Fundamentals of Retirement Income Planning

Imagining tomorrow.

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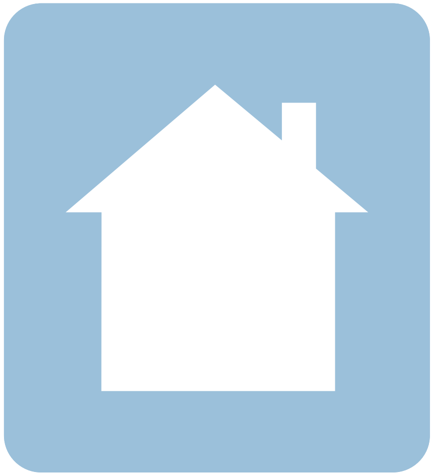
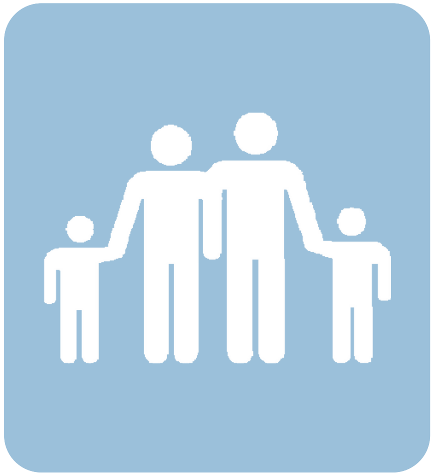
How will you know you're ready to retire?

Imagining tomorrow.

A simple question…

…without a simple answer





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How will you know you're ready to retire?

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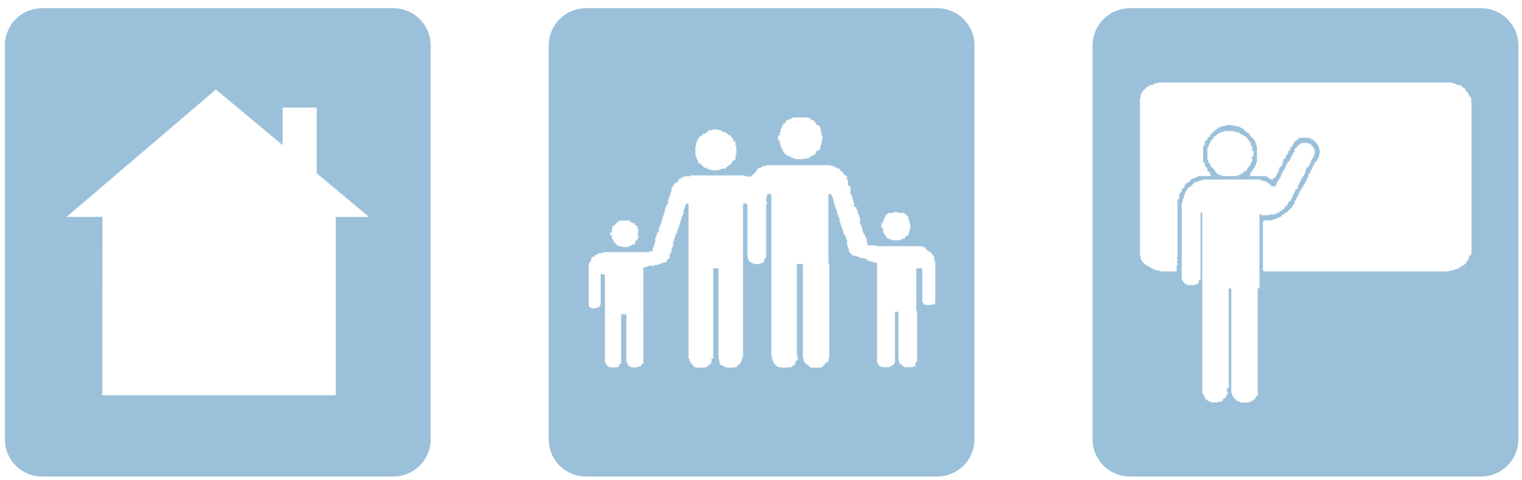

Let's talk.

Imagining tomorrow.

- What might your retirement look like?
- Do you know your financial risks?
- How can you create a plan you'll use?
- What are the four steps to creating your retirement income plan?
- See how the pieces fit together.
- Q&A

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What might your retirement look like?

