Planning for Retirement

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Focus greater emphasis on what you can influence and evaluate the factors that are partially or completely outside of your control.

Full ability to control	Lifestyle Pre-Retirement *level of spending and saving today*	Lifestyle in Retirement *your vision of your retirement*	Asset Allocation & Location *how your nest egg is allocated among asset classes and tax sensibility*
Some degree of control	Duration of Employment and Earnings	Longevity *genetics, lifestyle choices that may impact your health in retirement*	Non-Essential Spending
Unable to control	Market Returns and Inflation	Tax Policy and Applicable Laws	Healthcare Costs

Statistics and Common Mistakes

70 – 85%	Approximate income replacement ratio for estimating future retirement expenses*
15%	Target annual investment savings* *(employee contribution + employer match)*
8%	Americans' average annual savings rate[1]
< 10%	57% of American workers save less than 10% of income[2]
62	Average age Americans hope to stop working[3]
$300k	The estimated dollar amount needed for an average retired couple aged 65 to pay for medical expenses through retirement (after-tax)[4]

Common Retirement Planning Mistakes

- Retiring too early / saving too little
- Underestimating lifestyle / retirement expenses
- Spending beyond one's means, particularly early in retirement
- Assuming too little or too much risk pre- and/or post-retirement
- High concentration risk with individual securities or company stock
- Attempting to time the market
- Filing for early (reduced) Social Security benefits despite expected longevity
- Underestimating future healthcare expenses

** General rule of thumb; target savings rate may be higher or lower depending on age, existing savings, anticipated retirement.*
[1] JPMorgan Guide to Retirement (2022), Bureau of Economic Analysis, National Bureau of Economic Research; data for 1960-2021.
[2] IRI Retirement Readiness Research Series: "Retirement Readiness among Older Workers 2021" (August 2021)
[3] CNBC "Here is the age when Many Americans hope to retire" (September 15, 2021)
[4] Fidelity "How to plan for rising healthcare costs" (August 29, 2022)

Retirement Contribution Limits

Retirement Benefit Limits

	2022	2023
Contribution Limits for 401(k)/403(b) Plans	20,500	22,500
Age 50+ Catch-up	6,500	7,500
Contribution Limits for SIMPLE IRA Plans	14,000	15,500
Age 50+ Catch-up	3,000	3,500
Contribution Limits for IRAs	6,000	6,500
Age 50+ Catch-up	1,000	1,000
Contribution Limits for Defined Benefit Plans	245,000	265,000
Contribution Limits for SEP IRA and Solo 401(k) Plan	61,000	66,000

Modified Adjusted Gross Income (MAGI) Limitations for IRA Contributions

	2022	2023
Traditional IRA		
Single, Head of Household	68,000 – 78,000	73,000 – 83,000
Married Filing Jointly	109,000 – 129,000	116,000 – 136,000
Roth IRA		
Single, Head of Household	129,000 – 144,000	138,000 – 153,000
Married Filing Jointly	204,000 – 214,000	218,000 – 228,000
Married Filing Separately	0 – 10,000	0 – 10,000
Roth Conversions	None	None

*Beware of the **Five-Year Rule**: Converted Funds must remain in your Roth IRA for at least five years, regardless of an individual's age. Failure to do so may result in a 10% early withdrawal penalty.*[3]

Saving for Retirement

Saving beyond your 401(k)/403(b) plan is essential for most Americans' retirement needs. Utilizing a Traditional or Roth IRA in addition to 401(k)/403(b) plan savings is a great way to give investors the opportunity for additional tax-free growth for retirement.

