

Retirement Income Resource Guide: Income for Life



The goal of a successful retirement plan is not just to have a large nest egg; it is to transform that nest egg into a reliable, predictable stream of income that can support your lifestyle for the rest of your life, no matter how long that turns out to be.

The Challenge of Longevity Risk

The Shift from Saving to Spending

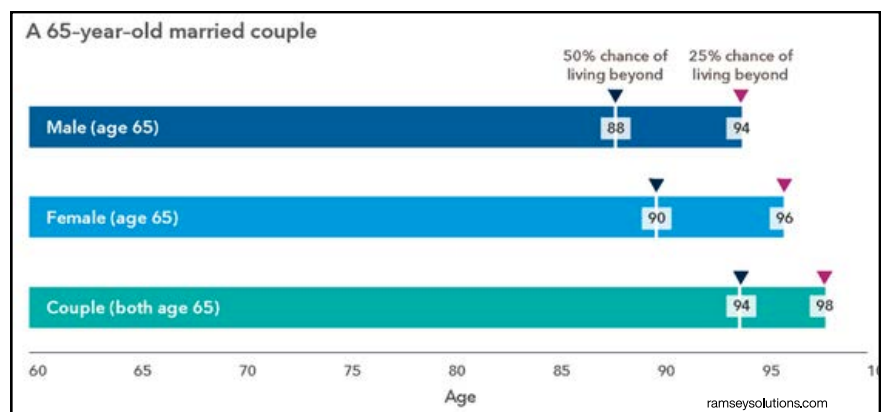
For decades, your financial life was focused on accumulation: saving diligently in 401(k)s, IRAs, and brokerage accounts. But retirement marks a crucial shift—from saving money to spending it. This transition presents a unique and often scary challenge: ensuring your money lasts as long as you do.

Based on current actuarial data for a healthy 65-year-old married couple, here is the probability that at least one spouse will live to these milestone ages:

What is Longevity Risk?

The single greatest financial threat to retirement security today is longevity risk. Longevity risk is simply the risk of outliving your money. As medicine and lifestyle improve, people are living longer than ever before. While this is wonderful news for personal life goals, it creates serious financial uncertainty. If the market experiences a downturn early in your retirement, you could be forced to sell assets at a loss, permanently depleting your principal.

The Probability of a Long Life



This confirms the need for a robust income plan designed to last 30+ years, not just 20.



The Solution: Secure, Lifelong Income

Income Sources - The Bedrock

To effectively combat longevity risk, a successful retirement plan must include a bedrock of guaranteed income sources. These are income streams that are contractually or legislatively obligated to pay you a specific amount for the rest of your life, providing a financial floor you can never fall beneath.

Traditional Sources of Lifelong Income

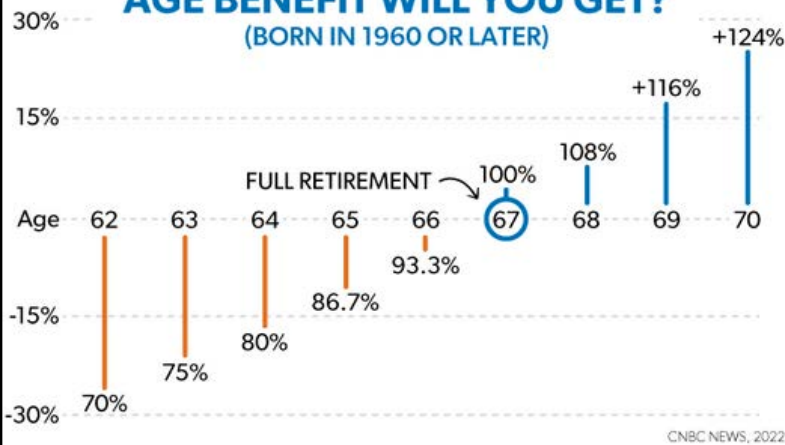
The most common and foundational sources of guaranteed income are Social Security and employer-sponsored pensions (Defined Benefit plans).

