Turn Your Savings into Retirement Income
Three key retirement income topics

- Importance of a plan
- Factors to consider
- Developing your plan
The importance of having a retirement income plan
Important retirement questions

- When will you retire?
- Where will you retire?
- What will you be doing?
Importance

Adjusting to retirement

Going to work

Doing your job

Relying on a paycheck

In retirement, you’ll be responsible for creating your own paycheck
A retirement income plan can help you:

- Make your retirement savings last
- Live the retirement you envision
- Build a legacy
Factors to consider when transitioning your savings into retirement income
Potential sources of retirement income

Reliable Income
- Pension plans
- Income annuities
- Social Security

Investment Income
- 401(k)’s
- IRA’s
- HSA’s

Other Sources
- Employment
- Rental property
- Trusts/inheritances

5–10 years before you retire
3 Categories of retirement expenses

Essential Expenses
- Groceries
- Utilities
- Health care

Discretionary Expenses
- Travel
- Hobbies
- Dining out

Emergency Expenses
- Unforeseen health issue
- Home repair
- Auto repair
Consider your withdrawal rate, effects of inflation, long-term investment, longer lifespans, and health care costs.

Factors affecting your retirement savings and income

Estimate based on a hypothetical opposite-gender couple retiring in 2021, 65-years-old, with life expectancies that align with Society of Actuaries’ RP-2014 Healthy Annuitant rates projected with Mortality Improvements Scale MP-2020 as of 2021. Actual assets needed may be more or less depending on actual health status, area of residence, and longevity. Estimate is net of taxes. The Fidelity Retiree Health Care Cost Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government’s insurance program, Original Medicare. The calculation takes into account cost-sharing provisions (such as deductibles and coinsurance) associated with Medicare Part A and Part B (inpatient and outpatient medical insurance). It also considers Medicare Part D (prescription drug coverage) premiums and out-of-pocket costs, as well as certain services excluded by Original Medicare. The estimate does not include other health-related expenses, such as over-the-counter medications, most dental services and long-term care.
CONSIDER

A variety of income sources

- Interest From Savings
- Social Security
- Real Estate Revenues
- IRA

Your withdrawal rate
The value of your money could decline over time.

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Effects of inflation
Select an asset mix to help meet your needs and goals.

CONSIDER

Long-term investing
CONSIDER

Longer lifespans

30–40 years in retirement
Consider health care costs

Estimate based on a hypothetical opposite-gender couple retiring in 2021, 65-years-old, with life expectancies that align with Society of Actuaries’ RP-2014 Healthy Annuitant rates projected with Mortality Improvements Scale MP-2020 as of 2021. Actual assets needed may be more or less depending on actual health status, area of residence, and longevity. Estimate is net of taxes. The Fidelity Retiree Health Care Cost Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government’s insurance program, Original Medicare. The calculation takes into account cost-sharing provisions (such as deductibles and coinsurance) associated with Medicare Part A and Part B (inpatient and outpatient medical insurance). It also considers Medicare Part D (prescription drug coverage) premiums and out-of-pocket costs, as well as certain services excluded by Original Medicare. The estimate does not include other health-related expenses, such as over-the-counter medications, most dental services and long-term care.

Single retiring
$489 Per month

Couple retiring
$978 Per month
Identifying potential gaps

If your retirement income estimate is not anticipated to meet your expenses, consider:

- Delaying retirement and continuing to work
- Spending less now and saving more for later

IMPORTANT: The projections or other information generated by the Planning & Guidance Center’s Retirement Analysis regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Your results may vary with each use and over time.
A distribution from a Roth IRA is tax-free and penalty-free, provided the 5-year aging requirement has been satisfied and one of the following conditions is met: age 59½, disability, qualified first-time home purchase, or death.

Fidelity does not provide legal or tax advice. The information herein is general in nature and should not be considered legal or tax advice. Consult an attorney or tax professional regarding your specific situation.
How to develop a retirement income plan
Potential income strategies

- Taking systematic withdrawals
- Using other income before claiming Social Security
- Living off earnings and interest
- Bucketing your investments
Taking systematic withdrawals from your investments
Hypothetical value of $500,000 invested in a portfolio of 50% stocks, 40% bonds, and 10% short-term investments with inflation-adjusted withdrawal rates as specified. Hypothetical illustration uses 6.75% rate of return and 2.5% inflation rate. Illustrated to show withdrawal taken at the beginning of the year with the balance growing to end of year. Values shown are end of year values. No taxes are considered on growth or withdrawals. This chart is for illustrative purposes only and is not indicative of any investment.
Withdrawal rate example

<table>
<thead>
<tr>
<th>4% withdrawal rate</th>
<th>IRS-required minimum distribution (MRD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$500,000</td>
<td>$500,000</td>
</tr>
<tr>
<td>x 4%</td>
<td>÷ 25.6</td>
</tr>
<tr>
<td>$20,000</td>
<td>$19,531</td>
</tr>
</tbody>
</table>

