5 SURPRISES ABOUT PLANNING FOR RETIREMENT INCOME

FRANKLIN TEMPLETON

Franklin Templeton's 2019 Retirement Income Strategies and Expectations (RISE) Survey uncovered five findings that may surprise you.

1. RETIREMENT-RELATED CONCERNS START LONG BEFORE RETIREMENT

Retirement may be a period of relaxation. However, thinking about your financial plan for retirement may not be. When it comes to retirement finances, managing income, considering investments, and concerns about longevity, the 2019 RISE Survey found that retirement-related concerns start much earlier in life than many might expect.

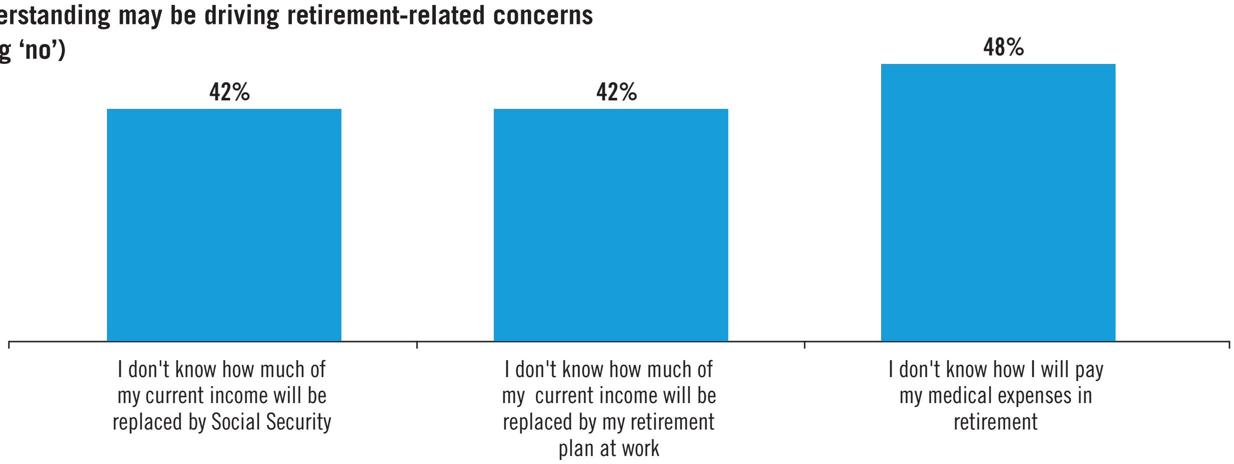
Retirement-related concerns across ages (% responding 'somewhat/very concerned')

Note: 2019 Total n=2,002.
Source: Franklin Templeton Retirement Strategies and Expectations (RISE) survey 2019.

More than half of respondents reported feeling concerned about their retirement savings and investments long before the years leading up to retirement. For example, among individuals ages 35 to 44, 56% said they were concerned about outliving their assets or having to make major sacrifices to their retirement strategy and 57% said they were concerned about managing their retirement income to meet their expenses.

What drives these concerns about retirement income? Perhaps a lack of understanding regarding the essential components of a retirement income strategy. Many people just don't know the answers to some critical planning-oriented questions.

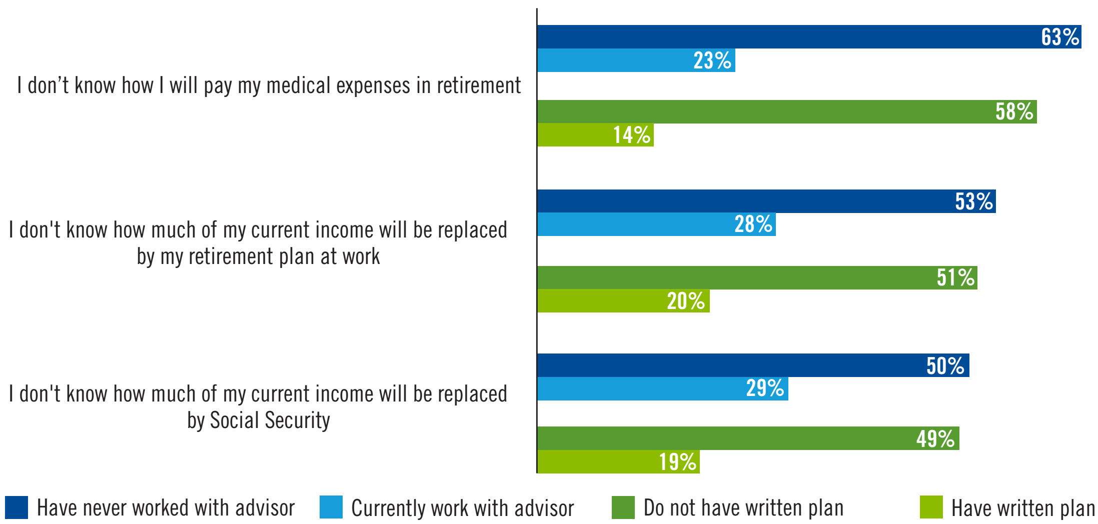
A lack of understanding may be driving retirement-related concerns (% responding 'no')



Note: 2019 Total n=2,002, Have participated in workplace plan n=1045.
Source: Franklin Templeton Retirement Strategies and Expectations (RISE) survey 2019.

