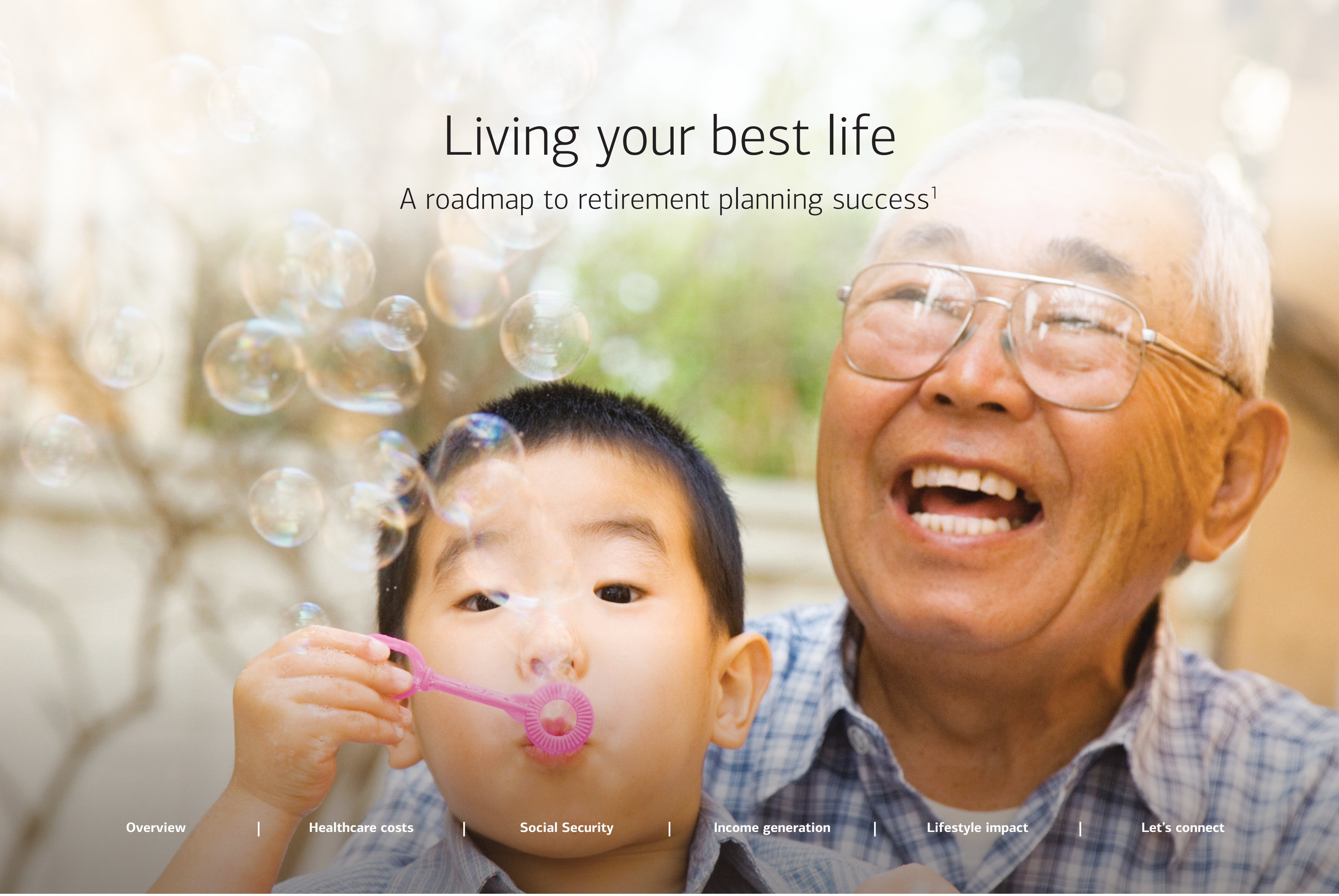
Living your best life

A roadmap to retirement planning success[1]



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What's inside?

This roadmap has been designed to help you better understand the biggest challenges associated with planning for retirement. It reviews some of the key considerations and provides links to resources that will help you and your Merrill advisor more accurately and effectively plan for tomorrow.

1 Overview

Learn about the importance of quantifying and prioritizing your goals, as well as some of the new risks you will face in retirement.

2 Healthcare costs

Explore what Medicare does and does not cover, and how you can put a plan in place to prepare for healthcare (and long-term care) costs in retirement.

3 Social Security

Find out the variables that impact your Social Security benefit, and the four steps you can take to maximize your benefit.

4 Income generation

How do you go about aligning your various income sources to your planned expenses, and what do you do if a gap exists? Let us show you.

5 Lifestyle impact

Retirement planning isn't just about your portfolio; it's about deciding on a lifestyle and legacy that will make you happy, and ensuring you have the means to achieve them.

You can go through this roadmap from start to finish — click on one of the tabs above to review a particular section that interests you, or refer to the index to find a specific topic you're seeking help with.

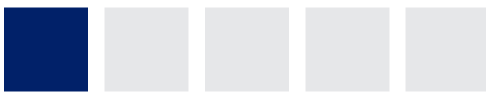
[1]This material should be considered general information about planning for retirement and does not imply a successful outcome. The availability and effectiveness of any strategy are dependent upon your individual facts and circumstances.

Why retirement planning matters

Every individual has a unique lifestyle they envision for their retirement. Creating a thoughtful plan begins with clarifying your vision — whether lavish or simple — by defining exactly what each goal entails, and then prioritizing their importance.

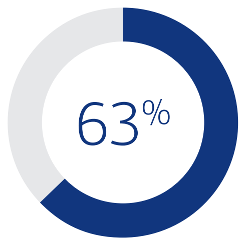
This will set the stage so that you can figure out just how much income you'll need to generate, and from what sources, in order to reach each of those goals.

About **1 in 5**



workers are very confident they'll have saved enough for a comfortable retirement[1]

More than **half**



of pre-retirees have no planned strategy for how to generate income for a 30+ year retirement[2]

[1] Employee Benefit Research Institute and Greenwald Research, 2023 Retirement Confidence Survey, *EBRI Chartbook* (Employee Benefit Research Institute, April 27, 2023).
[2] Retirement Income Strategies and Expectations (RISE) Survey, Franklin Templeton, 2021 (accessed July 20, 2023).

Defining and prioritizing your goals

What do you want to do when you're retired? Where do you plan on living? How much will it all cost?

A disciplined wealth planning approach offers you a way to better connect your wealth to your life, helping you answer important questions. What are your priorities? What's most important to you? And how much will you need to achieve those goals? We're all different, so it's important to approach the goal-setting process based on what matters most to you.

Some goals, like food, shelter and clothing, are essential. Other things such as travel and entertainment, although not essential, will be highly important to your happiness. And still other goals may be more aspirational — such as supporting charities or leaving a legacy.