Types of Savings Accounts

	Taxable	Pre-Tax	After-Tax
Account Examples	Individual/Joint/Trust accounts	Pre-Tax 401(k), Traditional IRAs (funded with deductible contributions)	Roth 401(k), Roth IRAs
Taxable Income	Interest, Dividends and Capital Gains	Account Withdrawals	Earnings/Withdrawals not taxable
Tax Deductions	Contributions Not Tax-Deductible	Contributions Tax-Deductible	Contributions Not Tax-Deductible
Contribution Limits	None	Yes, specific to type of account	Yes, specific to type of account

Ways to maximize retirement savings beyond your 401(k):

Once you maximize contributions to Retirement Plans (401(k), 403(b)) and deferring at least your company's match, investors can look to take advantage of the following:

1. Maximize after-tax assets in your portfolio:
    - Maximize contributions to after-tax accounts
    - Consider Backdoor Roth IRA contributions (if allowable)
    - Consider Roth IRA conversion

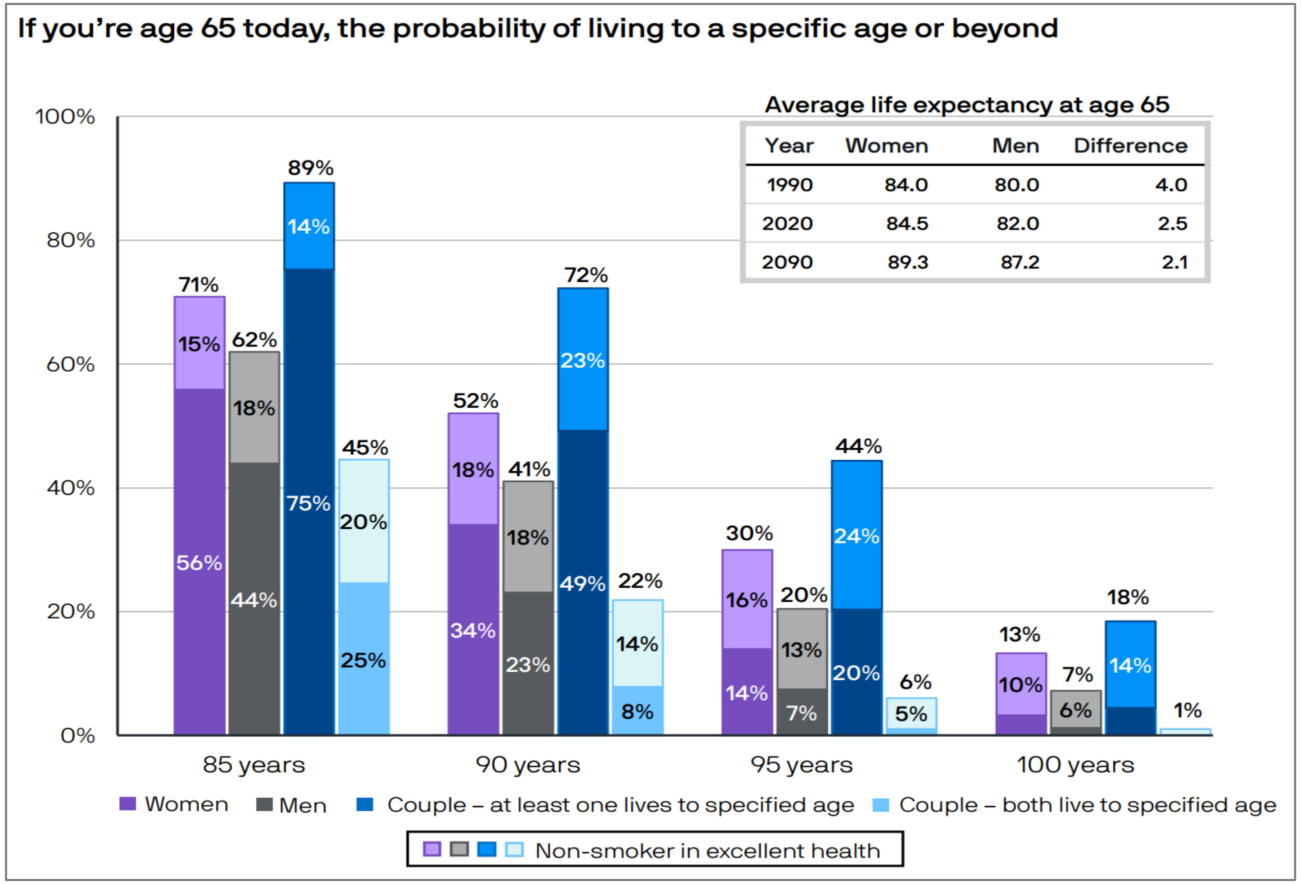
2. Consider establishing a Spousal IRA

3. If self-employed, maximize retirement savings by contributing to a SEP-IRA, Keogh, Defined Benefit Plan or Solo 401(k)