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The “good stuff”

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Time	Family and Friends	Pursue Dreams
You own it You control it You need to fill it	Engage in more activities Reconnect with old friends Spend more time with grandchildren	Make a difference Learn something new Start a new career

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The “not-so-good stuff” (some drawbacks)

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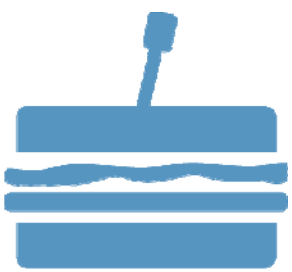
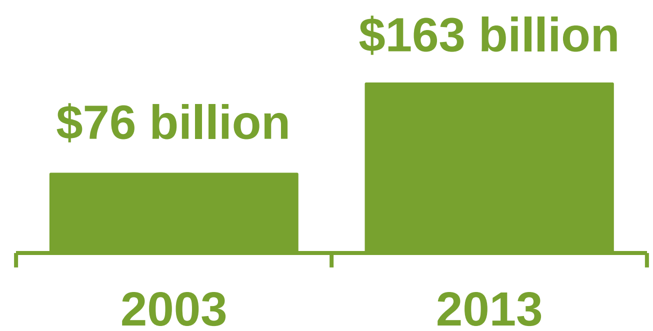
The “Club Sandwich”

47% Middle-aged adults support a parent and a minor or adult child—or grandchild[1]



Debt Remains a Factor

114% Increase in debt[2]



[1] McKinsey & Company, 2013.

[2] *Wall Street Journal*, Feb. 16, 2017, www.wsj.com.

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Whatever you do in retirement, you'll need to pay for it.

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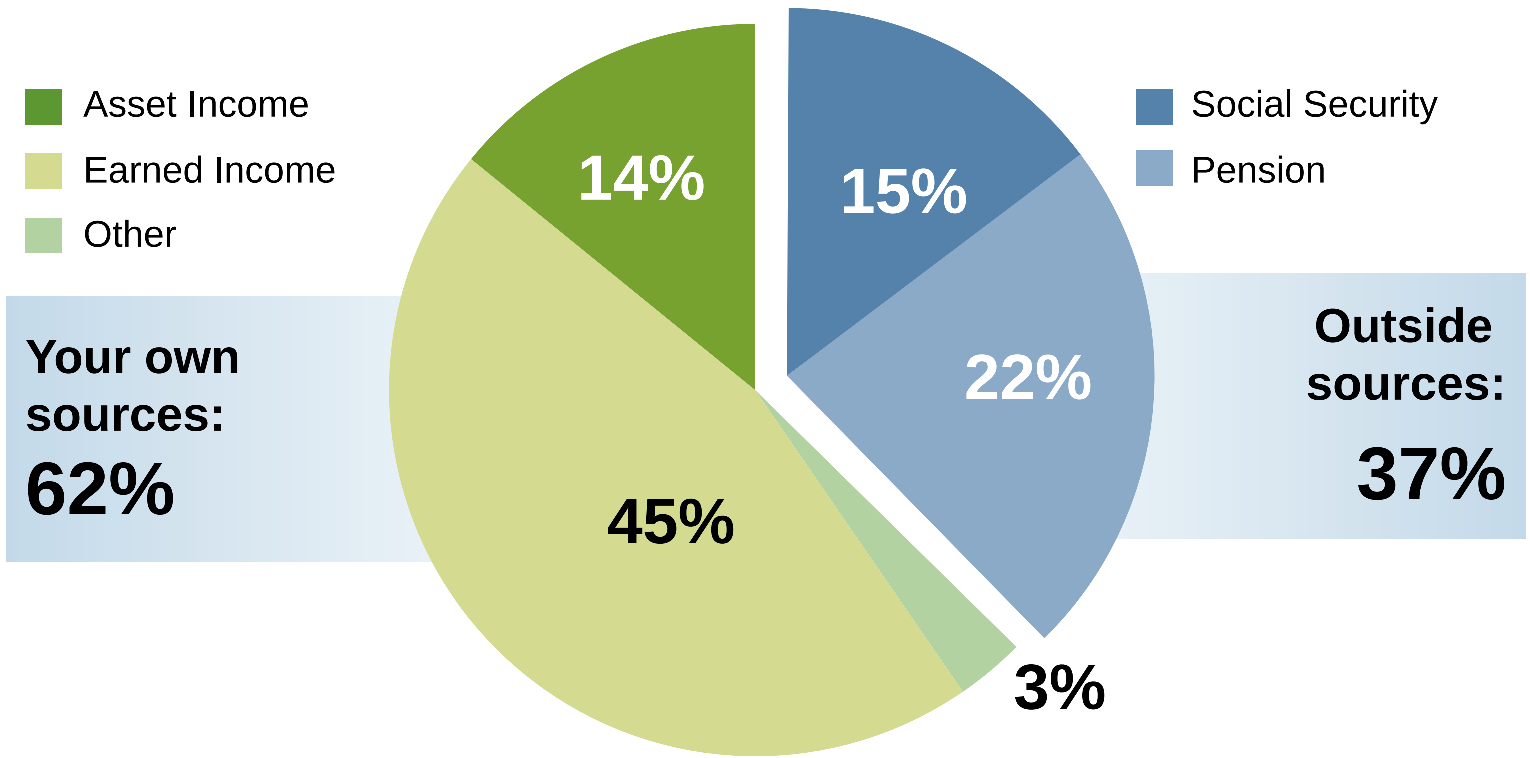
62% (or more) may be your responsibility



Source: Social Security Administration, "*Income of the Aged Chartbook, 2014,"* published April 2016. Based on the highest quintile of $72,129. For illustrative purposes only. May not add up to 100% due to rounding.

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Do you know your financial risks?