Federal legislation enacted on December 20, 2019 made a number of changes to the rules regarding defined contribution, defined benefit, and/or individual retirement plans and 529 plans. Information herein may refer to or be based on certain rules in effect prior to this legislation and current rules may differ. As always, before making any decisions about your retirement planning or withdrawals you should consult with your personal tax advisor. The change in the MRD age requirement from 70½ to 72 only applies to individuals who turn 70½ on or after January 1, 2020. Please speak with your tax advisor regarding the impact of this change on future MRDs.
Living off interest and account earnings
Income from interest and account earnings

Determine income need
Identify asset allocation
Manage reinvestments

You could lose money by investing in a money market fund. An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Before investing, always read a money market fund’s prospectus for policies specific to that fund.
Using other income sources until you start claiming Social Security
Bridge strategy

1. Determine income need
2. Identify investment mix
3. Rebalance if needed
“Bucketing” your investments to generate both income and growth
You could lose money by investing in a money market fund. An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Before investing, always read a money market fund’s prospectus for policies specific to that fund.
Monitoring and adjusting your investment buckets

Periodically shift the gains from the moderate and aggressive buckets over one bucket.
Option 1: Interest income only, assumes a 2% interest rate, a starting balance of $500,000 at the beginning of the period and at no taxes, fees or expenses are taken into consideration. The income figure is for year one only. The principal amount is subject to market change, and the interest payment is recalculated each year based on the revised principal amount.

Option 2: Systematic withdrawal plan only, assumes $500,000 initial balance and a 4% annual withdrawal rate with no taxes, fees or expenses taken into consideration. The income figure is for year one only. The principal amount is subject to market change, and the payment increases each year with inflation.

Option 3: Systematic withdrawal plan (SWP) coupled with a single life annuity. SWP assumes a $250,000 initial balance and a 4% withdrawal rate for the first year with no taxes, fees or expenses taken into consideration. The income figure is for year one only. The principal amount is subject to market change, and the payment increases each year with inflation.

In addition, a hypothetical annuity for a 67 year old male is purchased with $250,000 which provides a $925 monthly payout, which is based on a single life with a cash refund annuity and a CPI-U COLA distributed by Fidelity Insurance Agency, Inc., as of April 15, 2019. For the annuity, rates are subject to change. Payments do not reflect the impact of taxes. Beginning with the first payment anniversary, income payments are adjusted for increases (if any) in the Consumer Price Index for All Urban Consumers (CPI-U). A contract with a CPI-U increase will provide lower initial income payments than an otherwise identical contract without a cost-of-living adjustment. A contract’s financial guarantees are solely the responsibility of and are subject to the claims-paying ability of the issuing insurance company.
Option: Leave it in the Plans

• You may leave funds in the Boston University Retirement Plan and the Supplemental Retirement and Savings Plan.

• You can request a distribution at a later date.

• Under current tax laws, payments must start by the April 1 following the calendar year in which you reach age 72 or retire (whichever is later).
Option: Full Payout

- You may elect to receive a lump-sum distribution of the money you have invested in these accounts.
- You are responsible for paying taxes on your distribution.
- Fidelity will automatically withhold 20% for federal taxes and withhold any required state taxes.
Option: Partial Withdrawal

- You may elect to receive a partial distribution of the money you have invested in these accounts.
- Scheduled payments are available (annual, quarterly, monthly, or decrement counter).
- You can also request a payment of any dollar amount at anytime.
- Fidelity will automatically withhold 20% for federal taxes and withhold any required state taxes.
Option: Rollover

- You may elect to roll over the full or partial amount to another tax-qualified account.
- There is no tax withholding by Fidelity for a rollover.
- Contact Fidelity and the receiving financial institution to discuss the rollover process.
Take the next steps
We will work 1-on-1 with you to provide:

Plan information
Investment education
Next steps

1:1 APPOINTMENTS AVAILABLE WITH YOUR WORKPLACE FINANCIAL CONSULTANTS: DIANA RITTENBERG & MATTHEW GREEKE
To schedule a 1:1 phone or Zoom session, please go online to www.Fidelity.com/schedule or call 800-642-7131.
Thank You!
This information is intended to be educational and is not tailored to the investment needs of any specific investor.

Investing involves risk, including risk of loss.

**30-Day Treasury Bill Index** measure the annual total return of a short-term obligation that is not interest-bearing (it is purchased at a discount); it can be traded on a discount basis for 91 days.

**MSCI EAFE Index** is a market capitalization-weighted index that is designed to measure the investable equity market performance for global investors in developed markets, excluding the US & Canada

**S&P 500 Index** is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent US equity performance.

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