Security and reduced risk

35% of Americans have a documented financial plan, and

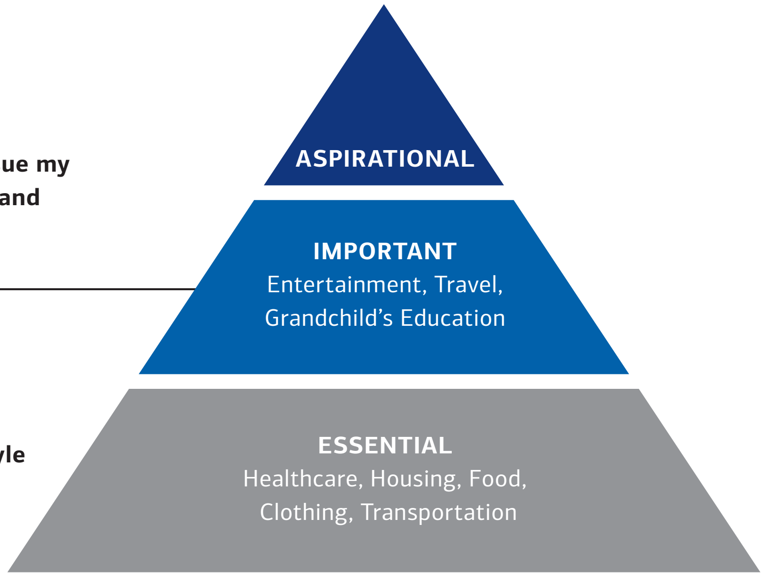
92% of them feel confident they'll reach their financial goals.[1]

73% of pre-retirees say that **'ensuring income stability'** is their most important priority.[1]

Goal prioritization hierarchy

Help pursue my passions and interests

Maintain my lifestyle



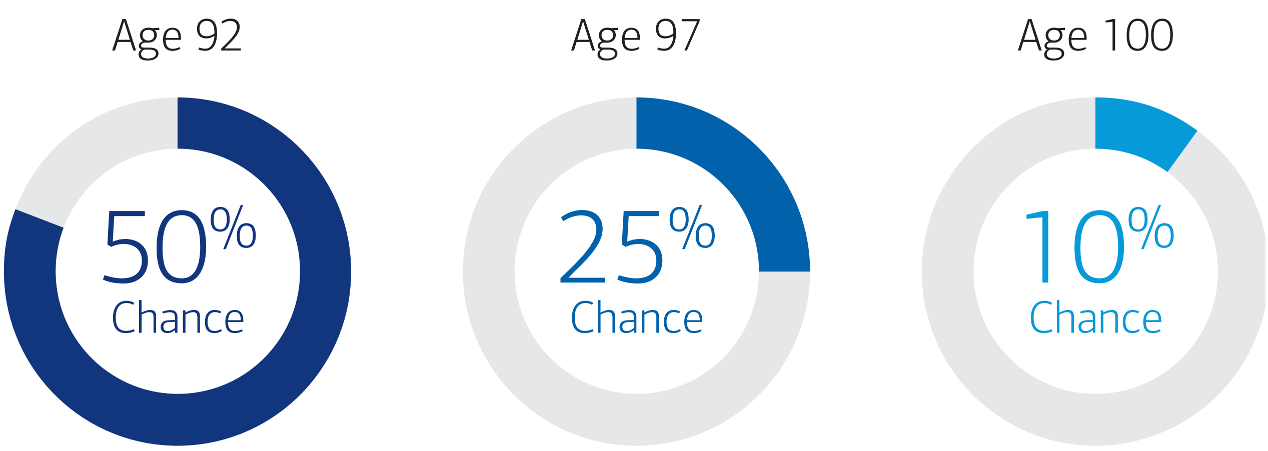
[1] Employee Benefit Research Institute and Greenwald Research, 2023 Retirement Confidence Survey, *EBRI Chartbook* (Employee Benefit Research Institute, April 27, 2023).

Addressing new risks – longevity

For a healthy 65-year-old married couple, chances are good that at least one of you will enjoy a 30+ year retirement.

Today's retirees are living longer, healthier and more active lives. What will you do with these extra years and how will you pay for them? Because you can expect to live longer, you'll need to save more. And the longer you live, the smaller the amount of retirement assets you can "consume" each year.

Probability of one person in a healthy 65 year-old married couple living until...[1]



How can you offset longevity?

1. **Try to max out retirement contributions**
2. **Consider making catch-up contributions (starting at age 50 on) to your IRAs, 401(k) plan and Health Savings Account (HSA)**
3. **Talk with your advisor about strategies to help maximize your Social Security benefits**
4. **Explore potential "second act" careers or consider delaying your retirement**
5. **Carefully review our Planning for Longevity Checklist**

[1] Chief Investment Office, Portfolio Analytics calculations based on Society of Actuaries, 2012 Individual Annuity Mortality Tables, Basic.

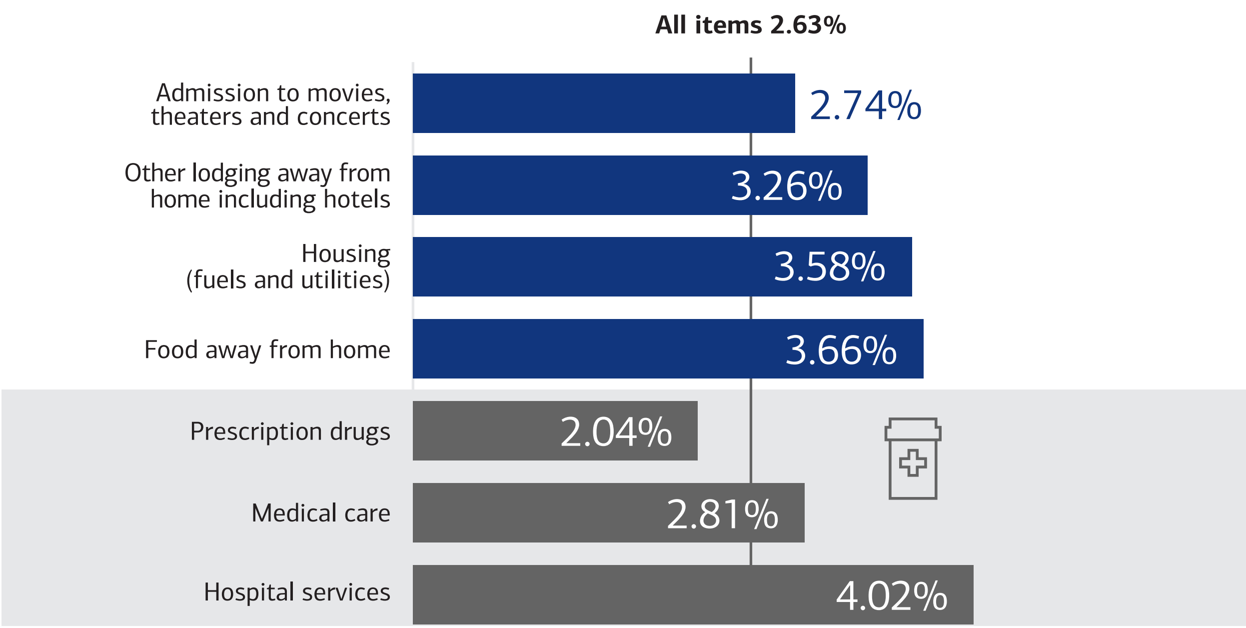
Addressing new risks – inflation

Retirement also means greater inflation impact. When you're working, cost-of-living salary adjustments help to effectively insulate you from the adverse impact of inflation.

Once you retire, however, you lose that protection. While Social Security (and some annuity riders) do factor in periodic cost of living adjustments (COLAs), for wealthy individuals that often makes up less than half retirement income. Other income – generated from retirement account distributions and portfolio draw downs – offers no such protections.

Additionally, as highlighted in the chart below, expenses that tend to disproportionately impact retirees (e.g., travel-related and healthcare-related costs) have consistently outpaced the overall rate of inflation over time.

Average annual inflation rates: 2013 – 2022[1]



Diminished purchasing power

Assume you retire today and need to generate $60,000 in retirement income from your portfolio to meet your needs. Even given a moderate 3% average annual inflation rate, after just 20 years you'll need to withdraw $108,000 a year to provide the same purchasing power.

[1] Bureau of Labor Statistics, U.S. Department of Labor, "Inflation & Prices: All Urban Consumers, Consumer Price Index," www.bls.gov/data/ (accessed January 24, 2023).

Why market returns early in retirement matter

Equity losses incurred early in retirement can have a dramatically negative impact on your portfolio's ability to generate sustainable income.