The **five key risks** to your retirement

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1. Longevity
2. Health care expenses
3. Inflation
4. Asset allocation
5. Excess withdrawal

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Risk 1 Longevity

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Current Age	65-Year-Old Man	65-Year-Old Woman	65-Year-Old Couple
50% Chance	87 yrs.	90 yrs.	94 yrs.
25% Chance	93 yrs.	96 yrs.	98 yrs.
			Life span for one survivor

You may need income for longer than you think.

Source: Society of Actuaries RP-2014 Mortality Table projected with Mortality Improvement Scale MP-2014 as of 2016.
For illustrative purposes only.

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Risk 2 Health care expenses

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$260,000

Out-of-pocket health care expense estimate for a 65-year-old couple*

- Medicare is not free
- Supplemental health insurance is generally needed
- Rx costs may be significant
- Long-term-care coverage is additional

A sizeable amount of savings may be needed for health care in retirement.

2015 Fidelity analysis performed by its Benefits Consulting group. Estimate based on a hypothetical couple retiring in 2015, 65 years old, with average life expectancies of 85 for a male and 87 for a female. Estimates are calculated for "average" retirees, but may be more or less depending on actual health status, area of residence, and longevity. The Fidelity Retiree Health Care Costs 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. Life expectancies based on research and analysis by Fidelity Investments Benefits Consulting group and data from the Society of Actuaries, 2014.

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Risk 3 Inflation

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Starting value

$50,000

Purchasing power after 25 years of inflation

$30,477	$23,880	$18,756
2% Inflation	*3% Inflation*	*4% Inflation*

Even low inflation can erode purchasing power…

All numbers were calculated based on hypothetical rates of inflation of 2%, 3%, and 4% to show the effects of inflation over time; actual inflation rates may be more or less and will vary.

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Risk 3 Inflation

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3% Inflation	1992	2016	2041
Movie ticket	$4.15	$8.61	$18.00
Car	$16,950	$34,000	$71,000

…and increase the costs of goods and services.

Future values were calculated based on hypothetical rate of inflation of 3% to show the effects of inflation over time; actual inflation rates may be more or less and will vary. National average movie prices from BoxOfficeMojo.com as of 1/18/2016. Average price of a new car in the U.S. from thePeopleHistory.com/1992 and *USAToday* estimates for 2016.

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Risk 4 Asset allocation

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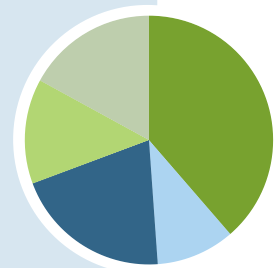
20s, 30s, 40s | **50s–early 60s** | **60s, 70s, 80s+**

Investments geared to building:

- Stocks
- Bonds
- Short Term

Investments geared to "pay out":

- Stocks
- Bonds
- Cash
- Social Security
- Annuities



How you invest changes as you move from accumulation goals to retirement income goals.

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Risk 5 Excess withdrawal

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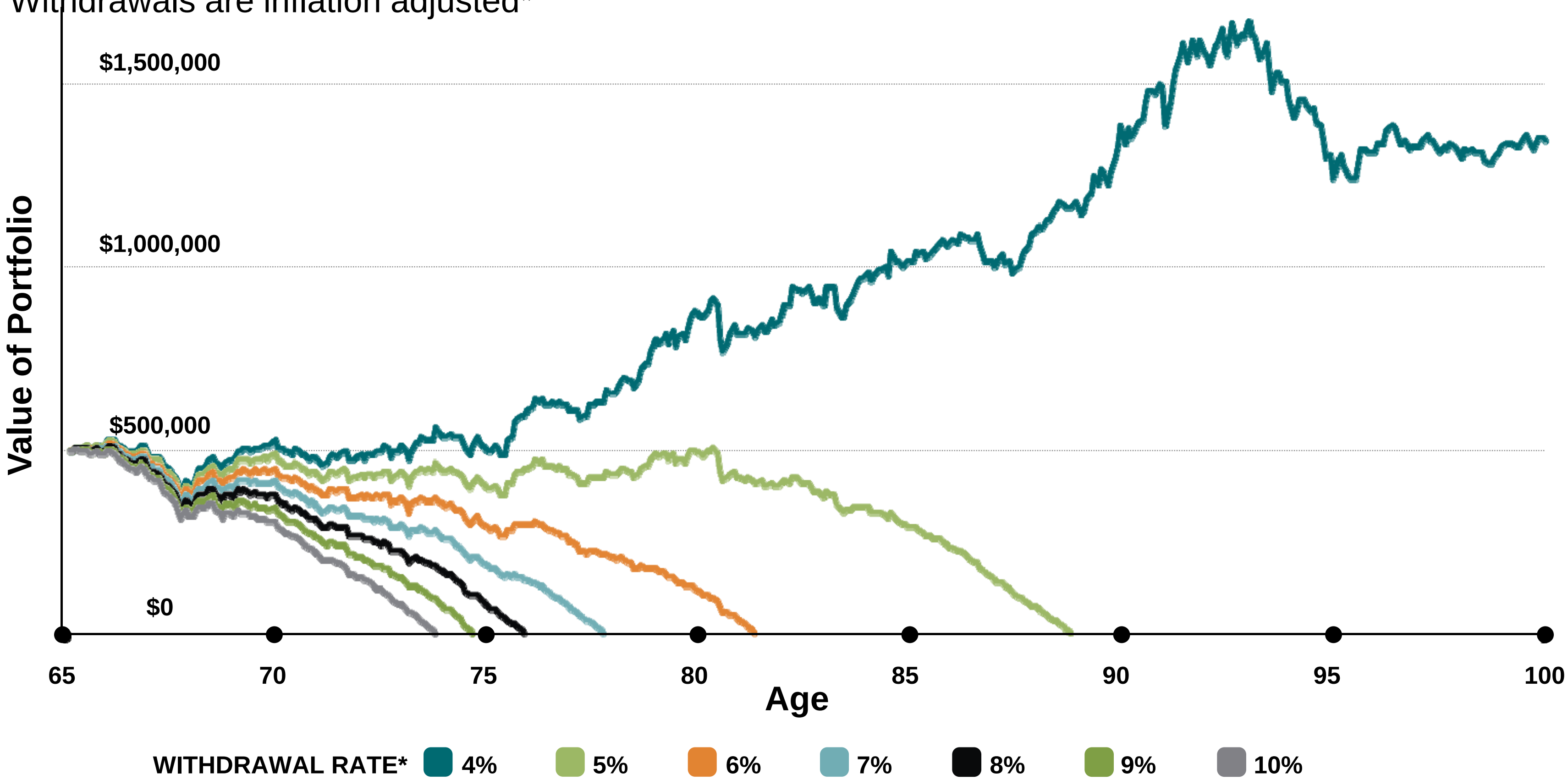
Withdrawing Too Much Too Soon

