

Retirement Planning Worksheet

Instructions

Start by completing Section 1: Assumptions questions 1 through 7. Your answers to these questions will be the input to the rest of the worksheet.

Section 1: Assumptions – Questions 1 through 7

1. Input your current gross income.
2. Input current amount of retirement savings, exclude employer matching. Add to your retirement savings any savings you are doing for your children's education expenses.
3. Input your current age.
4. Input your desired retirement age. This should be in the middle of your retirement window. Your actual retirement date may move around this date, generally within a year or two, based on your savings rate, rate of return of your portfolio and general economic conditions.
5. Input any pension income you will receive. This should be in today's dollars.
6. Input your projected annual social security benefits in today's dollars.
7. Input the value of your current retirement portfolio.

Based on your answers to these questions, the worksheet will calculate all other fields on the worksheet.

Section 1: Assumptions – Lines 8 through 14

These lines figures are calculated based on the information you have provided and the assumptions contained in the worksheet.

Section 2: Retirement Expense Forecast

This section estimates your living expenses in retirement, assuming you want to maintain your current lifestyle. It does this by reducing your income by your retirement savings and then taking 80% of that number to approximate your expenses in retirement in today's dollars. That number is then adjusted for inflation to the first year of your retirement. You need to review the projected retirement expenses and ensure they will meet your retirement needs.

Section 3: Retirement Income Estimator

This section takes the retirement expenses calculated in Section 2 and reduces them by your pension income and social security. Social security payments are reduced to account for future changes that will be made to social security benefits to make the program solvent. This leaves the amount of income that you will need to generate from your retirement portfolio. If you are retiring at 62 or later, the

worksheet assumes you can withdraw 5.8% of the portfolio annually. If you are retiring prior to 62, the worksheet assumes you can withdraw 5.0% of the portfolio annually.

As you get closer to retirement, you need to perform a detailed retirement income analysis. During this analysis you will determine if you need to convert some or all of your retirement portfolio to an immediate annuity. You will also determine if you have the flexibility in your retirement expenses to allow you to reduce your expenses to under 4% of your portfolio in the event of a bear stock market shortly after retirement.

Section 4: Retirement Savings Estimator

This section calculates your annual savings requirement based on your current portfolio, estimated annual return of your portfolio and portfolio size required for retirement (as calculated in Section 3). Remember that this section assumes you will increase your annual savings by 5%.

Worksheet Assumptions

The Retirement Planning Worksheet (RPW) contains assumptions on inflation, investment returns and level of saving and others as outlined below. These assumptions are estimates and are not guarantees of what the future will be for inflation, investment returns or level of savings. Make sure to understand the assumptions and how they impact the RPW.

- Inflation averages 3.5% annually.
- Portfolio return of 7.5% annually.
- The initial annual savings shown will be increased by 5% annually.
- All pension income is indexed for inflation.
- Your lifestyle in retirement will be similar to your current lifestyle.