a moment to prioritize your top three retirement goals and concerns, and then work with your financial professional to build a retirement strategy that seeks to address them.

### Goals

- |   |   |
|---|---|
| <input type="checkbox"/> Retire early                     | <input type="checkbox"/> Business transition and succession |
| <input type="checkbox"/> Create a steady stream of income | <input type="checkbox"/> Leave a legacy                     |
| <input type="checkbox"/> Go to school                     | <input type="checkbox"/> Travel/hobbies                     |
| <input type="checkbox"/> Volunteer                        | <input type="checkbox"/> Other _____                        |
| <input type="checkbox"/> Make a major purchase            |   |

### Concerns

- |  |   |
|--|---|
| <input type="checkbox"/> Taxes                                   | <input type="checkbox"/> Increasing medical costs |
| <input type="checkbox"/> Inflation                               | <input type="checkbox"/> Longevity                |
| <input type="checkbox"/> Market declines                         | <input type="checkbox"/> Outliving assets         |
| <input type="checkbox"/> Lack of guaranteed income               | <input type="checkbox"/> Uncertain interest rates |
| <input type="checkbox"/> Supporting parent and/or adult children | <input type="checkbox"/> Other _____              |
| <input type="checkbox"/> Risk tolerance                          |   |

## Estimate your retirement expenses

To develop a realistic financial game plan for retirement, start by creating a budget. You can begin by analyzing your current expenses and projecting increases or decreases for each item during retirement. Use the following worksheet as a guide for estimating your monthly, annual and total retirement expenses.

Many investment professionals use a general rule of thumb that assumes retirees will need approximately 70–80% of their current income during retirement. While your income may be reduced during retirement, so may some of your expenses, such as housing, taxes, clothing and commuting. However, some expenses—like medical care—will likely increase. Plus, you may also add new expenses, such as travel or recreation.

### Worksheet A: Estimate Your Retirement Expenses

#### I. Your Monthly Expenses (In Today's Dollars)

	Current	In Retirement
<b>1. Housing</b>		
a. Mortgage/rent	\$ <input type="text"/>	\$ <input type="text"/>
b. Utilities	\$ <input type="text"/>	\$ <input type="text"/>
c. Home maintenance	\$ <input type="text"/>	\$ <input type="text"/>
d. Property insurance	\$ <input type="text"/>	\$ <input type="text"/>
e. Property taxes	\$ <input type="text"/>	\$ <input type="text"/>
<b>2. Other Necessities</b>		
a. Groceries	\$ <input type="text"/>	\$ <input type="text"/>
b. Clothing	\$ <input type="text"/>	\$ <input type="text"/>
c. Personal items	\$ <input type="text"/>	\$ <input type="text"/>
<b>3. Health Care</b>		
a. Medical insurance premiums	\$ <input type="text"/>	\$ <input type="text"/>
b. Medical co-payments	\$ <input type="text"/>	\$ <input type="text"/>
c. Dental insurance premiums	\$ <input type="text"/>	\$ <input type="text"/>
d. Dental co-payments	\$ <input type="text"/>	\$ <input type="text"/>
e. Medicare premiums	\$ <input type="text"/>	\$ <input type="text"/>
f. Prescriptions	\$ <input type="text"/>	\$ <input type="text"/>
g. Long-term care insurance premiums	\$ <input type="text"/>	\$ <input type="text"/>
<b>4. Life Insurance</b>		
a. Premiums	\$ <input type="text"/>	\$ <input type="text"/>
<b>5. Transportation</b>		
a. Car payments	\$ <input type="text"/>	\$ <input type="text"/>
b. Insurance premiums	\$ <input type="text"/>	\$ <input type="text"/>
c. Fuel	\$ <input type="text"/>	\$ <input type="text"/>
d. Maintenance	\$ <input type="text"/>	\$ <input type="text"/>

	Current	In Retirement
<b>6. Taxes</b>		
a. Property (other than 1e above)	\$ <input type="text"/>	\$ <input type="text"/>
b. Income	\$ <input type="text"/>	\$ <input type="text"/>
<b>7. Entertainment</b>		
a. Travel/vacation	\$ <input type="text"/>	\$ <input type="text"/>
b. Recreation/hobbies	\$ <input type="text"/>	\$ <input type="text"/>
c. Memberships	\$ <input type="text"/>	\$ <input type="text"/>
d. Other (theater, dining out)	\$ <input type="text"/>	\$ <input type="text"/>
<b>8. Debt Payments</b>		
a. Personal loans	\$ <input type="text"/>	\$ <input type="text"/>
b. Credit cards	\$ <input type="text"/>	\$ <input type="text"/>
<b>9. Miscellaneous</b>		
a. Gifts (to relatives/friends)	\$ <input type="text"/>	\$ <input type="text"/>
b. _____	\$ <input type="text"/>	\$ <input type="text"/>
Add totals for items 1–9 to calculate your monthly <i>Current</i> and <i>In Retirement</i> expenses. Use these figures to determine your annual expenses in Section II below.		
<b>YOUR ESTIMATED TOTAL MONTHLY EXPENSES (IN TODAY'S DOLLARS)</b>	\$ <input type="text"/>	\$ <input type="text"/>