Withdrawals are inflation adjusted*



*Hypothetical value of assets held in a tax-deferred account after adjusting for monthly withdrawals and performance. Initial investment of $500,000 invested in a portfolio of 50% stocks, 40% bonds, and 10% short-term investments. Hypothetical illustration uses historical monthly performance, from Ibbotson Associates, for the 35-year period beginning January 1972: stocks, bonds, and short-term investments are represented by the S&P 500® Index, U.S. intermediate-term government bond, and U.S. 30-day T-Bills, respectively. Initial withdrawal amount based on 1/12th of applicable withdrawal rate multiplied by $500,000. Subsequent withdrawal amounts based on prior month's amount adjusted by the actual monthly change in the Consumer Price Index for that month. This chart is for illustrative purposes only and is not indicative of any investment. Past performance is no guarantee of future results. See slide 39 for more information.

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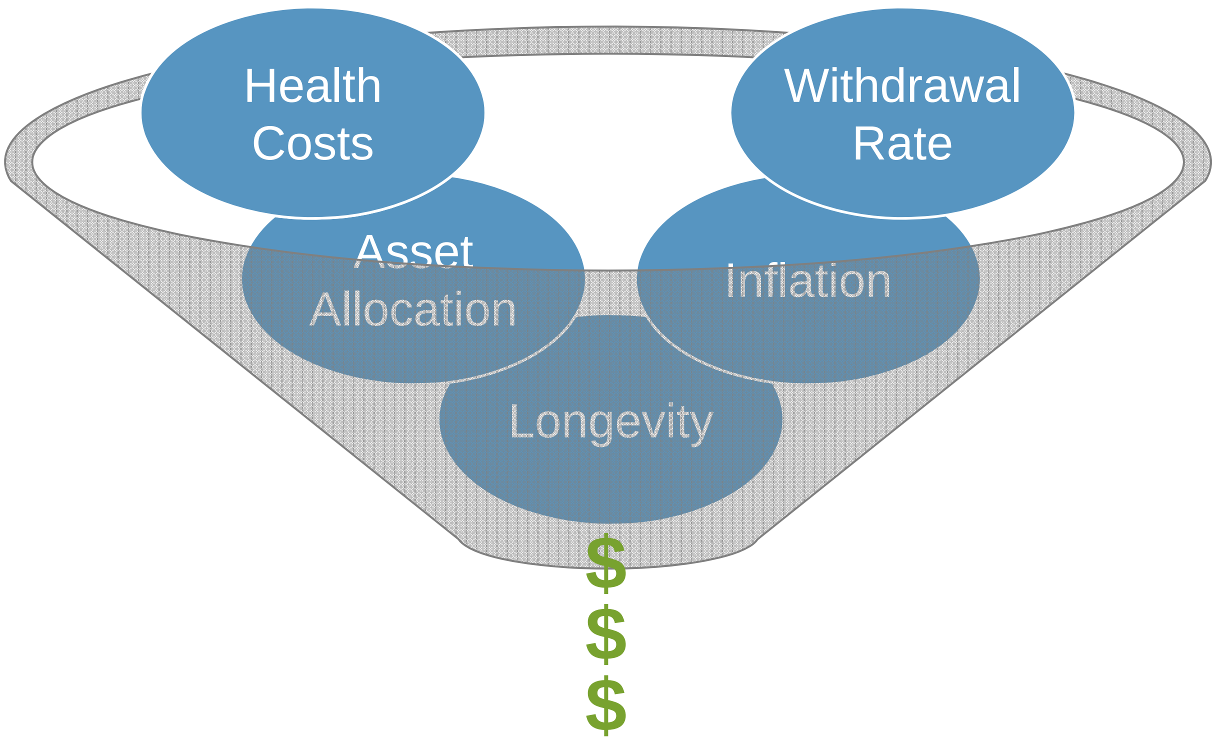
Why the five key risks are so important

You do not control many elements…



…yet you'll need steady, reliable income to replace your paycheck.