Each of the tables below depicts the impact on a $1 million portfolio of two identical sets of returns (differing only in that the order of returns is reversed). As the table on the left shows, the sequence of your returns has absolutely no impact on your total savings in the years leading up to retirement. Once you retire and begin drawing income, however, it's a different story.

The table on the right examines how the exact same return sequences would affect a $1 million portfolio when the individual transitions into retirement and begins withdrawing income ($50,000 each year). Despite $500,000 in total withdrawals, the portfolio that posts positive returns during the early years of retirement would actually be worth more than its original value after a decade. The portfolio that generates negative returns early in retirement, however, would have shed nearly 40% of its value over the same period — seriously reducing the likelihood of being able to sustain the same income level throughout retirement.

Accumulating: While saving

Assumptions
- $1 million
- Average rate of return: 5.2%
- Composition: 50% stocks, 50% bonds
- **No distributions**

	Client 1: Down market at the end	Client 2: Down market initially
Year 1	24%	-20%
Year 2	18%	-8%
Year 3	14%	-6%
Year 4	12%	4%
Year 5	8%	6%
Year 6	6%	8%
Year 7	4%	12%
Year 8	-6%	14%
Year 9	-8%	18%
Year 10	-20%	24%
Value at end of year 10	**$1,538,846**	**$1,538,846**

Retirement: While spending

Assumptions
- $1 million
- Average rate of return: 5.2%
- Composition: 50% stocks, 50% bonds
- Distribution: **$50,000 annual withdrawal**

	Client 1: Down market at the end	Client 2: Down market initially
Year 1	24%	-20%
Year 2	18%	-8%
Year 3	14%	-6%
Year 4	12%	4%
Year 5	8%	6%
Year 6	6%	8%
Year 7	4%	12%
Year 8	-6%	14%
Year 9	-8%	18%
Year 10	-20%	24%
Value at end of year 10	**$1,074,455**	**$630,178**

Source: Merrill, Investment Solutions Group, 2023.
These charts are illustrative only. They do not reflect the return of any particular investment. Investment returns will vary. This is not based on actual performance.

Determining your sustainable spending rate

This will depend on a range of factors including the age you retire, your life expectancy, your risk tolerance and other sources of income.

As you transition from saving to spending, you'll need to identify a sustainable annual withdrawal rate from your savings/investments to augment your other income sources.

But many retirees have an unrealistic expectation of how much they can draw down each year, especially in the first few years of retirement. Withdrawing too much too soon can jeopardize your money's ability to provide income throughout your lifetime. And any significant stock market losses during the years right before and immediately after you retire could seriously impact your ability to meet your goals.

What are the optimal ways to generate retirement income given your goals and needs?

What's the right mix of systematic portfolio withdrawals and income from bonds, dividend-paying stocks, annuities and Social Security for your specific needs?

What's the most beneficial sequence for drawing down assets from your taxable, tax-deferred and tax-free accounts?

To answer these important questions, you need a thoughtfully crafted retirement income plan.

Building your personal retirement plan

The key elements of a strong retirement plan

Every plan will be unique and structured to reflect your personal preferences and tax situation. Along with the goal setting and risk management work you've just reviewed, however, all comprehensive plans need to address the following:

How much will you likely need for both out-of-pocket healthcare costs and long-term care, and how do you plan on paying those costs? Is there a long-term care insurance option that meets your needs?

When do you (and your spouse) plan to start collecting Social Security benefits? How will your expected longevity, working status and other factors impact your decision?

Will you have enough guaranteed income to cover all of your essential expenses and many of your other important retirement expenses?

What will ultimately define a happy retirement for you? Are you looking for a lavish or a simple lifestyle? Are there people, causes or contingencies that you need to plan for?

You'll be able to begin finding the answers to each of those questions in the following sections.

Don't underestimate the lifetime cost of healthcare

A 65-year-old couple will need $318,000 in retirement for a 90% chance to cover out-of-pocket healthcare costs.[1]

Thoughtful healthcare cost planning (for the costs you can anticipate as well as less predictable ones) can dramatically improve the likelihood that your assets and retirement lifestyle will last a lifetime and beyond.

There are three fundamental components to healthcare costs that you will need to consider: out-of-pocket expenses that aren't covered by Medicare, the costs associated with needing long-term care and the costs related to an unexpected catastrophic health event.

Ultimately, the effectiveness of your retirement plan may hinge on how well it manages these risks to protect your assets from their impact.

Did you know?

66.5% **of all bankruptcies are caused by a healthcare event[2]**

Common healthcare goals

- **Save enough to cover lifetime out-of-pocket expenses**
- **Protect your savings from a catastrophic health event**
- **Plan for the possibility of needing long-term care**
- **Preserve assets you've earmarked for your heirs**

[1] EBRI, "Projected Savings Medicare Beneficiaries Need for Health Expenses Remained High in 2022," February 9, 2023.
[2] CNBC, "This is the real reason most Americans file for bankruptcy," February 11, 2020. cnbc.com/2019/02/11/this-is-the-real-reason-most-americans-file-for-bankruptcy.html, (accessed July 19, 2023).

Medicare basics: what it does and doesn't cover

With a traditional Medicare plan, there's no limit as to how much you might need to spend for coinsurance.

Although Medicare covers most major costs, your out-of-pocket expenses, including monthly premiums for certain program components, deductibles and copayments, can quickly mount. You may want to consider purchasing a "Medigap" supplemental insurance policy to help cover many of these costs.

Even with supplemental insurance, however, Medicare won't cover most costs associated with long-term care.

Did you know?

The State Health Insurance Assistance Program (SHIP) provides one-on-one Medicare counseling and assistance. www.shiptacenter.org

Medicare coverage at a glance

Plan	Coverage	Out-of-pocket costs
Part A (Hospital Insurance)	Inpatient hospital, skilled nursing care, home healthcare and hospice care.	Deductibles, coinsurance and copays.
Part B (Medical Coverage)	Doctors' visits, outpatient care, other medical services. Does not cover vision, dental or hearing care.	Monthly premiums, deductibles, coinsurance and copays.
Part C (Medicare Advantage)	Private alternative to Medicare covering parts A, B and D. Coverage for vision, dental and hearing care may be available.	Variable costs determined by insurer.
Part D[1] (Prescription Drugs)	Brand name and generic drugs.	Monthly premiums, deductibles and copays.
Medicare Supplement Insurance (Medigap)	Helps pay some of the costs not covered above, such as copays, coinsurance and deductibles.	You must have Medicare Part A and Part B.

[1] Each plan that offers prescription drug coverage through Medicare Part D must give at least a standard level of coverage set by Medicare. Plans can vary the list of prescription drugs they cover (called a formulary) and how they place drugs into different "tiers" on their formularies. https://www.medicare.gov/drug-coverage-part-d/what-medicare-part-d-drug-plans-cover.

Source: Medicare.gov.

Want to put a healthcare costs plan in place?

The following simple, four-step process will provide a great place to start.