As with any life change, hard work and preparation come long before the big day. Working with a financial advisor and developing a written retirement income plan can reduce uncertainties and help individuals feel prepared.

Having a written plan and/or working with a financial advisor dramatically decreases uncertainties
(% uncertain)



Note: 2019 Total n=2,002, Have participated in workplace plan n=1045.
Source: Franklin Templeton Retirement Strategies and Expectations (RISE) survey 2019.

2. HEALTH-RELATED CONCERNS ARE TOP OF MIND ACROSS ALL AGES

Planning for retirement isn't just about saving money. It's also about appreciating the reality of factors that can have a major impact on an individual's ability to experience retirement success. Our survey continues to expose that people are acutely aware of the role health might play.

Which ONE of the following is your top concern for or during retirement?
(% responding 'top concern')

	Under 55	55 and older
Health issues	21%	34%
Running out of money	37%	23%

Which ONE of the following expenses are you most concerned about paying in retirement?
(% responding 'top expense concern')

	Under 55	55 and older
1. Health-related	38%	47%
2. Paying off debt	17%	13%
3. Lifestyle	17%	11%

Note: 2019 Total n=2,002.
Source: Franklin Templeton Retirement Strategies and Expectations (RISE) survey 2019.

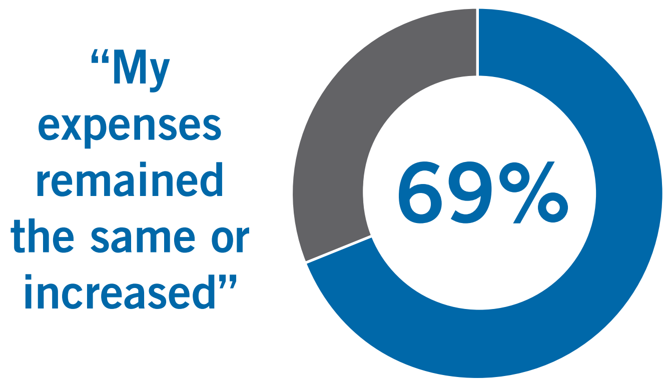
For people with access to a high deductible health plan (HDHP) through their employer, a Health Savings Account (HSA) is a great, triple tax-advantaged way to save for health-related expenses in retirement. We found that individuals using an HSA to save for medical expenses in retirement are significantly more likely to say they know how they will pay for medical expenses in retirement (75% versus 36%).

3. EXPENSES DON'T NECESSARILY GO DOWN IN RETIREMENT

Part of being confident in a retirement strategy is understanding what to expect and then planning for that reality. When it comes to expenses, it helps to think in terms of what they will be used for, such as basic needs or discretionary "nice to haves." Also, consider how each type of expense may change over time—do they rise with inflation? Are they impacted by changes in the economy?

Generally, there are three distinct categories of retirement expenses: Fixed, Rising and Discretionary. Fixed expenses are less impacted by inflation and need to be funded by a relatively stable source of income. Rising expenses are more impacted by inflation and need to be funded by a relatively stable source of income, but one that has the potential to grow over time. The potential for growth also increases the risk. Discretionary expenses are impacted by inflation but have more flexibility in terms of the risk that might be assumed with potential sources of income.

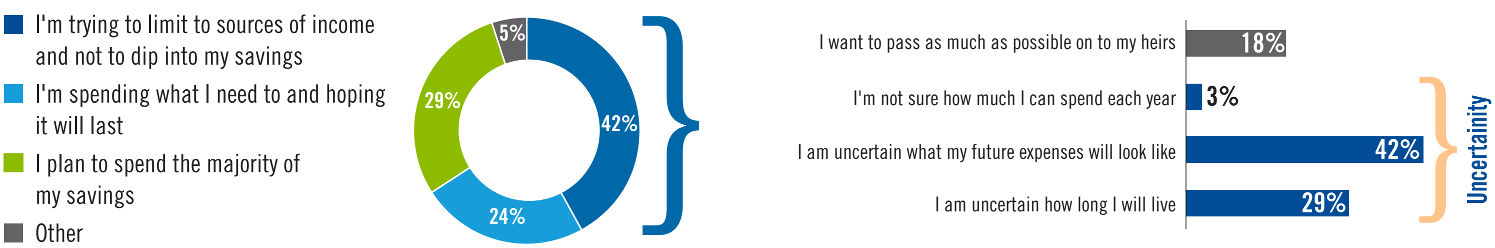
The majority cite flat or increased expenses since retiring
('How have your expenses changes since you've been retired?')