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How can you create a plan you'll use?

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Know what a retirement income plan is designed to do.

A detailed **plan** can help you determine how to use your **financial resources** to generate **income to last** the rest of your life.

Understand how a retirement income plan can help you…

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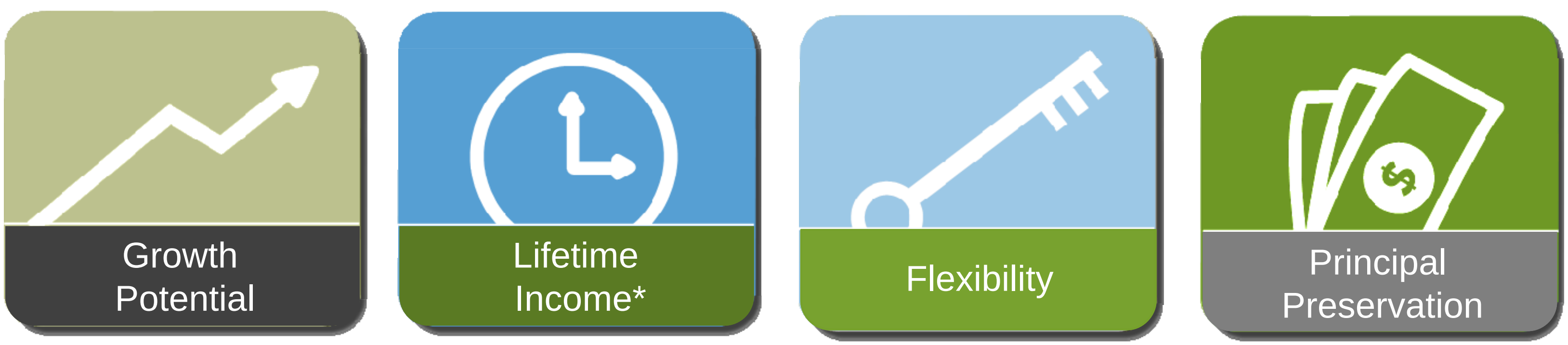
- Decide when you can retire
- Understand and help to minimize the key risks
- Identify all your sources of income
- Prioritize your financial needs and wants
- Stay on track to live the retirement you want

…and what it provides.

A “map” may help you **address** elements that are out of your control, **assess** your financial situation, and **align** resources to create income in retirement.



*Lifetime income applies to certain insurance and annuity products (not securities, variable, or investment advisory products) and are subject to product terms, exclusions, and limitations, and the insurer’s claims-paying ability and financial strength.

Do you have a retirement income plan?

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?

Source: Fidelity Investments® Higher Education Faculty Study, 2013. Conducted by Versta Research, an independent firm, The survey population is a national sample of 221 benefits-eligible faculty who work at colleges or universities (public and private) in the United States. Link to survey

Know when to build your retirement income plan.

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If you plan to retire at 65:

50s Quick plan

- Make good plans
- “Super save”
- Set up an initial planning session with us

60s Detailed plan

- Determine Social Security strategies
- Reassess risk and asset allocation
- Build a detailed financial assessment

65+ Master plan

- Begin Medicare eligibility
- Make final work-life balance decisions
- Prepare your portfolio for required minimum distributions and tax strategies

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What are the four steps to creating your retirement income plan?

Retirement income planning process

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Once you have a good idea of what you want to do in retirement, follow these steps to build your plan:

STEP 1	STEP 2	STEP 3	STEP 4
Inventory expenses vs. income.	**Cover essential expenses.**	**Fund discretionary expenses.**	**Meet with us and review your plan regularly.**

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STEP 1

Inventory expenses vs. income.

- **Categorize expenses—essential vs. discretionary**
- **Identify expenses that may increase or decrease**
- **Consider your personal situation:**
  - Family needs
  - Living arrangements as you age
  - Debts
  - Long-term-care coverage
  - Cost of retirement “fun”

Use tools to get organized.

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Choose an option that you will actually use.

"Back of the Envelope"	Budget Worksheet	Online Tool
Gives you a rough idea of your situation	Helps you prepare to meet with your consultant	Integrates expense information with overall plan

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STEP
2

Cover essential expenses.

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Identify sources of lifetime income…

- Social Security
- Pension plans
- Fixed income annuities*

…and use assets to make up any gap and solve for health care expenses.