Planning for a Long Retirement

Increasing average life expectancy means retirement could last 30+ years for some individuals

- 75% chance that at least one member of an aged-65 couple will live to age 85, which goes up to 89% if both are non-smokers in excellent health at age 65
- 49% chance that at least one member of an aged-65 couple will live to age 90, which goes up to 72% if both are non-smokers in excellent health at age 65



Source (table): Social Security Administration, Period Life Table, 2018 (published in 2021), JPMorgan Guide to Retirement (2022)

On Track for Retirement?

The analysis below assumes you would like to maintain a lifestyle in retirement equivalent to current lifestyle

- Go to the intersection of your current age and your closest current household income (gross, before tax and savings)
- Compare your current savings to the savings checkpoints below

Example: For a 40-year-old with gross income of $200,000, current savings should be approximately $780,000

	Household Annual Income (Gross)				
Age	**$100,000**	**$150,000**	**$200,000**	**$250,000**	**$300,000**
25	10,000	75,000	160,000	250,000	360,000
30	60,000	180,000	320,000	475,000	630,000
35	150,000	330,000	540,000	725,000	960,000
40	250,000	495,000	*780,000*	1,050,000	1,380,000
45	360,000	705,000	1.080,000	1,450,000	1,860,000
50	500,000	945,000	1,420,000	1,900,000	2,400,000
55	650,000	1,200,000	1,780,000	2,375,000	3,000,000
60	800,000	1,455,000	2,160,000	2,850,000	3,600,000
65	930,000	1,665,000	2,460,000	3,225,000	4,110,000

Model Assumptions

10%*	Annual Savings Rate
60/40**	Pre-Retirement Return
40/60**	Post-Retirement Return
2.3%	Inflation Rate

Retirement Age –

Age 65 Primary earner

Age 63 Spouse

35 Years in Retirement

**10% is approximately twice the U.S. average annual savings rate*

***Portfolio described as equity/bond percentages (e.g., a 40/60 portfolio is 40% equities 60% bonds)*

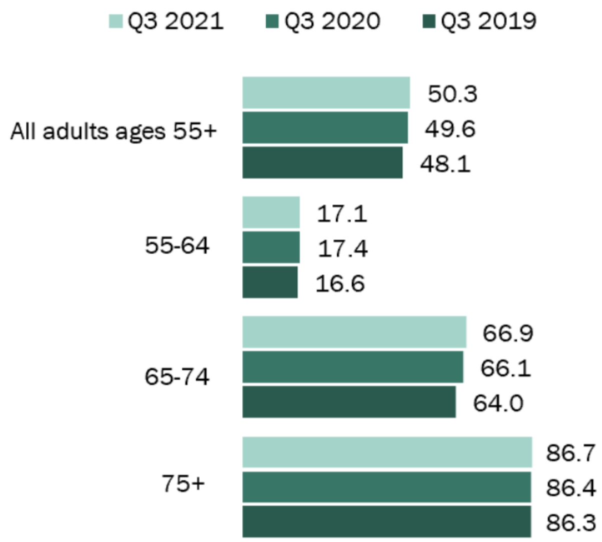
The Great Resignation

An increasing number of individuals over age 55 have retired since the COVID-19 pandemic, with half of U.S. adults over age 55 now retired.

The significance of the COVID-19 recession on retirement marks a change in long-term historical trends, although the Bureau of Labor Statistics suggest it may be temporary.

Half of older U.S. adults are now retired

% of older adults who are retired



Note: "Retired" refers to those not in the labor force due to retirement.
Source: Pew Research Center analysis of July, August and September Current Population Survey monthly files (IPUMS).