<b>II. Annual Expenses (in today's dollars)</b>		
Multiply totals for monthly <i>Current</i> and <i>In Retirement</i> expenses by 12 to reach annual figures.	\$ <input type="text"/>	\$ <input type="text"/>
	x 12	x 12
<b>YOUR ESTIMATED TOTAL ANNUAL EXPENSES (IN TODAY'S DOLLARS)</b>	\$ <input type="text"/>	\$ <input type="text"/>

### III. How Much Will You Need to Finance Your Retirement?

**Example**  
Let's say your projected annual expenses at retirement are \$40,000, and your projected number of retirement years is 25. In today's dollars you would need to start with a retirement savings total of \$1 million to fund your retirement.

\$40,000	
x 25 years	
<b>\$1,000,000</b>	

However, if you take inflation into consideration, you can see you would need even more. With an assumed annual inflation rate of 2.5%<sup>4</sup> (inflation factor of 34.16 from the table below), you would need just over \$1.4 million to keep up with inflation over a 25-year period.

\$40,000	
x 34.16	
<b>\$1,366,000</b>	

Now, project the total amount of retirement savings, adjusted for inflation, that you will need to fund your retirement.

<b>YOUR ESTIMATED TOTAL ANNUAL EXPENSES IN RETIREMENT</b> (from Section II above)	\$ <input type="text"/>
<b>YOUR INFLATION FACTOR</b> (from table below)	x <input type="text"/>

Select the inflation factor closest to the number of years you expect to spend in retirement.

Years in Retirement	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
Inflation Factor	5.26	11.20	17.93	25.54	34.16	43.90

<b>TOTAL NEEDED TO FINANCE YOUR RETIREMENT</b>	\$ <input type="text"/>
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Worksheets are made available to you as educational tools and should not be construed as investment, legal or tax advice. We cannot and do not guarantee the accuracy of the results or their applicability to your individual circumstances.

4. Based on an average annual inflation rate of 2.5% for the 20-year period ended December 31, 2025. Source: U.S. Bureau of Labor Statistics. Inflation factors calculated as the sum of compound growth over the specified period:  $[(1+r)^n - 1] / r$ , where  $r = 0.025$  and  $n =$  years in retirement. There is no guarantee that this inflation figure is a good prediction of what the inflation rate will be in the future.

## Step 2 | Identify potential retirement income sources

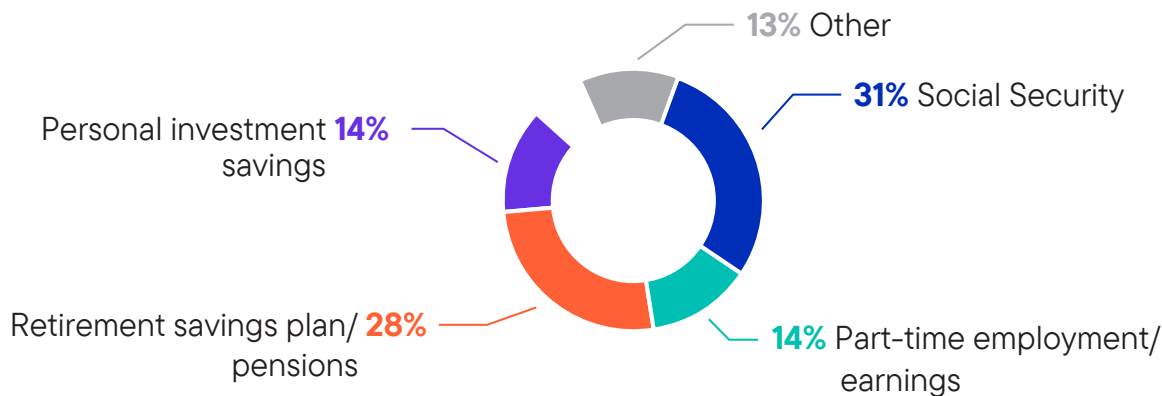
### Where will your retirement income come from?