- Regular withdrawals from reliable asset sources
- Consider long-term-care and life insurance

*Guarantees are subject to the claims-paying ability of the issuing insurance company.

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Make the most of Social Security.

When you start taking distributions may significantly impact your retirement income.

Age 62	Full Retirement Age	Age 70
Lower monthly benefit—as much as 30% less	Calculated full benefit based on your earnings history	Maximum benefit amount—as much as 32% more

Source: ssa.gov.

STEP
3

Fund discretionary expenses.

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Use your remaining portfolio assets…

- Mutual funds
- Brokerage accounts
- IRAs, 403(b)s, 401(k)s
- Savings accounts
- Guaranteed income products

…to pay your discretionary expenses.

Guarantees are subject to the claims-paying ability and financial strength of the issuing insurance company.

For illustrative purposes only.

Diversification does not ensure a profit or guarantee against loss.

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Be careful to monitor your withdrawal rate.

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Discretionary expenses, by definition, need to be flexible.

Sustainable Withdrawal Rate	Special Occasions	Emergencies
Generally between 4% and 5%, based on your age	One-time events that you've been planning for	Because you never know…

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STEP 4

Monitor your plan each year.

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Meet with Fidelity at least once a year to:

- Discuss changes in your situation
- Review retirement income goals
- Determine availability of new income sources
- Reassess expenses
- Rebalance portfolio in light of risks
- Update beneficiary designations

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Count on Fidelity to ask questions you might not have considered.

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What if…	When this…	How do I…
We'll ask you how you are thinking about retirement topics	We'll have open discussions about changes to your personal and financial situation	We'll be there to help you navigate the challenges of living in retirement

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Summary

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1 Define your retirement.

- What will you do with your time?
- How will you set up this new chapter?

2 Understand the 5 key risks.

- Longevity
- Health Care
- Inflation
- Asset Allocation
- Withdrawal Rate

3 Build a custom retirement income plan.

- Use the four-step process
- Consider your entire household

4 Ask questions.

- Planning for retirement is not a “do-it-yourself” project
- Fidelity is here to help

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Let's see how all the pieces fit together.

We'll work together to create your custom retirement income plan.

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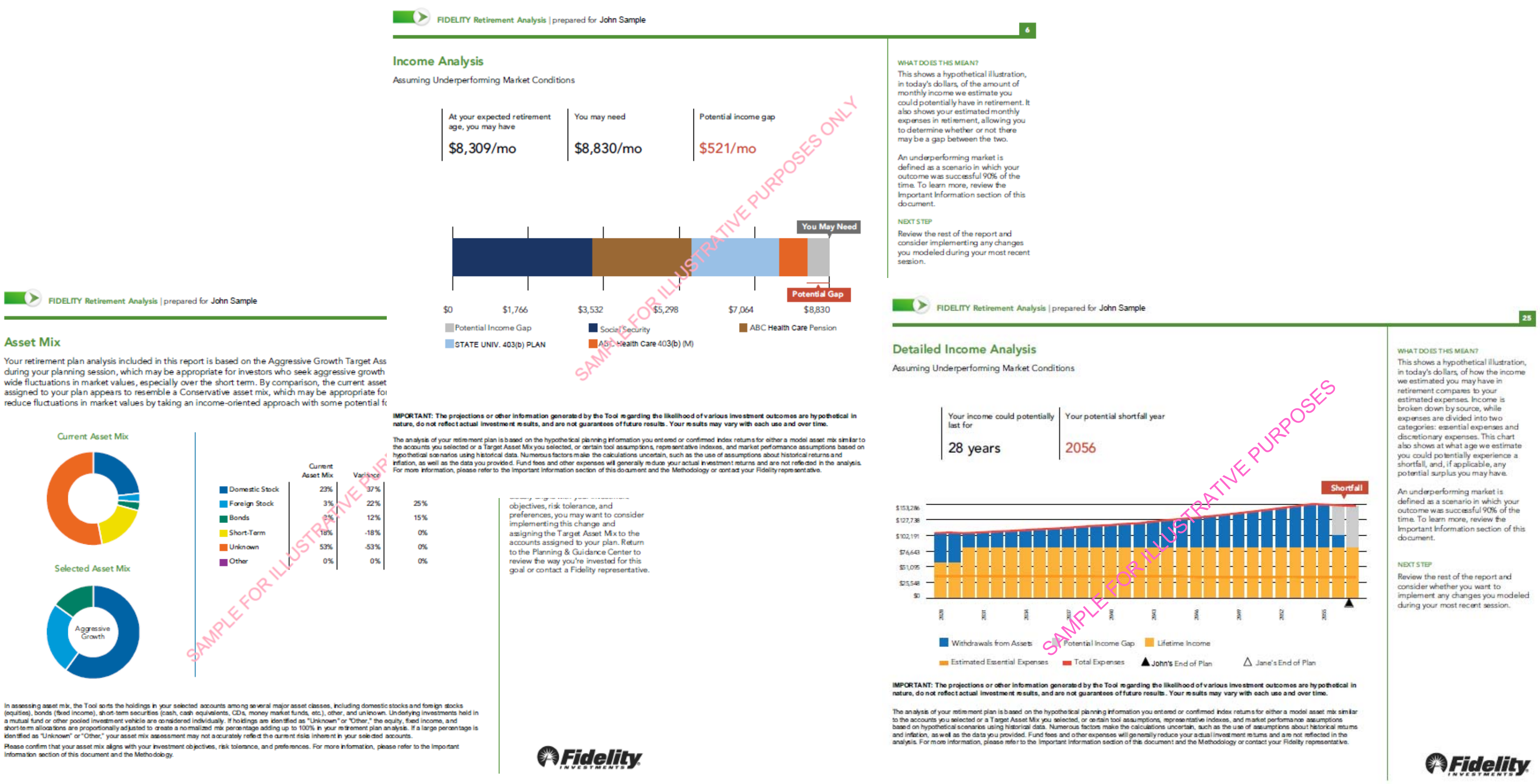