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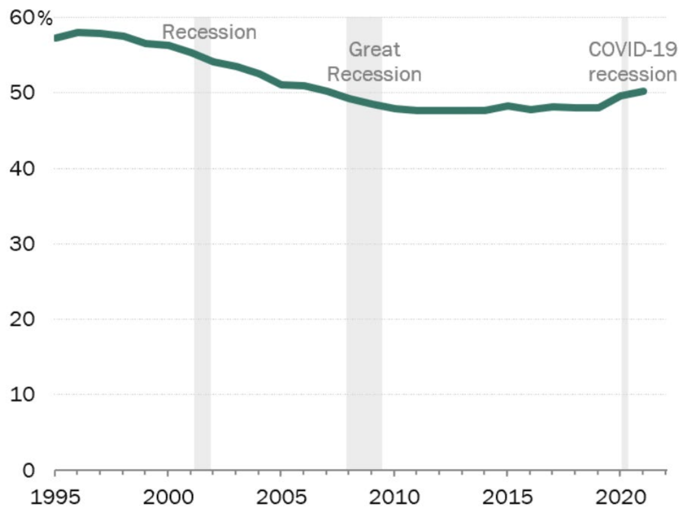
Unlike in other recent recessions, the pandemic has increased retirement among older adults

% of U.S. adults ages 55 and older who are retired



Note: "Retired" refers to those not in the labor force due to retirement. The COVID-19 recession began February 2020 and ended April 2020.
Source: Pew Research Center analysis of July, August and September Current Population Survey monthly files (IPUMS).

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Source: PEW Research Center = "Amid the pandemic, a rising share of older U.S. adults are now retired" (November 4, 2021).

The Stretch IRA after Secure Act 1.0 & 2.0

The "Stretch IRA" replaced by 10-year rule

SECURE Act 1.0 largely eliminated the "stretch IRA." Most non-spouse beneficiaries can no longer 'stretch' IRA withdrawals out over their lifetime and are instead required to fully withdraw inherited retirement account assets by December 31 of the tenth calendar year following the account owner's death.

Who is still eligible for the longer payout period? [1]

- Heirs of IRAs whose original owners died *before* 2020
- Eligible Designated Beneficiaries
    - Surviving spouses
    - Chronically ill or disabled heirs
    - Heirs within 10 years of age of the original owner
    - Minor children of the account owner, up to the age of majority (now specified as age 21)

Who is *not* eligible for the longer payout period? [1]

- Non-Eligible Designated Beneficiaries (Non-Spouses (aside from exceptions above), Certain Trusts)
    - If the account owner died *before* the Required Beginning Date, the beneficiary is not subject to annual withdrawals, but must empty the account by the tenth year following account owner's death
    - If the account owner died *after* the Required Beginning Date, the beneficiary must take annual withdrawals (Inherited RMDs) for years 1-9 and must empty the account by the tenth year following account owner's death
- Non-Designated Beneficiaries (Charities, Estate, Certain Trusts)
    - If the account owner died *before* the Required Beginning Date, the beneficiary must withdraw all funds by the end of the fifth year after the account owner's death
    - If the account owner died *after* the Required Beginning Date, the beneficiary must take RMDs based on the account owner's remaining single life expectancy had he/she lived

[1] Source: Kitces.com – "The (Partial) Death Of The Stretch IRA: How The SECURE Act Impacts Inherited Retirement Accounts" (February 2020)
Additional Source: Lord Abbett – "The Stretch IRA is Not Dead – Yet" (October 2021)
Additional Source: Ed Slott & Company – "Age of Majority and the New SECURE Act Regulations" (March 2022)

RMD's & Inherited Retirement Accounts

As additional guidance to the preceding slide concerning inherited retirement accounts…

- **Required Beginning Date (RBD)** – April 1 of the year following the calendar year in which an individual first becomes subject to Required Minimum Distributions
    - Example: Jim is currently age 72 and will turn age 73 in 2024; Jim must take his first RMD by April 1, 2025, which is his Required Beginning Date

- **Beginning Age for Required Minimum Distributions (RMDs)** from Retirement Accounts [2]
    - RMD beginning age was previously 72 (and prior to that, was age 70½)
    - Per SECURE Act 2.0:
        - Birth year 1950 or earlier RMD Age = 72
        - Birth year 1951-1959 RMD Age = 73 (beginning as of 2023)
        - Birth year 1960 or later RMD Age = 75 (beginning as of 2033)