1. Social Security Benefits

Social Security is the cornerstone of most retirees' income plans. It provides a monthly benefit that is protected from inflation (via Cost of Living Adjustments, or COLAs) and, most importantly, is guaranteed to last for your entire life.

HOW MUCH OF YOUR FULL RETIREMENT AGE BENEFIT WILL YOU GET?

(BORN IN 1960 OR LATER)



CNBC NEWS, 2022


- **Funded by Earnings:** Benefits are based on your 35 highest-earning years, factoring in payroll taxes paid over your working career.
- **Lifetime Payments:** Payments begin when you file, and continue until your death.
- **Spousal and Survivor Benefits:** Social Security also provides important protections for families.

...continued

The Power of Delaying Social Security

Choosing when to start your benefits is one of the most critical decisions. Delaying benefits past your Full Retirement Age (FRA)—up to age 70—results in a significant increase in your monthly payment. This increase is often one of the best "returns" you can get, effectively guaranteeing a larger, inflation-adjusted, lifelong paycheck.

Need help planning for secure lifelong income?
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Annuities: Your Own Personal Pension


2. Defined Benefit Pension Plans

A defined benefit (DB) plan, commonly referred to as a pension, is an employer-sponsored retirement plan that guarantees a specific monthly payment upon retirement.

- **Employer Responsibility:** The employer is responsible for funding and managing the investments of the plan.
- **Fixed Income:** The income amount is generally known in advance and is paid for the rest of your life.
- **Decline in Prevalence:** Traditional pensions are increasingly rare in the private sector, having largely been replaced by Defined Contribution plans like 401(k)s.

Critical Tools for Self-Funding

Since fewer people have access to traditional defined benefit pensions, financial products known as annuities have become a critical tool for self-funding guaranteed, lifelong income. An annuity is a contract between you and an insurance company where you pay a lump sum, and in return, the insurer promises to provide income payments in the future.

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Additional Sources of Lifelong Income

Laddering (or Lifetime Income Riders)

Laddering is the process of utilizing various financial tools that provide a guaranteed interest rate over a fixed period of time. Bank or Credit Union CD's and insurance industry fixed products (Multi-year guaranteed Annuities - MYGAs) are common financial tools that allow you to create ladders for retirement. By varying the length of your investments, you can create maturity dates that spread out across numerous year, thus creating a "Ladder".

Defined Benefit Pension Plan



 Declining in Private Sector (Replaced by 401k)

-  Guaranteed Income
-  Employer-Managed
-  Predictable Payments

What is Annuity Lifetime Income?

Annuity Lifetime Income is achieved through the process of converting a lump sum of money into a stream of guaranteed, periodic payments. This process is the financial equivalent of creating a pension: it transfers the longevity risk (the risk of outliving your money) from you, the individual, to the insurance company.



Key Benefit of Annuities:

The core advantage of annuities is the pooled risk mechanism. Because the insurance company pools your money with others, they can guarantee that you won't outlive your income.

Annuity Type	Purpose	Risk Transferred
Fixed Deferred Annuities (FDAs)	Guaranteed, tax-deferred growth with future income options.	Market Risk (Principal is protected)
Single Premium Immediate Annuity (SPIA)	Income right now to cover immediate essential expenses.	Longevity Risk (Guaranteed payments for life)
Deferred Income Annuity (DIA)	Income later (often 10+ years out) for long-term protection.	Longevity Risk (Creates a larger future payout through delay)