Now that you've estimated your expenses during retirement, it's time to identify your potential sources of retirement income.

In the coming years, Social Security and employer pensions are likely to become a proportionately smaller part of retirees' income. That means personal savings will become much more important. An experienced financial professional can help you understand how to convert your personal investments into a potential stream of cash withdrawals that can help make your savings last through retirement.

As you can see in the chart below, today Social Security benefits provide approximately 31% of the income received by retirees,<sup>5</sup> with part-time employment, pensions/retirement savings plans and personal investment savings providing another significant portion of total income.

#### Sources of Retirement Income<sup>6</sup>



**“I’ve been planning to retire early for several years. Now I want to live out my hobby—painting full time. I’m not old enough to receive Social Security benefits, but thanks to a solid financial game plan, I have enough to do what I want. At 50, I’m still young enough to see the world and have others see it through my paintings.”**

**Tricia**  
Near Retiree

5. Personal investment savings include interest, dividends, rents, royalties, estates or trusts.

6. Source: Social Security Administration, Fast Facts & Figures About Social Security, 2025. Based on data from the U.S. Census Bureau, Current Population Survey, 2024 Annual Social and Economic Supplement. Percentages are approximate and represent shares of aggregate income for the population aged 65 and older.

## Check in with Social Security

### How much will you receive from Social Security?

**The average monthly Social Security payment to retired workers in 2025 was \$2,000.<sup>7</sup>** If you haven't done so already, now may be a good time to find out how much money you'll receive at [ssa.gov](https://ssa.gov) or refer to the table below for a more general estimate.

### When should you begin receiving Social Security benefits?

Deciding when to begin receiving your Social Security benefits requires careful consideration. If you were born in 1960 or later, your Full Retirement Age (FRA) is 67. You may begin receiving your Social Security benefits as early as age 62, but your benefits will be reduced, and this will be a permanent reduction. If you plan to work during retirement, you may want to postpone receiving benefits past your FRA to qualify for a larger monthly benefit. Work with your financial professional to plan how you might seek to maximize your Social Security benefits.

Once you have made your decision, you should contact your Social Security office at least three months before the time you wish to begin receiving benefits.

### How much can you expect from Social Security?<sup>8</sup>

Approximate monthly benefits if you retire at your full retirement age (depending on your year of birth).

Find your closest age and the figure closest to your earnings for 2026.

Your Age in 2026	Full Retirement Age (FRA) <sup>9</sup>	Family Composition <sup>10</sup>	Your Estimated Earnings in 2026		
			\$40,000	\$50,000	Maximum <sup>11</sup>
44	67	Retired worker only	\$1,430	\$1,635	\$3,105
		Worker & spouse	\$2,145	\$2,453	\$4,658
54	67	Retired worker only	\$1,365	\$1,555	\$2,990
		Worker & spouse	\$2,048	\$2,333	\$4,485
61	66 and 10 months	Retired worker only	\$1,530	\$1,735	\$3,675
		Worker & spouse	\$2,295	\$2,603	\$5,513

7. Source: Social Security Administration, Fast Facts & Figures About Social Security, 2025. Average monthly benefit for retired workers in December 2024 was \$1,975; 2025 benefits increased by 2.5% COLA. Based on SSA data published January 2026.

8. Benefit estimates are approximate and based on Social Security Administration benefit formulas for 2026. Actual benefits depend on your complete earnings history and the age you claim benefits. For precise estimates, use the Social Security calculators at [www.ssa.gov](https://www.ssa.gov) or create a my Social Security account to view your actual benefit estimates.

9. Source: Social Security Administration, Normal Retirement Age, Full Retirement Age Is Increasing.

10. Worker and spouse benefits assume the spouse did not work or has lower benefits based on their own earnings. The spousal benefit is typically 50% of the worker's full retirement age benefit.

11. Maximum benefit in 2026 is \$4,018 per month for workers retiring at full retirement age, assuming maximum taxable earnings throughout their career. Workers who delay benefits until age 70 can receive up to \$5,181 per month. Source: Social Security Administration, 2026 benefit adjustments.

## Where are your investment assets?

Most retirees need to supplement Social Security and traditional employer pensions with retirement income from investments. Planning ahead can help provide you with a stream of income and cash withdrawals from your investment portfolio and a greater sense of security.

Before you determine your anticipated monthly income, you'll need to know how much in total assets you have to work with. Use the worksheet below to list the assets you plan to use to meet your retirement income needs, through interest, dividends or the sale of shares.