- As Roth IRAs do not have RMDs for the original account owner, the beneficiary of an Inherited Roth account is not subject to annual withdrawals during the 10-year withdrawal period but must fully withdraw the account by December 31 of the tenth year following the account owner's death [2]

- Given confusion over previous IRS guidance relating to inherited IRAs, the IRS clarified in October that missed 2021 and 2022 inherited retirement account RMDs would not be subject to a 50% penalty for missed RMDs, much to the relief of potentially impacted beneficiaries[1]

- Per Kitces.com, "the Successor Beneficiary of a post-SECURE Act Non-Eligible Designated Beneficiary simply steps into the original (Non-Eligible Designated) beneficiary's shoes…which means the best they can do is to fill the original Primary Beneficiary's 10-Year Rule" (i.e. a new 10-year withdrawal window is _not_ created)[2]

- It is important to review any trust that is a beneficiary of an IRA and understand how the 10-year rule may affect its provisions

[1] Source: Ed Slott & Company – "IRS Waives 50% Penalty for Missed 2021 and 2022 RMDs within the 10-Year Period" (October 10, 2022
[2] Source: Kitces.com – "SECURE Act 2.0: Later RMDs, 529-To-Roth Rollovers, And Other Tax Planning Opportunities" (December 28, 2022)

Additional Roth Conversions

Backdoor Roth Contributions

If a taxpayer's income is higher than the noted thresholds for contributing to a Roth IRA, a taxpayer may fund a Traditional IRA with a "non-deductible" contribution. This contribution may, in turn, be converted to a Roth IRA tax-free, provided the taxpayer does ***not*** have any other holdings in a Traditional IRA. If a taxpayer has an outstanding Traditional, SEP or SIMPLE IRA balance, a portion of the conversion will be treated as taxable income.

Example:

- John is a single taxpayer, age 55, with a modified adjusted gross income of $450,000 which prevents him from directly contributing to a Roth IRA.
- John currently has a 401(k) plan but no Traditional IRA.
- John makes a $7,500 non-deductible contribution to a Traditional IRA and leaves the entire contribution in cash.
- John waits 30+ days and then converts the non-deductible contribution to a Roth IRA.
- Since John had no Traditional IRA holdings and only converted a non-deductible contribution (which had no earnings over the 30-day period), the conversion is not taxable.

Roth Conversions

Unlike income limits for Roth IRA contributions, there are no such income limitations for completing a Roth conversion. Taxpayers should recognize that converting a Traditional IRA to a Roth IRA typically produces taxable income. Individuals should evaluate their income tax picture to compare how their current tax bracket might compare to a future tax bracket:

- Individuals might consider a partial conversion where income is recognized up to a certain tax bracket.
- For ultra-high net worth individuals that will otherwise have a taxable estate, a Roth conversion may be beneficial as it reduces the size of the taxable estate by the amount of taxes paid on conversion while eventually leaving a favorable asset to heirs (i.e., inheriting a Roth IRA is preferable to inheriting a Traditional IRA).

Example is hypothetical and for illustrative purposes only.
Source: Social Security Administration (2017 OASDI Trustees Report, July 2017).

Roth Conversions: Pros & Cons

	Maintain Pre-Tax IRA Balance / No Roth Conversion	Convert Pre-Tax IRA to Roth IRA
Income Tax on Roth Conversion	Not applicable	The amount of the conversion creates taxable income, but such income could potentially be offset by charitable gifts
Additional Contributions	If above AGI limits, deductible contributions to pre-tax balance disallowed; however, non-deductible contributions are allowed	If the entire pre-tax IRA balance is converted, creates opportunity for Backdoor Roth IRA contributions without additional tax impacts
Required Minimum Distributions	In retirement, RMDs must be taken from the account, reducing the overall balance, adding tax liability	After Roth conversion, RMDs from the Roth IRA will not be required for the original account owner
Income Tax	Distributions are subject to income tax at ordinary income rates	Roth IRA distributions are not subject to income tax
Estate Tax	Account balance at death subject to estate tax	Account balance at death subject to estate tax
Post-Death Beneficiary Income Tax	RMDs to beneficiaries subject to income tax	RMDs to beneficiaries not subject to income tax