IMPORTANT: The projections or other information generated by the Fidelity Income Strategy Evaluator ("the Tool") regarding the likelihood of various investment outcomes is hypothetical in nature, does not reflect actual investment results, and is no guarantee of future results. Results may vary with each use and over time.

Sample output pages from the Fidelity Retirement Income Evaluator. For illustration purposes only.

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You've got a good place to start.

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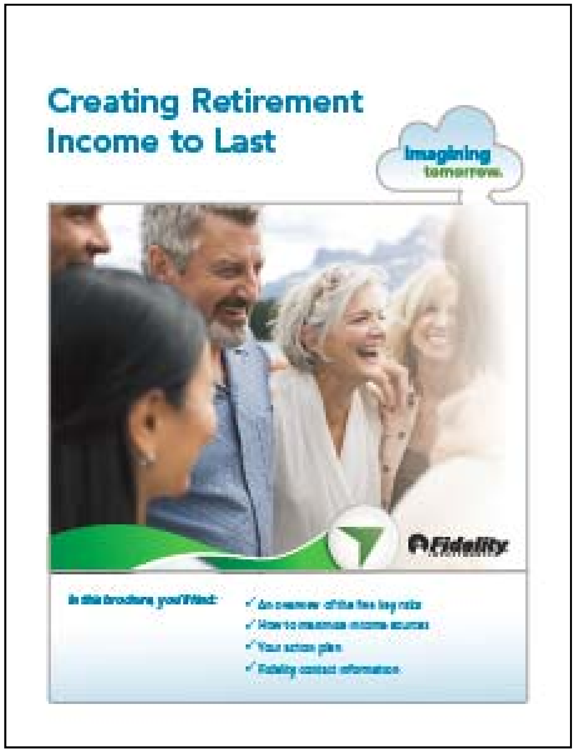

Creating Retirement Income to Last

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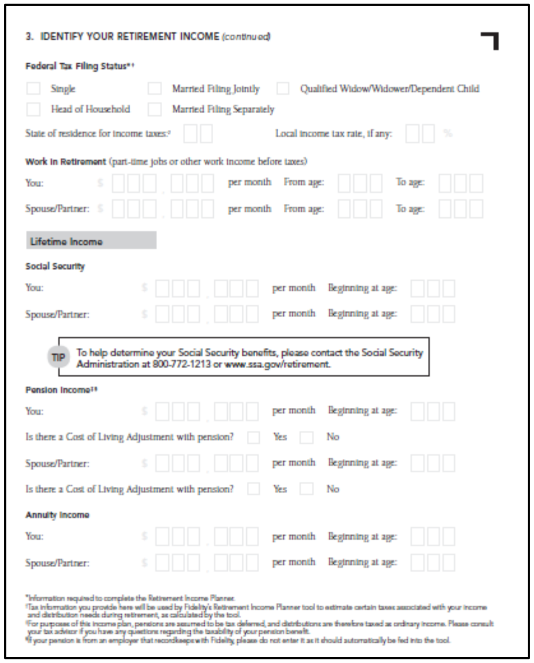
In this brochure you'll find:

- An overview of the five key risks
- How to maximize income sources
- Your action plan
- Fidelity contact information



3. IDENTIFY YOUR RETIREMENT INCOME *(continued)*

Federal Tax Filing Status*†

☐ Single ☐ Married Filing Jointly ☐ Qualified Widow/Widower/Dependent Child

☐ Head of Household ☐ Married Filing Separately

State of residence for income taxes:† ☐☐ Local income tax rate, if any: ☐☐ %

Work in Retirement (part-time jobs or other work income before taxes)

You: $ ☐☐☐,☐☐☐ per month From age: ☐☐☐ To age: ☐☐☐

Spouse/Partner: $ ☐☐☐,☐☐☐ per month From age: ☐☐☐ To age: ☐☐☐

Lifetime Income

Social Security

You: $ ☐☐☐,☐☐☐ per month Beginning at age: ☐☐☐

Spouse/Partner: $ ☐☐☐,☐☐☐ per month Beginning at age: ☐☐☐

TIP To help determine your Social Security benefits, please contact the Social Security Administration at 800-772-1213 or www.ssa.gov/retirement.