### Worksheet B: **Your Retirement Savings and Investments**

<b>I. Employer-Sponsored Retirement Plans</b>	
a. 401(k), 403(b) and/or 457 plan	\$ <input type="text"/>
b. SEP IRA, SIMPLE IRA, SIMPLE 401(k)	\$ <input type="text"/>
c. Profit sharing plan	\$ <input type="text"/>
d. Traditional pension plan	\$ <input type="text"/>
e. Non-qualified pension plan	\$ <input type="text"/>
<b>TOTAL EMPLOYER-SPONSORED RETIREMENT PLANS</b>	\$ <input type="text"/>
<b>II. Individual Retirement Accounts</b>	
a. Traditional and Rollover IRAs	\$ <input type="text"/>
b. Roth IRAs	\$ <input type="text"/>
<b>TOTAL INDIVIDUAL RETIREMENT ACCOUNTS</b>	\$ <input type="text"/>
<b>III. Personal Investments</b>	
a. Securities (stocks, bonds, treasuries)	\$ <input type="text"/>
b. Mutual funds	\$ <input type="text"/>
c. Annuities	\$ <input type="text"/>
d. Bank CDs	\$ <input type="text"/>
e. Real estate	\$ <input type="text"/>
f. Life insurance cash value	\$ <input type="text"/>
g. Other	\$ <input type="text"/>
<b>TOTAL PERSONAL INVESTMENTS</b>	\$ <input type="text"/>
<b>GRAND TOTAL RETIREMENT SAVINGS AND INVESTMENTS</b> (add totals from Steps I, II and III above)	\$ <input type="text"/>

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## Calculating your anticipated income

Now that you've identified your potential sources of retirement income, list the monthly and annual amounts of income you expect to derive from them. Comparing your retirement income to total projected expenses from Worksheet A, page 5, will help you identify a surplus or possible shortfall.

### Worksheet C: Your Retirement Income Cash Flow

I. Your Before-Tax Income		
	Monthly	Annual
<b>1. Income Distributions</b>		
a. Part-time/full-time/self-employment	\$ <input type="text"/>	\$ <input type="text"/>
b. Investment income, dividends or withdrawals	\$ <input type="text"/>	\$ <input type="text"/>
c. Annuity income	\$ <input type="text"/>	\$ <input type="text"/>
d. Real estate income	\$ <input type="text"/>	\$ <input type="text"/>
e. Inheritance/personal trusts	\$ <input type="text"/>	\$ <input type="text"/>
<b>2. Pension/Retirement Savings Plan Benefits</b>	\$ <input type="text"/>	\$ <input type="text"/>
<b>3. 401(k)/IRA Distributions</b>	\$ <input type="text"/>	\$ <input type="text"/>
<b>4. Social Security</b>		
a. Expected payments <sup>12</sup>	\$ <input type="text"/>	\$ <input type="text"/>
<b>5. Other</b>	\$ <input type="text"/>	\$ <input type="text"/>
Add totals for items 1–5 to calculate your monthly and annual projected retirement income.		
<b>TOTAL BEFORE-TAX INCOME</b>	\$ <input type="text"/>	\$ <input type="text"/>
<b>II. Estimated Annual Income Taxes<sup>13</sup></b>		
a. Federal		\$ <input type="text"/>
b. State		\$ <input type="text"/>
c. Local		\$ <input type="text"/>
<b>TOTAL ESTIMATED ANNUAL TAXES</b>		\$ <input type="text"/>
<b>TOTAL BEFORE-TAX INCOME</b> (from Step I above)		\$ <input type="text"/>
<b>TOTAL ANNUAL AFTER-TAX INCOME</b> (subtract <i>Total Estimated Annual Taxes</i> from <i>Total Before-Tax Income</i> )		\$ <input type="text"/>
<b>III. Annual Overage or Shortfall</b>		
Compare Your Total Annual Expenses in Retirement (from Worksheet A, Step II, page 5) to your Total Annual After-Tax Income.		
<b>YOUR TOTAL ANNUAL AFTER-TAX INCOME</b> (Step II above)		\$ <input type="text"/>
<b>LESS TOTAL ANNUAL EXPENSES</b> (Worksheet A, Step II, page 5)		\$ <input type="text"/>
<b>ANNUAL OVERAGE OF (SHORTFALL)</b>		\$ <input type="text"/>

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12. A projected estimate may be found on page 7. Or, use the information provided in the personalized Social Security Statement you get online from the Social Security Administration. To access the latest statement, you can go to [ssa.gov/mystatement](https://ssa.gov/mystatement) or call (800) 772-1213 and request Form SSA-7004.