Step 1	Estimate your healthcare costs in retirement
Step 2	Don’t overlook long-term care planning
Step 3	Choose an appropriate long-term care solution for you
Step 4	Periodically refine your healthcare cost estimate

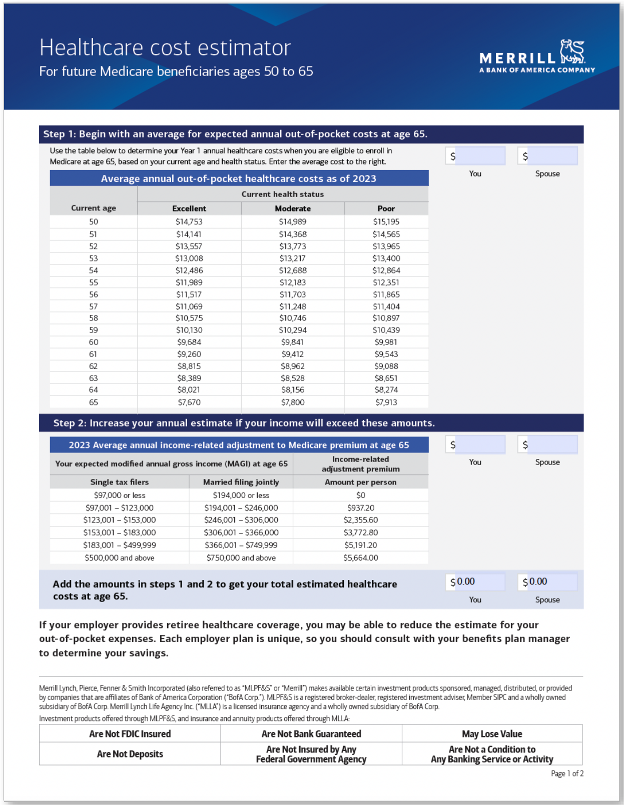
Step 1: Estimate your healthcare costs in retirement

Determining how much your out-of-pocket healthcare costs will be can be a challenge.

We've created a simple Healthcare Cost Estimator worksheet to assist you and your advisor in calculating a projected cost for your out-of-pocket healthcare expenses. Drawing on historical data tracking premiums and claims, and adjusting for projected inflation, the worksheet provides a baseline healthcare cost estimate based on your current age and health status (and those of your spouse if applicable).

The worksheet also allows you to adjust for high levels of income in retirement. You may need to plan on paying more out of pocket if your adjusted income in retirement will exceed a set amount due to an income-related adjustment to premium by Medicare ($97,000 annually for individuals or $194,000 for married couples in 2023).

The goal is to provide a starting place for estimating your costs. Keep in mind these are averages, and your personal situation may mean your estimates should be adjusted up or down.



Healthcare cost estimator

For future Medicare beneficiaries ages 50 to 65

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Step 1: Begin with an average for expected annual out-of-pocket costs at age 65.

Use the table below to determine your Year 1 annual healthcare costs when you are eligible to enroll in Medicare at age 65, based on your current age and health status. Enter the average cost to the right.

$ You | $ Spouse

Average annual out-of-pocket healthcare costs as of 2023

Current age	Current health status		
	Excellent	Moderate	Poor
50	$14,753	$14,989	$15,195
51	$14,141	$14,368	$14,565
52	$13,557	$13,773	$13,965
53	$13,008	$13,217	$13,400
54	$12,486	$12,688	$12,864
55	$11,989	$12,183	$12,351
56	$11,517	$11,703	$11,865
57	$11,069	$11,248	$11,404
58	$10,575	$10,746	$10,897
59	$10,130	$10,294	$10,439
60	$9,684	$9,841	$9,981
61	$9,260	$9,412	$9,543
62	$8,815	$8,962	$9,088
63	$8,389	$8,528	$8,651
64	$8,021	$8,156	$8,274
65	$7,670	$7,800	$7,913

Step 2: Increase your annual estimate if your income will exceed these amounts.

$ You | $ Spouse

2023 Average annual income-related adjustment to Medicare premium at age 65

Your expected modified annual gross income (MAGI) at age 65		Income-related adjustment premium
Single tax filers	Married filing jointly	Amount per person
$97,000 or less	$194,000 or less	$0
$97,001 – $123,000	$194,001 – $246,000	$937.20
$123,001 – $153,000	$246,001 – $306,000	$2,355.60
$153,001 – $183,000	$306,001 – $366,000	$3,772.80
$183,001 – $499,999	$366,001 – $749,999	$5,191.20
$500,000 and above	$750,000 and above	$5,664.00

Add the amounts in steps 1 and 2 to get your total estimated healthcare costs at age 65.

$ 0.00 You | $ 0.00 Spouse

If your employer provides retiree healthcare coverage, you may be able to reduce the estimate for your out-of-pocket expenses. Each employer plan is unique, so you should consult with your benefits plan manager to determine your savings.

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Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
Are Not Deposits	Are Not Insured by Any Federal Government Agency	Are Not a Condition to Any Banking Service or Activity

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Did you know?

Today, as we have seen historically, healthcare cost inflation outpaces the Consumer Price Index by 1½ to 2 times, which will drive ongoing increases in annual out-of-pocket healthcare costs throughout retirement.[1]

[1] HealthView Services: 2022 Retirement Healthcare Costs Report Brief: The Long Term Impact of Short Term Inflation, March 2022.

Step 2: Don't overlook long-term care planning

Long-term care can be expensive, and very few of the associated costs will be covered by Medicare.

Long-term care consists of those services needed to assist you with the activities of daily living, such as walking, getting out of a chair or bed, eating, toileting or bathing — either in an institutional setting or at home. Often, the need is related to a specific accident, health issue or overall decline in health in old age (including dementia).

The likelihood of needing long-term care at some point in your life, at a potential cost of hundreds of thousands of dollars, poses a significant risk to your retirement assets. Make sure you establish a goal and a strategy to address this expense.

Did you know?

2 in 5 retirees say health expenses are higher than expected.[3]

70%
approximate percentage of people over age 65 who will likely need long-term care[1]

$61,776
average annual cost for full-time home health aide care[2]

$108,405
average annual cost of a nursing home stay[2]

3.7
average number of years a woman needs nursing home care[1]

[1] U.S. Department of Health & Human Services. National Clearinghouse for Long-Term Care Information. "How Much Care Will You Need?" Data as of Febuary 18, 2020, https://acl.gov/ltc/basic-needs/how-much-care-will-you-need (accessed July 17, 2023).
[2] Genworth Cost of Care Survey 2021. Home health aide based on 44 hours per week for 52 weeks, Nursing Homes (Private Room) (accessed July 19, 2023).
[3] Employee Benefit Research Institute and Greenwald Research, 2023 Retirement Confidence Survey, *EBRI Chartbook* (Employee Benefit Research Institute, April 27, 2023).

Step 3: Choose an appropriate long-term care solution for you

There are three main types of insurance policies with long-term care benefits you'll want to consider.

Of course you could use your own personal assets (self-insuring) or hope to rely on family members to help. But, depending on how much care you might need, long-term care expenses may rapidly deplete assets you had earmarked for other living expenses or for your heirs. If you're not comfortable taking that chance, you may want to consider transferring some of the risk to an insurance company by purchasing a policy with long-term care benefits. Depending on the policy options you select, insurance can help you pay for the care you need, whether you are living at home, in an assisted living facility or in a nursing home.

Option 1:	Option 2:	Option 3:
Goal is LTC coverage	Primary goal: LTC coverage Secondary goal: life insurance death benefit	Primary goal: life insurance death benefit Secondary goal: LTC coverage
Traditional Long-term Care Insurance	**Hybrid Life Insurance with a Long-term Care Benefits Rider**	**Permanent Life Insurance with a Long-term Care Benefits Rider**
↓	↓	↓
Dedicated to providing benefits if you need long-term care. A good choice if you're likely to need care based on your personal or family history.	Provides long-term care benefits if needed. If not needed, the policy provides an income tax-free death benefit to your heirs; and may offer a full/partial return of premium.	Provides a death benefit for heirs, but also has a rider that provides access to a percentage of the death benefit early if needed to cover long-term care expenses.

Receipt of benefits under an accelerated death benefit rider may be taxable, especially if the insured does not have a prescribed plan of care. You should consult your personal tax or legal advisors before applying for this type of benefit. It may also affect your eligibility for public assistance programs.

Step 4: Periodically refine your healthcare cost estimate

New treatments, changes in your personal health status and shifting public policy can make predicting healthcare costs an uncertain and moving target.

