

# Retirement Calculator

## Definitions and Assumptions

1<sup>st</sup> - Decide if you are using this calculator for only yourself, or for you and your spouse.

### **Tips for Field Entry:**

**Current Age** – Use your own current age, even if you will include your spouse’s financial information.

**Age of Retirement** – Remember - the earlier you retire, the less time you’ll have to save for your retirement and the longer you’ll need your savings to last.

**Household Income** – Last year’s income from all sources. Include your Spouse’s income if you are calculating a joint retirement. Do not include non-recurring, one-time income items, such as an inheritance.

**Current Retirement Savings** – Value of your total savings for retirement – private investments, 401(k) balance, etc. Do not include the value of a defined benefit pension plan that is expressed as a monthly benefit.

**Rate of Return before Retirement** – Expected investment return on all assets held in retirement accounts. (401(k), IRA, etc.)

Investment Returns are generally highest for stocks, lower for bonds, and lowest for cash. If you are unsure about what type of investments you have or what assumption you should use, bring your most recent 401(k) statement to your HR department, or contact your investment advisor. They will be able to help you make a reasonable assumption.

**Rate of Return During Retirement** – We recommend a rate 2%-3% lower than the rate of Return Before Retirement

**Percent of Income to Contribute** – Enter the percent of salary you currently save for retirement. If your sole source of savings is your 401(k) plan, enter your deferral percentage. If you use multiple vehicles to save, use the total dollars saved divided by your salary. Example: if you save \$10,000 annually and your salary is \$50,000, enter 20%

**Expected Salary Increase** – Your year-to-year increase in salary. If you are unsure of a good estimate, your HR department can help.

**Years of Retirement Income** – How long do you expect to be retired? If you are married, consider that your spouse may out-live you and enter accordingly.

**Percent of income at Retirement** – The following chart can give you guidance as to what to use.

- 70% - 80%** You will not pay for medical coverage and will have to pay for your basic living expenses in retirement.  
You are planning for a comfortable retirement but not a lot of luxuries (no extensive travel, beach houses, etc.)
- 80% - 90%** You will be responsible for paying for medical coverage plus the basics in retirement.  
You may plan for modest trips or recreational activities.
- 100% - 120%** You will need to cover all medical expenses.  
You need to save for the possibility of long-term care.  
You are planning for a lifestyle that is more than comfortable.

**Company Pension Income** – If your company provides you with a defined benefit pension plan (ie, a plan where your benefit is expressed in terms of a monthly payment), enter the estimated benefit (monthly payment) from your most recent benefit statement. Note – do not include an estimate of Social Security monthly payments here.

**Spouse Pension Income** – Ditto, if applicable

**Expected Rate of Inflation** – A common measure of inflation is the Consumer Price Index (CPI) which has had a long-term average of 3.1% annually.

**If you are married** – Check the box, even if you have not included spousal finances.

**To include Social Security** – The calculator will make assumptions about Social Security, based on income limits, age of retirement, and whether or not you are married. Check the box if you would like this estimate included with your retirement savings projection. Do not check the box if you wish to see the impact of your savings alone.

**Entries ready? Click ‘calculate’ to view your report.**

After you have viewed the output, you may wish to experiment to see how changing the assumptions will impact the results. You’ll be amazed to see how even a small savings increase will change the bottom line, especially if you are young. You may also be amazed to see how large the projected monthly withdrawals are compared to your salary today. Need to save more? Your employer’s benefit plan may provide the easiest method to increase your savings. Consult with the HR department to see how you can start to **Grow Your Retirement** today.

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