13. In addition to federal taxes, you may owe state and local taxes on your investment, retirement plan benefits/distributions and Social Security income (or payments). Please consult your financial or tax professional for more information.

## How long will your projected retirement income stream last?

### Making the right choices about withdrawing your savings

Managing your savings to ensure your money doesn't deplete too rapidly during retirement takes careful planning. That's why working with your financial professional is critical. Along with your tax professional, your financial professional can help you consider:

- The impact of taxes on withdrawals
- Which accounts or investments are optimal to liquidate first
- Estate planning considerations
- Toll of inflation on your savings
- Annual expenses, including unexpected expenditures
- Other sources of income such as Social Security






You will probably want to ask yourself other important questions. How much retirement income will I need? How much can I withdraw from my investments if I want my retirement income to last? How should I diversify my investments?

The table on the following page can help you answer those questions. Based on various asset allocations and specified annual withdrawals, the table uses Monte Carlo simulations, a probability analysis, to determine if your retirement distribution expectations and your portfolio construction are in sync. Use the table as a guide to compare how time, asset allocation and withdrawal rates can impact your retirement income expectations.

- **Initial withdrawal amount:** The initial withdrawal rate (3–6%) determines the dollar amount withdrawn from the portfolio in the first year. That dollar amount is then increased by 3% in each subsequent year.
- **Asset allocations:** Based on commonly used indices, these five hypothetical portfolios are designed to illustrate common investment strategies.
- **Probability results:** The percentages (<5% to >95%) represent the probability that the hypothetical portfolio would be able to generate the annual withdrawal amount for at least 30 years.

For example, there is 54% probability that the 60% US Equity/40% US Fixed Income Asset Allocation will be able to sustain for 30 years with a 5% initial withdrawal amount that increases 3% annually.

**Probability of sustaining withdrawals over the 30-year period beginning December 31, 2025 with the annual withdrawal amount increased by 3% each year**

Asset Allocations	Initial Withdrawal Rate			
	3%	4%	5%	6%
 <ul style="list-style-type: none"> <li>US Bonds ..... 100%</li> </ul>	>99%	75%	27%	4%
 <ul style="list-style-type: none"> <li>US Stocks ..... 100%</li> </ul>	>88%	72%	53%	36%
 <ul style="list-style-type: none"> <li>US Stocks ..... 60%</li> <li>US Bonds ..... 40%</li> </ul>	>96%	79%	52%	27%
 <ul style="list-style-type: none"> <li>US Stocks ..... 30%</li> <li>US Bonds ..... 30%</li> <li>Global Stocks ..... 30%</li> <li>Global Bonds ..... 10%</li> </ul>	>96%	78%	50%	24%
 <ul style="list-style-type: none"> <li>Cash ..... 100%</li> </ul>	>100%	<0%	<0%	<0%

**IMPORTANT:** The Monte Carlo projections or other information regarding the likelihood of various investment outcomes are generated by Franklin Templeton, are hypothetical in nature and should not be considered investment advice. They do not reflect actual investment results and are not guarantees of future results. The simulations are based on a number of assumptions, including certain forward-looking capital market expectations (CMEs) of each asset class developed by Franklin Templeton Investment Solutions. There can be no assurance that results shown will be achieved or sustained. The results present only a range of possible outcomes. Actual results will vary for each simulation run, as such results may be better or worse than the simulated scenarios, and the potential for loss (or gain) may be greater than demonstrated in the simulations.

**ASSET CLASS ASSUMPTIONS:** Based on our assumptions, including the application of CMEs, **US Bonds** have an expected return of 5.11% and a standard deviation of 5.97%; **US Stocks** have an expected return of 7.19% and a standard deviation of 15.01%; **Global Stocks** have an expected return of 7.18% and a standard deviation of 14.99%; **Global Bonds** have an expected return of 3.61% and a standard deviation of 5.19%; **Cash** has an expected return of 3.20% and a standard deviation of 0.81%.

Please see “Important information about Monte Carlo simulations” on the following page for more information.

## Important information about Monte Carlo simulations

### Monte Carlo simulations

Monte Carlo simulations model future uncertainty. In contrast to tools generating average outcomes, Monte Carlo analysis produce outcomes based on probability—thus incorporating future uncertainty. Each Monte Carlo simulation generates a randomized scenario consistent with the projected characteristics of the asset classes using our assumptions. The projections can be used to help an investor to understand the probability of various allocation strategies and withdrawal rates sustaining assets throughout the specified time period (simulation survival rates).