One of the best ways to improve your overall retirement income planning is by revisiting your healthcare cost projections on a regular basis and refining/revising as needed.

- Has your target retirement date changed?
- Has your health status expectation for retirement changed?
- Has your retirement income projection changed?
- Has your expectation for employer-provided insurance changed?

To the extent that so much in the realm of healthcare is uncontrollable, the best way to manage your risk is to employ a disciplined process and rely on a trusted advisor to help you regularly review your cost estimates and refine them each year as you get closer to retirement.

Other healthcare cost planning considerations

While we've touched on the most common considerations, there are other factors that can have a positive or negative impact on your plan.

If you're considering retiring before age 65, you'll need to self-fund medical insurance premiums until Medicare coverage begins.

Consider making contributions to a Health Savings Account through your employer to help cover out-of-pocket medical expenses in retirement, if one is available to you. These powerful accounts may offer the triple tax benefit of pre-tax contributions, tax-free growth and tax-free withdrawals for qualified expenses.

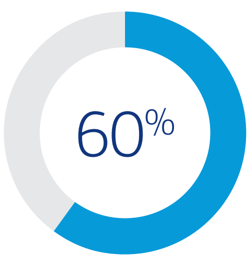
In addition, special circumstances such as a large difference in the age of spouses (especially when the younger spouse is covered by their retiring spouse's health insurance), or when children under age 26 are covered under a retiring parent's health plan, will require you to explore how to fund these additional needs with your advisor.

An underappreciated component of your retirement plan

Although we tend to focus more on retirement savings, the decisions we make about how and when to claim Social Security benefits can have a lasting impact.

Even for the top 20% of earners, Social Security benefits still play a key role in providing retirement income. In 2023, the maximum monthly retirement benefit for someone who retires at Full Retirement Age (FRA) is $3,627 per month.[1] So, if that individual spends 25 years in retirement, they will receive almost $1.1 million in income (before any cost-of-living adjustments or factoring in potential benefits for a spouse) from Social Security.[1]

Yet nearly two-thirds (60%) of eligible Social Security beneficiaries start taking benefits before their Full Retirement Age, with one-third (33%) starting within a month of their 62nd birthday, setting themselves up for a lifetime of reduced benefits. And collecting early may also negatively impact future benefits for survivors, such as a spouse.[2]



start benefits early[2]

A lifetime of reduced benefits

Common Social Security goals:

- Fund essential expenses
- Maximize total lifetime benefit
- Minimize taxation of benefits

4 steps to maximizing your benefit

Step 1 — Review options and consider when to start taking benefits

Step 2 — Understand the impact of early and delayed benefits

Step 3 — Consider three variables that may impact your benefits

Step 4 — Explore various claiming strategies for couples and other benefit considerations (e.g., survivor benefits, ex-spouse, children)

[1] Social Security Administration, "What is the maximum Social Security retirement benefit payable?" Data as of April 20, 2023, https://faq.ssa.gov/en-us/Topic/article/KA-01897 (accessed July 17, 2023).
[2] New York Times, "It's Tempting to Take Social Security at 62. You Should Wait." August 2018.

Step 1: Consider when to start taking benefits

Decisions around when to start collecting Social Security benefits aren't always straightforward.

Based on your individual circumstances, the optimal time to claim benefits may necessitate weighing several factors. You can request a Social Security statement via the Social Security website (www.ssa.gov) to determine your estimated monthly benefit for different retirement dates.

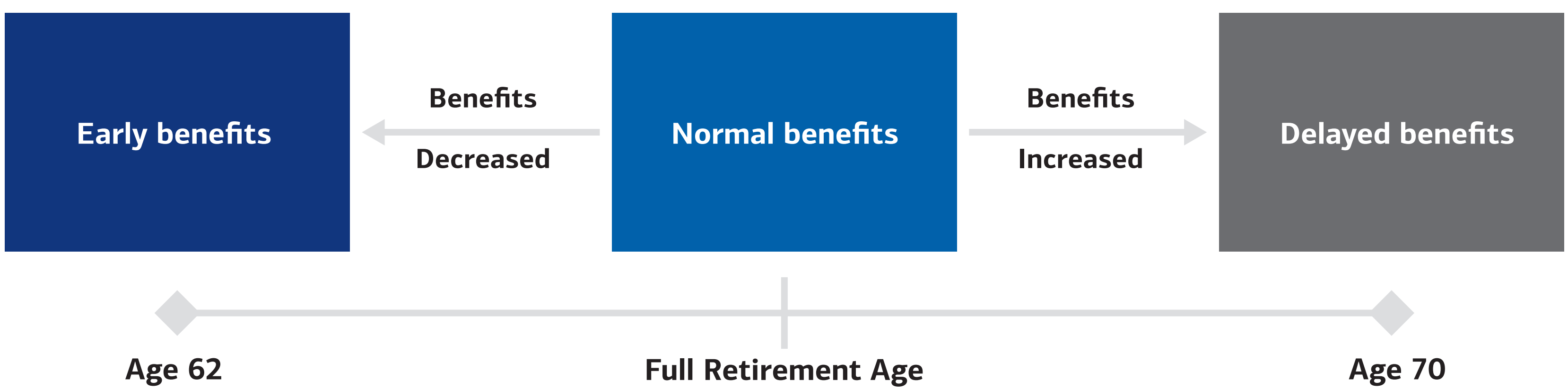
First and foremost, you need to consider your current health and family history of longevity. The greater the likelihood of a long retirement, the more beneficial delaying benefits may be.

If you're married, what's the age difference between you and your spouse? The greater the age difference, the greater the potential for survivor benefits to be paid for many years, and therefore the greater the impact of choosing to collect early.

You'll want to factor in whether you plan to continue working after claiming benefits, since any earned income while collecting may significantly reduce your benefits. And make sure you understand how your benefits may be taxed.

Key Social Security claiming considerations

- Working status
- Tax implications
- Longevity
- Marital status
- Cash flow needs



Step 2: Understand the impact of early and delayed benefits

If you're healthy and immediate income early in retirement is not a pressing concern, delaying benefits may positively impact your total lifetime benefit.

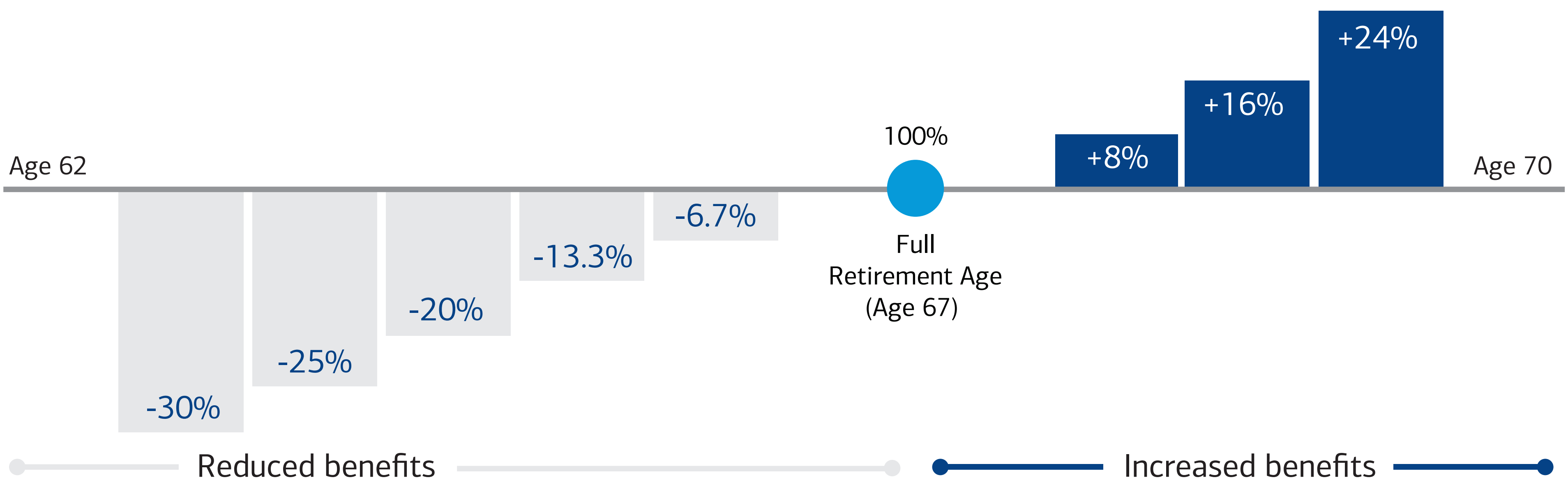
Your Full Retirement Age, based on the year you were born, is simply the age at which you are entitled to full (or unreduced) benefits. You can retire and collect Social Security benefits any time after age 62. If you decide to start taking benefits before your Full Retirement Age, your benefit amount will be reduced.