Pension Income‡§

You: $ ☐☐☐,☐☐☐ per month Beginning at age: ☐☐☐

Is there a Cost of Living Adjustment with pension? ☐ Yes ☐ No

Spouse/Partner: $ ☐☐☐,☐☐☐ per month Beginning at age: ☐☐☐

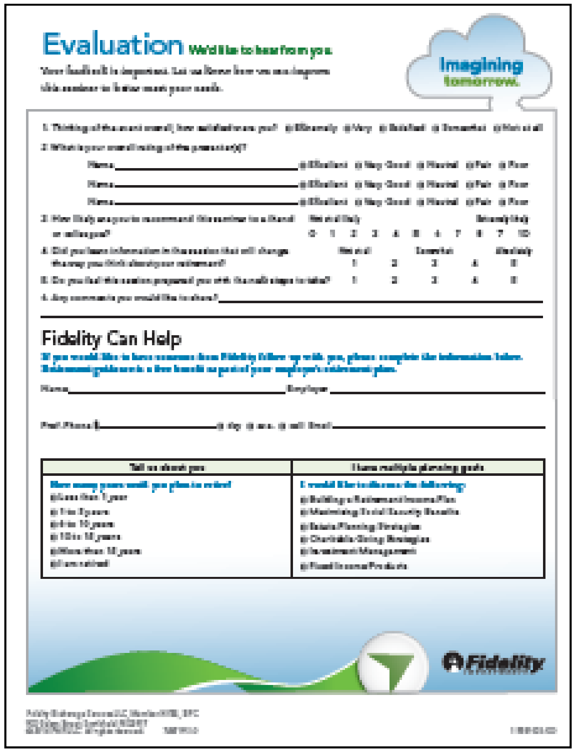
Is there a Cost of Living Adjustment with pension? ☐ Yes ☐ No

Annuity Income

You: $ ☐☐☐,☐☐☐ per month Beginning at age: ☐☐☐

Spouse/Partner: $ ☐☐☐,☐☐☐ per month Beginning at age: ☐☐☐

*Information required to complete the Retirement Income Planner.
†Tax information you provide here will be used by Fidelity's Retirement Income Planner tool to estimate certain taxes associated with your income and distribution needs during retirement, as calculated by the tool.
‡For purposes of this income plan, pensions are assumed to be tax deferred, and distributions are therefore taxed as ordinary income. Please consult your tax advisor if you have any questions regarding the taxability of your pension benefit.
§If your pension is from an employer that recordkeeps with Fidelity, please do not enter it as it should automatically be fed into the tool.



Evaluation We'd like to hear from you.

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Fidelity Can Help

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Our service is free and offered as an employee benefit to you.

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Or meet over the phone:
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Empower yourself and build confidence to make the best decisions for your retirement.

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Important Information

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Diversification does not ensure a profit or guarantee against loss.

U.S. stock prices are more volatile than those of other securities. Government bonds and corporate bonds have more moderate short-term price fluctuations than stocks but provide lower potential long-term returns. U.S. Treasury bills maintain a stable value (if held to maturity), but returns are only slightly above the inflation rate.

In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk and credit and default risks for both issuers and counterparties. Unlike individual bonds, most bond funds do not have a maturity date, so holding them until maturity to avoid losses caused by price volatility is not possible.

The Ibbotson U.S. 30-Day T-bill data series is a total return series that is calculated using data from the *Wall Street Journal* from 1977 to present, and the CRSP U.S. Government Bond File from 1926 to 1976.

The Ibbotson Intermediate-term Government Bond Index data series is a total return series that is calculated using data from the *Wall Street Journal* from 1987 to present, and from the CRSP Government Bond file from 1934 to 1986. From 1926 to 1933, data was obtained from Thomas S. Coleman, Lawrence Fisher, and Roger G. Ibbotson's Historical U.S. Treasury Yield Curves: 1926–1992 with 1994 update (Ibbotson Associates, Chicago, 1994).

The S&P 500® Index is an unmanaged index of the common stock prices of 500 widely held U.S. stocks and includes reinvestment of dividends. It is not possible to invest directly in the index.

S&P 500 is a registered service mark of Standard & Poor's Financial Services LLC.

The Consumer Price Index is a widely recognized measure of inflation calculated by the U.S. government that tracks changes in the prices paid by consumers for finished goods and services.

Past performance does not ensure a profit or guarantee against loss.

All index returns include reinvestment of dividends and interest income. It is not possible to invest directly in any of the indexes described above. Investors may be charged fees when investing in an actual portfolio of securities, which are not reflected in illustrations utilizing returns of market indexes.

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Methodology and Information

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.

The retirement planning information contained herein is general in nature and should not be considered legal or tax advice. Fidelity does not provide legal or tax advice. This information is provided for general educational purposes only and you should bear in mind that laws of a particular state and your particular situation may affect this information. You should consult your attorney or tax advisor regarding your specific legal or tax situation.

Principal value and investment returns of a variable annuity will fluctuate and you may have a gain or loss when money is received or withdrawn.

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