### Material assumptions

- Underlying long-term rates of return for each asset class are not directly based on historical returns. Rather, they represent assumptions that take into account, among other things, historical total returns, which may include our estimates for reinvested dividends and capital gains.
- These assumptions, as well as an assumed degree of fluctuation of returns around these long-term rates, are used to generate random monthly returns for each asset class over the specified time period.
- The monthly returns are then used to generate 100,000 simulations, representing a spectrum of possible return outcomes for the modeled asset classes. The projections are directly based on these simulations.

### Modeling assumptions

- The projections are generated by Franklin Templeton using a number of assumptions, including capital market expectations (CMEs) of arithmetic mean (return), standard deviation (risk) and correlation between asset classes (correlation is a measure of the degree in which returns are related or dependent upon each other). These CMEs are forward-looking and are developed by Franklin Templeton Investment Solutions, a global investment management group within Franklin Templeton that is dedicated to multi-strategy solutions, using informed forward estimates of fundamentals and economic regimes. In building asset return expectations for different asset classes, Franklin Templeton Investment Solutions reviews data and themes it believes are drivers of capital markets. The long-term forecasts are based on an assessment of current valuation measures, economic growth and inflation prospects, as well as historical risk premiums. A complete summary of the CME methodology can be found in the 2023 Capital Market Expectations: Brighter times ahead. For more information see <https://www.franklintempleton.com/articles/cme/brighter-times-ahead>.
- The initial withdrawal amount is the percentage of the initial value of the investments withdrawn in the first year where the entire amount is withdrawn on the last day of the year; in each subsequent year, the amount withdrawn is increased by 3% to reflect the annual rate of inflation.
- The indexes used for the asset classes are as follows: for US Bonds, Merrill Lynch Corporate Master (12/31/74 to 1/31/1980), FTSE Credit (1/31/1980 to 1/31/1990), Barclays US Aggregate Corporate (1/31/1990 to present) for US Stocks, S&P 500 Index; for Global Bonds, Average IMF Euro Long Term Government and IMF Japan Long Term Government (12/31/74 to 1/31/1985), FTSE WGBI Hedged USD (1/31/1985 to present) for Global Stocks, MSCI World Index; and for Cash, U.S. 30 Day TBill (12/31/1925 to 12/31/1974), Encorr 90 Day TBill (12/31/1974 to 1/31/1997), JPM 3M Tbill (1/31/1997 to Present). Indexes do not reflect the deduction of fees or sales charges. Indexes are unmanaged and one cannot invest directly in an index.

**Past performance does not guarantee future results.**

### Key limitations

- It is important to note that these projections are estimates only, are not predictions, and should be viewed as approximations, and they do not guarantee or predict any particular investment result. There can be no assurance that the assumptions and the return model will accurately estimate asset class return ranges going forward or that the simulation survival rates will be achieved or sustained. Actual results will vary and may be better or worse than the probabilities indicated, which only present a range of possible outcomes based on the simulations and assumptions. Consequently, investors should allow a margin for error and not place undue reliance on the apparent precision of the projections. It may also be prudent for an investor to be more conservative with the withdrawal rates, especially early in retirement, given the unpredictable nature of market performance.
- This type of Monte Carlo simulations also assumes that the distribution of returns is normal. A normal distribution means that returns are concentrated near the average (arithmetic mean) and decrease in frequency as the distance from the average increases. Should actual returns not follow this pattern, results may vary significantly.
- The simulations do not take into account taxes on withdrawals, nor early withdrawal penalties or required minimum distributions.
- The projections are based on a limited collection of asset classes. Other investments or asset classes not considered may have characteristics similar or superior to those being analyzed, may provide different returns or outcomes, and may be more appropriate for one's individual situation.
- Market crises can cause asset classes to perform similarly, lowering the accuracy of our return assumptions and diminishing the benefits of diversification (that is, of using many different asset classes) in ways not captured by the simulations. As a result, returns actually experienced by investors may be more volatile than those assumed in the simulations.
- Results also may significantly vary over time and each time the simulations are run. Periods of significant market volatility, which may occur more often than assumed in the simulations, may increase the chances that actual results will differ, possibly significantly, from the examples provided.
- The simulations do not take into consideration fluctuations in correlations among asset class returns over the short term.
- Inflation is assumed constant, so variations are not reflected in the simulations.
- The simulations model asset classes, not investment product. As a result, the actual experience of an investor in a given investment product (e.g., a mutual fund) may differ from the range generated by the simulations, even if the broad asset allocation of the investment product is similar to the one being modeled. Possible reasons for divergence include, but are not limited to, active management by the manager of the investment product, or the costs, fees and other expenses associated with the investment product. Active management for any particular investment product—the selection of a portfolio of individual securities that differs from the broad asset classes modeled in the simulations—can lead to the investment product having higher or lower returns than the range in the simulations.
- Indexes are unmanaged, include reinvestment of dividends and, as they are unmanaged, do not include any fees and expenses. A mutual fund, or other managed account, will include investment management fees and other expenses, which will reduce returns. One cannot invest directly in an index.