On the other hand, if you choose to wait until age 70, your benefit amount will be more due to the delayed retirement credits you'll receive.

Did you know?

46% **of retirees retired earlier than planned.**[2]

Claiming at age 70 instead of age 62 can raise lifetime monthly benefits by 77%.[1]



Full Retirement Age is 66 for those born 1943 to 1954. For each year after that, two months are added.

[1] Claiming Social Security, Chief Investment Office, 2022.

[2] Employee Benefit Research Institute and Greenwald Research, 2023 Retirement Confidence Survey, *2023 RCS Fact Sheet 2 Expectations about Retirement* (Employee Benefit Research Institute, April 27, 2023).

Source: Social Security Administration, "Social Security Retirement Benefits," January 2021. https://www.ssa.gov/pubs/EN-05-10035.pdf, (accessed August 2021).

Step 3: Consider three variables that may impact your benefits

1 Earnings before Full Retirement Age

If you earn more than the threshold amount — $21,240 in 2023 — you'll forfeit $1 of benefits for every $2 you earn above that amount. During the year in which you will reach Full Retirement Age, the earned income threshold rises — to $56,520 in 2023 — and the benefit reduction formula also changes (a $1 benefit reduction for every $3 in earnings that exceed the threshold).

For any benefits forfeited as a result of earnings limitations, however, the Social Security Administration will adjust your retirement benefit upwards when you reach Full Retirement Age to credit you back for some of the lost benefits.

2 Information for government employees

Some federal employees and employees of state or local government agencies may be eligible for a pension based on earnings not covered by Social Security. If you didn't pay Social Security taxes on your government earnings and you are eligible for Social Security benefits, you may be subject to a reduction of benefits.[1]

The Windfall Elimination Provision is used to calculate the reduction for your Social Security retirement or disability benefits.[2] For Social Security spouse and survivor benefits, the Government Pension Offset provision is used to calculate the reduction in benefits.[3]

3 Taxes

Don't forget to account for the impact of taxes on your benefits. For a single filer, 50% of your benefits are taxed as ordinary income when your combined income (adjusted gross income + non-taxable interest + ½ of Social Security benefits) exceeds $25,000. If your combined income exceeds $34,000, 85% of benefits are taxed. For a married couple, 50% of benefits are taxed when combined income exceeds $32,000. And couples with combined income over $44,000 are subject to 85% of their benefits being taxed.[4]

[1] Social Security Administration, "Information for Government Employees," 2023. https://www.ssa.gov/benefits/retirement/planner/gpo-wep.html, (accessed July 2023).
[2] Social Security Administration, "Windfall Elimination Provision," January 2023. https://www.ssa.gov/pubs/EN-05-10045.pdf, (accessed July 2023).
[3] Social Security Administration, "Government Pension Offset," May 2019. https://www.ssa.gov/pubs/EN-05-10007.pdf, (accessed July 2023).
[4] Social Security Administration, "Income Taxes And Your Social Security Benefit," 2023. https://www.ssa.gov/benefits/retirement/planner/taxes.html, (accessed July 2023).
Source: Social Security Administration, "2023 Social Security Fact Sheet," January 2023. https://www.ssa.gov/news/press/factsheets/colafacts2023.pdf, (accessed July 2023).

Step 4: Explore claiming strategies for couples, survivors and others

Spouses, ex-spouses and widows/widowers will need to determine whether to claim their own benefit or a spousal/survivor benefit.

Anyone who is at least age 62 and married to an individual who files for Social Security benefits may be entitled to spousal benefits. Even if you're divorced, you may be entitled to collect spousal benefits if you were previously married to that individual for at least 10 years and have been divorced for at least two years.

Spouses:

Are entitled to up to 50% of a higher earner's benefits if it's higher than the benefit amount based on your own work record	Cannot collect until the higher earner files for benefits	Must be at Full Retirement Age in order to receive the full 50% (benefits are reduced if taken earlier)

Survivor benefits help protect surviving spouses and ex-spouses by providing lifetime income. Wide age differences between spouses and/or differences in life expectancy may have a major impact on the total lifetime survivor benefits. However, a surviving spouse cannot collect retirement benefits and survivor benefits at the same time, but they may collect one benefit and then switch to the other benefit at a later date based on individual circumstances.

Survivors:

Benefits are determined by the earnings record of the deceased spouse and the timing of their original filing for benefits.	Surviving spouses at Full Retirement Age are eligible to collect 100% of the survivor benefit on the deceased spouse's benefits.	Reduced benefits can be collected as early as age 60 (age 50 if disabled).	A divorced individual may also be entitled to collect survivor benefits.

Source: Social Security Administration, "Planning For Your Survivors," 2023. https://www.ssa.gov/benefits/survivors/onyourown.html, (accessed July 2023).

Did you know?

While spousal benefits max out at 50% of the higher earner's benefit, if you delay collecting your retirement benefits until after Full Retirement Age your spouse may be entitled to a greater monthly lifetime survivor benefit.

If a surviving divorced spouse remarries after age 60 (or age 50 if disabled), the remarriage will not affect their eligibility for survivor benefits.

Others who may be able to collect on a worker's record:

- **Unmarried minor children or those disabled since childhood**
- **Parents caring for these children**
- **Parents age 62 or older who received at least one-half support from a deceased child**

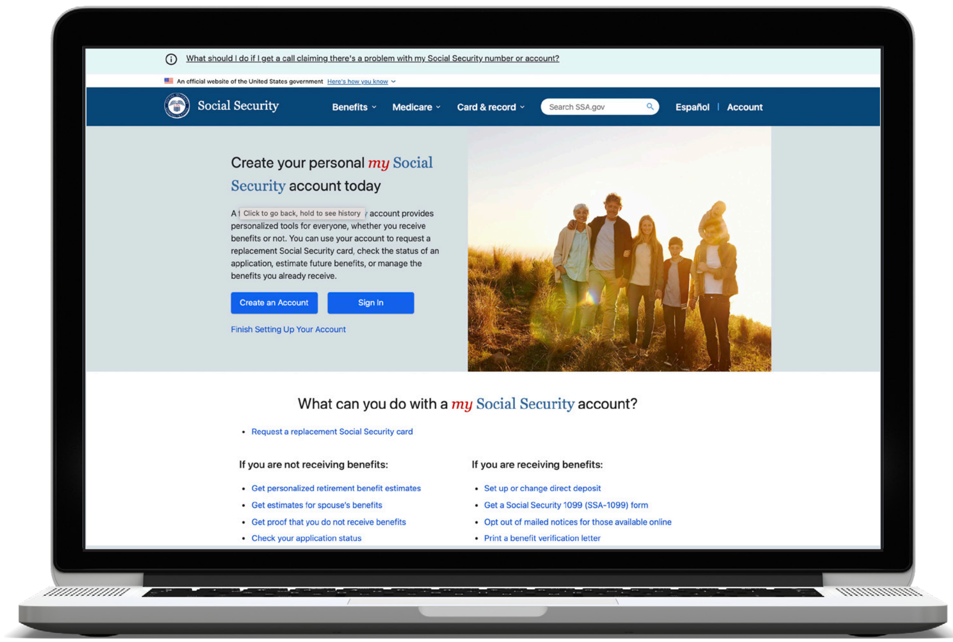
Other Social Security planning considerations

Claiming decisions shouldn’t solely be driven by benefit maximization.