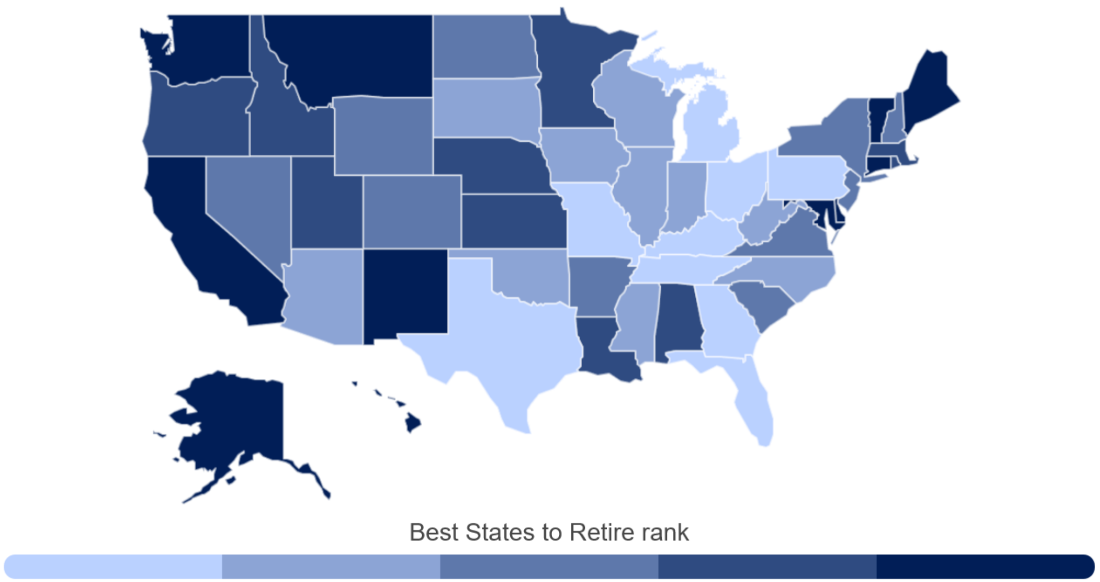
Check if your 401(k)/403(b) plan allows for "in-plan Roth conversions". Known as a "mega backdoor Roth", the strategy involves making after-tax contributions and subsequently converting those to a Roth account. This planning strategy could be addressed in future tax legislation.

Best and Worst States to Retire

Retirement assets can go a lot further in some states versus others, though there may also be additional qualitative (non-financial) factors to consider (proximity to family, weather, etc.).

Best States to Retire

Florida tops Bankrate's ranking of best states to retire, followed by Georgia and Michigan. Our index measures affordability, wellness, culture, weather and crime.



Bankrate.com Rankings: Top 10 States for Retirees	
1	Florida
2	Georgia
3	Michigan
4	Ohio
5	Missouri
6	Kentucky
7	Texas
8	Tennessee
9	Pennsylvania
10	South Dakota

Ratings based on the following weightings: Affordability (40%), Well-Being (20%), Culture & Diversity (15%), Weather (15%), and Crime (10%).

"Transitioning to Retirement" Checklist

Preparing for a comfortable retirement requires diligence and discipline

Review What Has Changed
- Tax Laws
- Retirement Goals
- Health/Longevity

Assess whether Savings are "On Track"
- Compare current savings versus checkpoints
- Review portfolio allocation and asset location
- Look for opportunities to increase/optimize savings across account types
- Determine if retirement goals need to be adjusted

Plan Ahead
- Periodically review your estate plan
- If nearing retirement, review Social Security benefits and determine an appropriate claiming age/strategy
- Medicare planning

Estate Planning Document Review
- Periodically review beneficiary designations to ensure beneficiaries are listed as intended
- Especially important upon life events such as marriage, divorce, birth/adoption, etc.
- Review the need of a Trust or Will

of the general population don't have a plan in place

4 in 10 workers
6 in 10 retirees
have tried to calculate how much monthly income is needed in retirement

Sources: Fidelity Investments "Retirement Mindset Study", 2020 Retirement Confidence Survey (RCS)

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