## Evaluating additional sources of retirement income

### Will you want to retire gradually?

Many retirees want to continue working during retirement, either to pursue a new career, make up a projected shortfall in their retirement savings or because they enjoy part-time employment.

Now that you've calculated your total retirement savings and projected your expenses, you may need to make adjustments. Discuss your situation or preferences with your financial and tax professionals. You might consider one or more of the following options:

- Working part-time
- Consulting
- Turning your hobby into a small business
- Increasing your current savings rate
- Implementing a more aggressive investment strategy, depending on your time frame
- Postponing retirement

If you do have enough money to retire comfortably, you may have other choices to consider:

- Creating a less aggressive investment strategy
- Leaving an inheritance
- Decreasing your current savings rate
- Retiring early

# Step 3 | Consolidate your savings to simplify your retirement plan

## Consolidation can make managing your money easier

When it's time to put your financial game plan into action, combining assets can simplify money management, reduce the cost of maintaining multiple investment accounts and help make your savings last throughout retirement.<sup>14</sup>

### Exploring Your Options

	Direct Rollover to a Traditional IRA	Direct Rollover to a Roth IRA	Indirect Rollover to an IRA
Description	A distribution from a qualified retirement plan is moved into the rollover IRA.	A distribution is rolled from the qualified plan directly into a Roth IRA.	Funds from a qualified plan through an employer can be made payable to you. You then have 60 days to place the distribution into a rollover IRA yourself.
Advantages	<ul style="list-style-type: none"> <li>Savings continue to grow tax-deferred.</li> <li>As permitted by the rollover IRA, you decide where to invest your savings.</li> <li>Allows you to avoid early withdrawal penalties if you are under age 59½.</li> <li>No income taxes on distribution owed at time of rollover.</li> <li>May be able to access money in the account before age 59½ without the 10% early withdrawal penalty if you set up a periodic payment program (sometimes referred to as "72(t) payments").</li> </ul>	<ul style="list-style-type: none"> <li>Tax-free earnings growth.</li> <li>Qualified retirement distributions are also tax-free.</li> <li>As permitted by the rollover IRA, you decide where to invest your savings.</li> <li>Allows you to avoid IRS early withdrawal penalties if you are under age 59½.</li> <li>Will not be forced to make withdrawals during owner's lifetime.</li> </ul>	<ul style="list-style-type: none"> <li>Same advantages as a direct rollover to an IRA, depending on whether it is a Traditional or Roth account.</li> </ul>
Disadvantages	<ul style="list-style-type: none"> <li>May not be able to roll over entire balance. Employer will provide information on what amount, if any, cannot be rolled.</li> <li>Subject to excise tax of up to 25% if you do not start making withdrawals (Required Minimum Distributions) after age 73.<sup>15</sup></li> </ul>	<ul style="list-style-type: none"> <li>Taxes on qualified plan distribution owed immediately.</li> <li>May not withdraw rolled-over funds from Roth IRA within five years without facing the 10% IRS early withdrawal penalty.</li> <li>Earnings accrued after the rollover only grow tax-free if certain conditions are met, including: <ul style="list-style-type: none"> <li>Account has been held for at least five years and you have reached 59½ years of age.</li> <li>You have particular first-time homebuyer expenses.</li> <li>You become disabled or die.</li> </ul> </li> <li>May not be able to roll over entire balance. Employer will provide information on what amount, if any, cannot be rolled.</li> </ul>	<ul style="list-style-type: none"> <li>Employer is required to withhold 20% for income tax purposes.</li> <li>May rollover an amount equal to the 20% withheld to avoid owing income taxes (and the 10% early withdrawal penalty if under age 59½) on withheld amount at time of rollover.</li> <li>You only have 60 days to roll over the distribution, including the withheld amount. Otherwise, the withheld amount will not be refunded until you file your federal income tax return.</li> </ul>
Examples	<ul style="list-style-type: none"> <li>Distribution amount: \$100,000</li> <li>Taxes withheld: \$0</li> <li>Rollover amount: \$100,000</li> </ul>	<ul style="list-style-type: none"> <li>Distribution amount: \$100,000</li> <li>Additional income taxes owed (assuming a 35% federal tax bracket): (\$35,000)</li> <li>Rollover amount (assuming taxes are not paid from the distribution amount): \$100,000</li> </ul>	<ul style="list-style-type: none"> <li>Distribution amount: \$100,000</li> <li>20% mandatory withholding: (\$20,000)</li> <li>Distribution received: \$80,000</li> <li>Amount you must add back to funds to avoid taxes and possible early withdrawal penalties: \$20,000</li> <li>Rollover amount (within 60 days): \$100,000</li> </ul>

14. The scenarios result from the rollover of a distribution from a non-Roth tax-deferred qualified retirement account.

15. The current age at which required minimum distributions must begin is age 73. The age was previously 72 if attained before January 1, 2023.