While some claiming strategies focus on maximizing the total amount of benefits collected over your lifetime, others are designed to meet cash flow needs at an earlier date. So it’s critical to make decisions that best align with your specific income goals. If you haven’t already signed up for your online statement, make sure to visit ssa.gov and click on “my Social Security” on the home page. You’ll need to provide an email address, your Social Security number and your U.S. mailing address.

In addition to specific information about your estimated future benefits based on your Earnings Record, the statement provides an estimate of both family and survivor benefits.

Make sure you periodically review your statement as retirement nears so that you can more accurately project your benefits based on various claiming strategies.



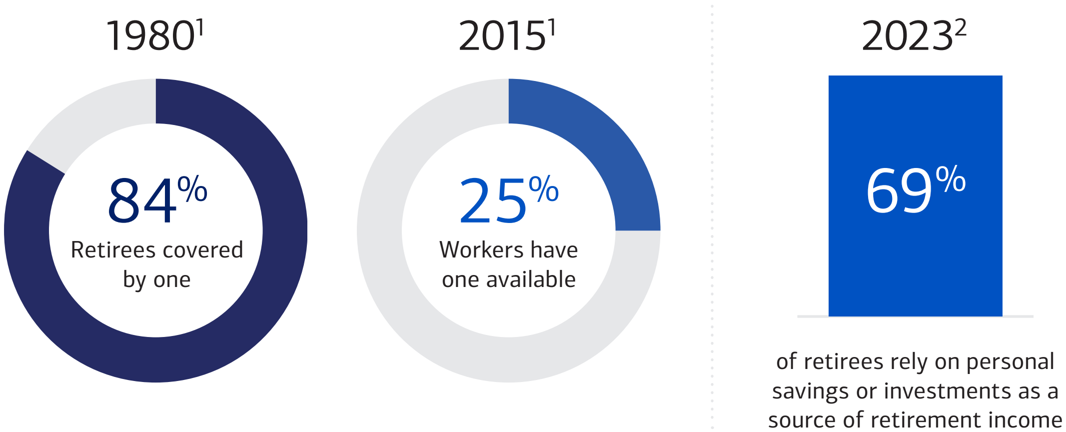
SSA.GOV

Will your goals be achievable based on your income and assets?

Unlike past generations, you will "collect" less of your retirement income and instead need to create it from your own assets.

You've spent your whole adult life focused on building your wealth. Now, as retirement approaches, your attention needs to shift to converting those savings into a stream of lifetime income that will support your retirement lifestyle while managing the special risks associated with retirement. And you should also carefully consider the tax implications of different income strategies and consult with your tax advisor as you prepare your retirement income plan, as well as regularly throughout retirement.

The role of a Defined Benefit Plan



[1] Source: EBRI Databook on Employee Benefits, Chapter 5: Private- and Public-Sector Retirement Plan Trends, Updated October 2015.
[2] EBRI Retirement Confidence Survey, 2023.

Step 1	Quantify monthly expenses
Step 2	Align income sources to goals
Step 3	Identify any gaps
Step 4	Explore drawdown strategies

Common income generation goals

- ✓ **Identify a sustainable spending rate**
- ✓ **Generate enough guaranteed or predictable income for essential needs**
- ✓ **Make smarter decisions about drawing down assets**
- ✓ **Ensure that I don't run out of money**

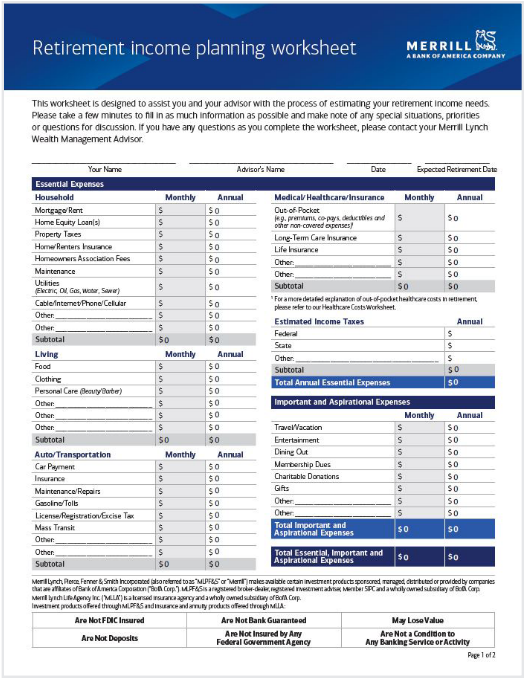
Step 1: Quantify monthly expenses associated with your goals

Too often people tend to underestimate the associated costs of their planned retirement lifestyle.

A simple way to avoid this problem, and more accurately quantify your income needs, is by using Merrill's Retirement Income Planning worksheet — an invaluable tool specifically designed to make retirement expense estimating a simple and straightforward process. In part, this is a budgeting exercise, but it also helps you to think in a very detailed way about future expenses in retirement.

The worksheet allows you to:

- Quantify essential, important and aspirational expenses
- Include estimates for healthcare expenses
- Include estimates for the impact of income taxes
- Factor in large one-time purchases
- Differentiate and quantify guaranteed and non-guaranteed income sources
- Identify any gap that exists between projected income and expenses



Retirement income planning worksheet

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This worksheet is designed to assist you and your advisor with the process of estimating your retirement income needs. Please take a few minutes to fill in as much information as possible and make note of any special situations, priorities or questions for discussion. If you have any questions as you complete the worksheet, please contact your Merrill Lynch Wealth Management Advisor.

Your Name ____ Advisor's Name ____ Date ____ Expected Retirement Date ____

Essential Expenses

Household	Monthly	Annual
Mortgage/Rent	$	$ 0
Home Equity Loan(s)	$	$ 0
Property Taxes	$	$ 0
Home/Renters Insurance	$	$ 0
Homeowners Association Fees	$	$ 0
Maintenance	$	$ 0
Utilities *(Electric, Oil, Gas, Water, Sewer)*	$	$ 0
Cable/Internet/Phone/Cellular	$	$ 0
Other: ____	$	$ 0
Other: ____	$	$ 0
Subtotal	$ 0	$ 0

Living	Monthly	Annual
Food	$	$ 0
Clothing	$	$ 0
Personal Care *(Beauty/Barber)*	$	$ 0
Other: ____	$	$ 0
Other: ____	$	$ 0
Other: ____	$	$ 0
Subtotal	$ 0	$ 0

Auto/Transportation	Monthly	Annual
Car Payment	$	$ 0
Insurance	$	$ 0
Maintenance/Repairs	$	$ 0
Gasoline/Tolls	$	$ 0
License/Registration/Excise Tax	$	$ 0
Mass Transit	$	$ 0
Other: ____	$	$ 0
Other: ____	$	$ 0
Subtotal	$ 0	$ 0

Medical/Healthcare/Insurance	Monthly	Annual
Out-of-Pocket *(e.g., premiums, co-pays, deductibles and other non-covered expenses)*[1]	$	$ 0
Long-Term Care Insurance	$	$ 0
Life Insurance	$	$ 0
Other: ____	$	$ 0
Other: ____	$	$ 0
Subtotal	$ 0	$ 0

[1] For a more detailed explanation of out-of-pocket healthcare costs in retirement, please refer to our Healthcare Costs Worksheet.