Note: 2019 Total n=2,002, Currently retired n=451.
Source: Franklin Templeton Retirement Strategies and Expectations (RISE) survey 2019.

4. RETIREES' APPROACH TO SPENDING THEIR NEST EGGS IS NOT ALWAYS STRATEGIC

One may assume that once someone is living in retirement they have a plan for how they will spend their nest egg throughout their retirement years. Our results highlight a different story. One-quarter (24%) of retirees are winging it, stating they are 'spending what they need and hoping it will last'. And the majority (42%) are trying to avoid dipping into their savings at all. When we took a closer look as to why, uncertainty emerged as a common theme – whether not understanding how much they can sustainably spend, what future expenses look like or what their time horizon is.

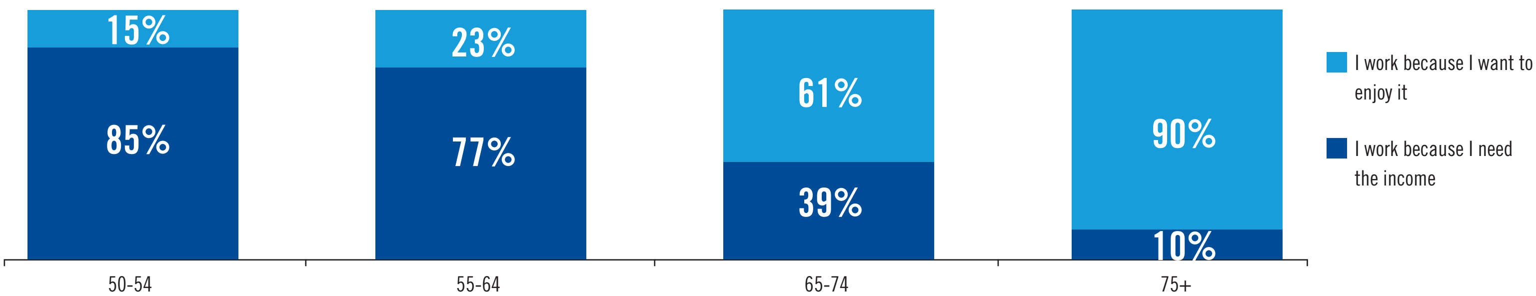


Note: 2019 Total n=2,002, Currently retired n=451.
Source: Franklin Templeton Retirement Strategies and Expectations (RISE) survey 2019.

5. WORKING PAST 65 ISN'T ALWAYS ABOUT MONEY

When people think about retirement, they often think of age 65, 66 or 67, and that if someone is working beyond this age they must need the money. However, retirement isn't only about having enough saved to be financially prepared. How people want to spend their time during the traditional retirement years also plays a large role. In fact, once individuals reach age 65, they are dramatically more likely to say they are working because they want to and enjoy it versus because they need the income.

Most individuals working past age 65 are doing so by choice
('What is the main reason you are currently working')



Note: 2019 Total n=2,002, Age 50 or older and currently employed n=382.
Source: Franklin Templeton Retirement Strategies and Expectations (RISE) survey 2019.

At the same time, people need to be prepared for the unexpected, both mentally and financially. Our study revealed that the number one adjustment people say they'd make if they were unable to retire due to not having saved enough would be to continue working. Unfortunately, that may not always be an option. In fact, nearly one-quarter of retirees said they entered retirement due to circumstances beyond their control (e.g. health issues, downsizing).

No matter what your stage of retirement planning, there may be surprises that can catch you off-guard. Having confidence in your ability to experience a successful retirement ultimately comes down to knowledge and planning.

THREE STEPS TO RETIREMENT CONFIDENCE

1

Know your situation
Identify your concerns and set individual goals.

2

Work with a financial advisor
Professional advice makes a difference.

3

Write your plan down
Having a plan in your head may not be enough. Write it down and revisit and adjust as needed.

ABOUT THE SURVEY

The Franklin Templeton Retirement Income Strategies and Expectations (RISE) survey was conducted online among a sample of 2,002 adults comprising 1,000 men and 1,002 women 18 years of age or older. The survey was administered between January 17 and 28, 2019, by Engine's Online CARAVAN®, which is not affiliated with Franklin Templeton. Data is weighted to gender, age, geographic region, education and race. The custom-designed weighting program assigns a weighting factor to the data based on current population statistics from the U.S. Census Bureau.

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