Once you retire and don't have a regular stream of income to count on, you'll need to monitor your personal finances regularly and make adjustments as needed. Consolidating your savings can help you track:

- Your total assets, including the rate at which you're making withdrawals
- Investment performance, including the asset allocation of your investments
- The costs associated with your investments

Cash Distribution	Leave the Money in Your Former Employer's Plan	Roll Over the Distribution to Your New Employer's Plan
<p>Receive distribution as a cash payment.</p>	<p>Money is left in former employer's retirement plan. Often an option if there is more than \$7,000 in your account.</p>	<p>If allowed, roll balance into new employer's retirement plan.</p>
<ul style="list-style-type: none"> <li>• Instant cash source.</li> <li>• May qualify for favorable tax treatment on the distribution (i.e., 10-year averaging for those born before 1936).</li> </ul>	<ul style="list-style-type: none"> <li>• Savings continue to grow tax-deferred.</li> <li>• Money remains invested.</li> <li>• No action required.</li> </ul>	<ul style="list-style-type: none"> <li>• Savings continue to grow tax-deferred.</li> <li>• Money remains invested.</li> <li>• No income taxes on distribution owed at time of rollover.</li> </ul>
<ul style="list-style-type: none"> <li>• Distribution is generally subject to federal, state and local taxes.</li> <li>• Employer is required to withhold 20% for income tax purposes.</li> <li>• May owe an additional 10% IRS early withdrawal penalty if under age 59½.</li> <li>• Much less remaining to invest for and live on during retirement.</li> </ul>	<ul style="list-style-type: none"> <li>• Must keep former employer updated on relevant matters such as address changes.</li> <li>• Investment options limited by former employer's plan.</li> </ul>	<ul style="list-style-type: none"> <li>• May not immediately be eligible to roll over money. Waiting period is typically one year.</li> <li>• New employer's plan may not let you withdraw the money rolled over until you no longer work for that employer.</li> <li>• Investment options limited by new employer's plan.</li> </ul>
<ul style="list-style-type: none"> <li>• Distribution amount: \$100,000</li> <li>• 20% mandatory withholding: (\$20,000)</li> <li>• Distribution received: \$80,000</li> <li>• Additional income taxes owed (assuming a 35% federal tax bracket and 10% early withdrawal penalty): (\$45,000)</li> <li>• Amount remaining \$55,000</li> </ul>	<ul style="list-style-type: none"> <li>• No distribution taken</li> </ul>	<ul style="list-style-type: none"> <li>• Distribution amount: \$100,000</li> <li>• Taxes withheld (if a direct rollover): \$0</li> <li>• Rollover amount: \$100,000</li> </ul>

## Additional distribution considerations

There are some key milestones and opportunities you'll want to keep in mind when planning your distributions.

**Withdrawals before age 59½:** In general, distributions taken from a retirement plan before age 59½ are subject to a 10% penalty on top of income taxes due at the time of the distribution. However, many people don't realize that the IRS permits systematic withdrawals from an IRA or a qualified retirement plan (if separated from service) prior to age 59½ under certain circumstances, with no additional penalties applied.\* Withdrawals must be made as part of a series of "substantially equal periodic payments," and other specific rules also apply. If making withdrawals before age 59½ is something you want to consider, talk with your tax and financial professional.

**When you reach age 73:** Once you've reached age 73, you must begin taking required minimum distributions (RMDs) from most retirement plans.<sup>16</sup> Distributions must begin no later than April 1 in the year after you've reached age 73, and once they begin, you must take them annually by December 31 each year. The amount is calculated based on rules set by the IRS. Failure to take the RMD by the deadline may result in a tax penalty of up to 25%. When the time comes, your financial and tax professional can help you with the calculations.

For more details, call Franklin Templeton Retirement Services at (800) 527-2020.

\* Additional information is available in Internal Revenue Code 72(t)(2)(A)(iv).

16. The current age at which required minimum distributions must begin is age 73. The age was previously 72 if attained before January 1, 2023.

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