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CD LADDERING

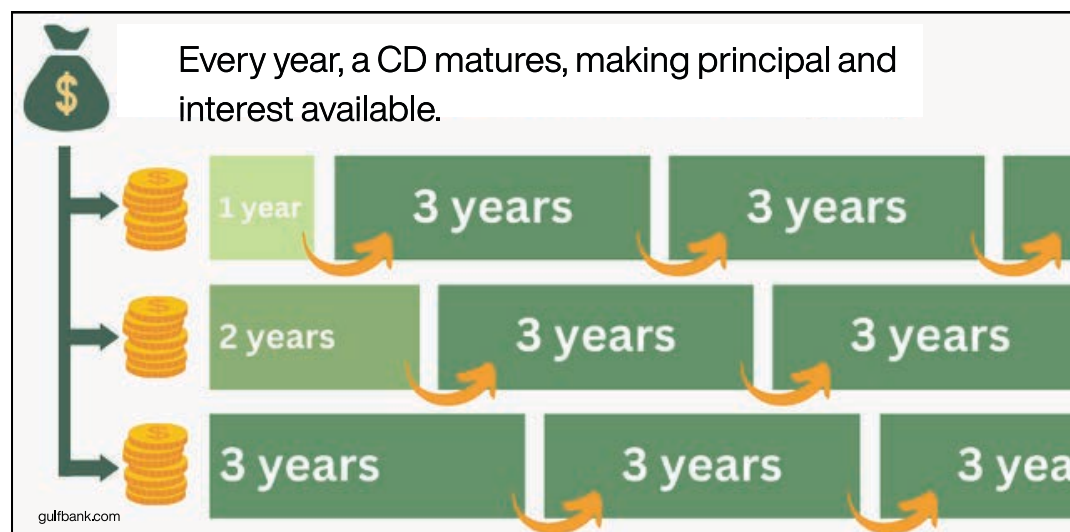
While Social Security, pensions, and annuities are the primary tools for generating guaranteed income for life, other strategies focus on maximizing capital preservation and providing predictable income over defined periods.

CD Laddering

- Certificate of Deposit (CD) laddering is a low-risk, liquidity-enhancing strategy that utilizes bank CDs to generate predictable cash flow.
- CD Laddering allows you to benefit from higher long-term rates while maintaining annual liquidity.

The Cycle

If you don't need the money, you reinvest the principal into the longest term (the new 5-Year CD), ensuring continuous, staggered liquidity.



The CD Ladder Structure:

This example uses three \$10,000 portions of a \$30,000 investment:



CASH VALUE
LIFE INSURANCE

Other Stability-Focused Income Strategies

Permanent life insurance policies have a component known as cash value that can be utilized as a supplemental income source in retirement.

Cash Value Life Insurance

How it works:

A portion of your premium builds the cash value, which grows tax-deferred. In retirement, you can access this accumulated cash value in two primary ways:

- **Policy Loans:** You can take loans against the cash value, which are generally income tax-free.
- **Withdrawals:** You can withdraw up to the amount of premiums paid (your cost basis) tax-free.

The Benefit? Cash value insurance provides a non-market, tax-advantaged source of liquidity. It acts as a financial buffer and is often used as flexible income during market downturns, allowing traditional investment portfolios to recover without being forced to sell assets at a loss.

Summary: Building Your Financial Bedrock

A secure retirement income plan should be built like a sturdy home: with a strong foundation of guaranteed, lifelong income (Social Security, Pensions, Annuities) and supplementary walls built from reliable, low-risk tools (CD ladders, Cash Value Life Insurance). By prioritizing income security, you can confidently navigate retirement, knowing you will have the income you need, no matter how long your golden years last.



RETIREMENT LAST WORDS

- **Define Your Purpose**, Not Just Your Withdrawal Rate.
- **Create a Tax-Smart Distribution Strategy**.
- **Plan for the Costs of Longevity** (Health and Care).
- **Downsize Debt**, Not Just Expenses.

Disclaimer: This guide provides general information about Medicare. Rules and costs can change annually. For personalized advice, consult official Medicare resources, a licensed insurance agent, or a financial advisor.



HELPFUL RESOURCES

Official Government Resources

- Social Security Administration (SSA) 800-772-1213
- Medicare 800-633-4227
- U.S. Department of Labor Employee Benefits Security Administration) 866-444-3272
- Thrift Savings Plan (TSP) 877-968-3778

Nonprofit and Educational Resources

- AARP (American Association of Retired Persons) 888-687-2277
- State Health Insurance Assistance Program (SHIP) 800-803-7174

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