Estimated Income Taxes	Annual
Federal	$
State	$
Other: ____	$
Subtotal	$ 0
Total Annual Essential Expenses	$ 0

Important and Aspirational Expenses

	Monthly	Annual
Travel/Vacation	$	$ 0
Entertainment	$	$ 0
Dining Out	$	$ 0
Membership Dues	$	$ 0
Charitable Donations	$	$ 0
Gifts	$	$ 0
Other: ____	$	$ 0
Other: ____	$	$ 0
Total Important and Aspirational Expenses	$ 0	$ 0
Total Essential, Important and Aspirational Expenses	$ 0	$ 0

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Step 2: Align your income sources to your goals

Many retirees have an unrealistic expectation of just how much they can draw down their assets each year, especially in the first few years of retirement.

How much qualified pension and/or annuity income can you count on annually?	What annual income will you receive from Social Security and other sources?	What other non-guaranteed assets do you have that could be used to generate retirement income when needed?

Did you know?

3.29%

That's how much someone age 60 can confidently withdraw from their portfolio each year to make their money last until age 97.[1]

Start by quantifying the guaranteed income sources you can rely on (including Social Security, pensions and any annuities). These will serve as the building blocks of your essential income plan — providing predictable income to offset essential recurring expenses. Your other assets (held in retirement plans, savings and investment accounts) can then be focused on generating income to cover any remaining important and aspirational expenses.

Retirement Income Planning worksheet

Investable Assets and Guaranteed Lifetime Income

	Guaranteed Income	Non-guaranteed Assets	
Qualified	Pensions $ ____ Annual amount	401(k)	$
		IRA	$
		Roth IRA	$
	Annuities $ ____ Annual amount	403(b)	$
		SEP	$
		Other:	$
		Total	$ 0
Non-Qualified	Social Security $ ____ Annual amount	Investments (stocks, bonds, mutual funds)	$
		Savings (CDs, savings accounts)	$
	Annuities $ ____ Annual amount	Other:	$
		Other:	$
	Other Guaranteed Income $ ____ Annual amount	Other:	$
		Other:	$
		Total	$ 0

[1] Chief Investment Office, Portfolio Analytics, "Beyond the 4% rule: Determining sustainable retiree spending rates," January 2023.

Step 3: Identify any income gap that may exist

Our Retirement Income Planning worksheet will automatically calculate if any essential income gap exists.

Any essential income gap needs to be filled with sustainable withdrawals from your portfolio in order to allow your assets to last for the rest of your life. Your financial advisor can help you review the options available and how they can help you pursue your goals.

You will also want to assess how to fund your important and aspirational expenses, which may be more discretionary and allow for adjustments during periods of poor market performance.

This is an important assessment and can help determine if your portfolio can realistically support your lifestyle. It may show that you need to reassess your goals and adjust. As you approach retirement, it's a good idea to revisit these estimates regularly and refine as needed.

Retirement Income Planning worksheet

Gap Analysis

	Annual
Total Annual Essential Expenses	$ 0
Subtract Pensions (pre-tax)	$ 0
Subtract Social Security (pre-tax)	$ 0
Subtract Annuity Income (pre-tax)	$ 0
Subtract Other Guaranteed Income *(e.g., alimony, period payments under the sale of a business or other arrangements)*	$ 0
Essential Income Gap	$ 0

Discuss with your advisor the appropriate adjustments to add or subtract from expenses.

	Annual
Important and Aspirational Expenses	$ 0
Additional Expenses (including one-time purchases)	$
Expected Pay Offs	$

Step 4: Explore drawdown strategies and other income solutions

Different goals will likely require different solutions depending on your circumstances.

Aligning your retirement portfolio to your goals and priorities can help ensure your money lasts to fund those things in life that are essential and important to you, as well as increase the chances that you'll have the funds to pursue your passions and interests.

As you think about your goals and establish your priorities, it's important to consider the characteristics of various income sources (or investments) and how they match up with your preferences. How do they address various retirement risks such as longevity, inflation, withdrawal and market risk?

How important is liquidity?	How important is investment flexibility and growth?	How important are guarantees?	And of course, what are the costs?

What's the right sequence for drawing down assets from your taxable, tax-deferred and tax-free accounts?

Source	Income stability	Growth potential	Risk
Dividend-paying stocks	Moderate	Moderately high	Moderate
Bond ladders	Moderately high	Moderately low	Moderately low
Systematic portfolio withdrawals	Moderately low	Moderate	Moderately high
Annuities	High	Low to Moderate	Low

Source: Merrill, Investment Solutions Group, 2023.

Don't forget!

You'll need to start taking Required Minimum Distributions from IRAs, 401(k)s and 403(b)s once you turn age 72.

Looking beyond your portfolio

Different goals will likely require different solutions depending on your circumstances.

Thus far we've focused exclusively on the financial side of a successful retirement outcome — new financial risks, as well as actions you can take to generate additional income or potentially adjust certain goals. But there's another lever which you have considerable control over: your lifestyle leading into and during retirement.

Simple things like eating healthier, being physically active and staying engaged in your community can have a profound impact not only on your physical health (potentially lowering your healthcare costs), but on your happiness and overall retirement satisfaction.

Four ways to stay engaged

Step 1	Turn your avocation (art, teaching, etc.) into a second-act career
Step 2	Put your talents to work helping a charity or community group you support
Step 3	Find a fitness program (yoga, tai chi, swimming, etc.) that works for you
Step 4	Maintain social connections, including long distance and leveraging technology

Did you know?

Nearly 80% **of adults are not meeting the key guidelines for both aerobic and muscle-strengthening activity[1]**

[1] U.S. Department of Health and Human Services, Physical Activity Guidelines for Americans, 2nd edition, 2018.

Decide what makes you happy

There's no "right" or "wrong" when it comes to your life and your legacy.

What's important to you? On the surface, it seems like a simple question. But there's a lot of complexity involved in weighing the things we want to do versus the things we feel obligated to do. Whether you choose to fully enjoy the fruits of your hard work and saving, or to leave a substantial legacy to family members or charitable causes is a deeply personal decision but something that should be an integral part of your overall retirement plan.

Legacy planning

Spend it all and leave nothing	Keep only what you need and give the rest away now	Ensure you never run out, but leave a defined legacy for heirs

Whatever you decide, you owe it to your family to have an open and honest conversation about your legacy plans. And your Merrill financial advisor can assist you with resources to help initiate that conversation.

A financially secure retirement is within your grasp

It begins with a plan

Having a plan helps you take stock of where you are and where you want to go. It serves as a reflection of what you want to achieve and acts as a dynamic road map — turning your ambitions into actions as your goals and circumstances change along the way.

Our Wealth Planning Process

At Merrill, our wealth planning approach is built around working together to build a financial strategy that aligns with both your unique goals and your personal values.

1. What matters to you
2. Your path, your plan
3. Making it happen
4. Helping you review, track your progress

Let’s start building your personal plan

Your Merrill advisor will serve as the architect of your plan and your portfolio — turning your hopes and dreams into a personalized financial strategy. But that’s only part of the value they deliver. Your advisor is also your confidante. Someone who understands your priorities and concerns. Someone to offer insights, guidance and reassurance whenever you need it. And someone who’ll be there for you and your family for years to come.

The retirement of your dreams is closer than you think. You just need a solid plan and the willingness to take that first step.

Ready to get started? Click here to learn more.

[1] This material should be considered general information about planning for retirement and does not imply a successful outcome. The availability and effectiveness of any strategy are dependent upon your individual facts and circumstances.

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