Living your best life

A roadmap to retirement planning success

Overview Healthcare costs Social Security Income generation Lifestyle impact Let's connect
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.

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Investment products offered through MLPF&S and insurance and annuity products offered through MLLA:

<table>
<thead>
<tr>
<th>Are Not FDIC Insured</th>
<th>Are Not Bank Guaranteed</th>
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<tr>
<td>Are Not Deposits</td>
<td>Are Not Insured by Any Governmental Agency</td>
<td>Are Not a Condition to Any Banking Service or Activity</td>
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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.

More than half of pre-retirees have no planned strategy for how to generate income for a 30+ year retirement.

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1 Employee Benefit Research Institute and Greenwald Research, 2023 Retirement Confidence Survey, EBRI Chartbook (Employee Benefit Research Institute, April 27, 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

**ESSENTIAL**
- Healthcare, Housing, Food, Clothing, Transportation

**IMPORTANT**
- Entertainment, Travel, Grandchild’s Education

**ASPIRATIONAL**
- Help pursue my passions and interests

Help pursue my passions and interests

Maintain my lifestyle

³ 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.

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

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

- Age 92: 50% Chance
- Age 97: 25% Chance
- Age 100: 10% Chance

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Average Inflation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admission to movies, theaters and concerts</td>
<td>2.74%</td>
</tr>
<tr>
<td>Other lodging away from home including hotels</td>
<td>3.26%</td>
</tr>
<tr>
<td>Housing (fuels and utilities)</td>
<td>3.58%</td>
</tr>
<tr>
<td>Food away from home</td>
<td>3.66%</td>
</tr>
<tr>
<td>Prescription drugs</td>
<td>2.04%</td>
</tr>
<tr>
<td>Medical care</td>
<td>2.81%</td>
</tr>
<tr>
<td>Hospital services</td>
<td>4.02%</td>
</tr>
</tbody>
</table>

### 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.

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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.

<table>
<thead>
<tr>
<th>Accumulating: While saving</th>
<th>Client 1: Down market at the end</th>
<th>Client 2: Down market initially</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>24%</td>
<td>-20%</td>
</tr>
<tr>
<td>Year 2</td>
<td>18%</td>
<td>-8%</td>
</tr>
<tr>
<td>Year 3</td>
<td>14%</td>
<td>-6%</td>
</tr>
<tr>
<td>Year 4</td>
<td>12%</td>
<td>4%</td>
</tr>
<tr>
<td>Year 5</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>Year 6</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>Year 7</td>
<td>4%</td>
<td>12%</td>
</tr>
<tr>
<td>Year 8</td>
<td>-6%</td>
<td>14%</td>
</tr>
<tr>
<td>Year 9</td>
<td>-8%</td>
<td>18%</td>
</tr>
<tr>
<td>Year 10</td>
<td>-20%</td>
<td>24%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Retirement: While spending</th>
<th>Client 1: Down market at the end</th>
<th>Client 2: Down market initially</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>24%</td>
<td>-20%</td>
</tr>
<tr>
<td>Year 2</td>
<td>18%</td>
<td>-8%</td>
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<tr>
<td>Year 5</td>
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<tr>
<td>Year 8</td>
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<tr>
<td>Year 9</td>
<td>-8%</td>
<td>18%</td>
</tr>
<tr>
<td>Year 10</td>
<td>-20%</td>
<td>24%</td>
</tr>
</tbody>
</table>

Value at end of year 10: $1,538,846 $1,538,846

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

Value at end of year 10: $1,074,455 $630,178

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

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.

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 event²

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

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.

### Medicare coverage at a glance

<table>
<thead>
<tr>
<th>Plan</th>
<th>Coverage</th>
<th>Out-of-pocket costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Hospital Insurance)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Part B</td>
<td>Doctors’ visits, outpatient care, other medical services.</td>
<td>Monthly premiums, deductibles, coinsurance and copays.</td>
</tr>
<tr>
<td>(Medical Coverage)</td>
<td>Does not cover vision, dental or hearing care.</td>
<td></td>
</tr>
<tr>
<td>Part C</td>
<td>Private alternative to Medicare covering parts A, B and D.</td>
<td>Variable costs determined by insurer.</td>
</tr>
<tr>
<td>(Medicare Advantage)</td>
<td>Coverage for vision, dental and hearing care may be available.</td>
<td></td>
</tr>
<tr>
<td>Part D¹</td>
<td>Brand name and generic drugs.</td>
<td>Monthly premiums, deductibles and copays.</td>
</tr>
<tr>
<td>(Prescription Drugs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicare Supplement Insurance (Medigap)</td>
<td>Helps pay some of the costs not covered above, such as copays, coinsurance and deductibles.</td>
<td>You must have Medicare Part A and Part B.</td>
</tr>
</tbody>
</table>

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](https://www.medicare.gov/drug-coverage-part-d/what-medicare-part-d-drug-plans-cover).

Source: Medicare.gov.

Did you know?

The State Health Insurance Assistance Program (SHIP) provides one-on-one Medicare counseling and assistance. [www.shiptacenter.org](http://www.shiptacenter.org)
Want to put a healthcare costs plan in place?

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

<table>
<thead>
<tr>
<th>Step 1</th>
<th>Estimate your healthcare costs in retirement</th>
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<tbody>
<tr>
<td>Step 2</td>
<td>Don't overlook long-term care planning</td>
</tr>
<tr>
<td>Step 3</td>
<td>Choose an appropriate long-term care solution for you</td>
</tr>
<tr>
<td>Step 4</td>
<td>Periodically refine your healthcare cost estimate</td>
</tr>
</tbody>
</table>
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.

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

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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

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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.

<table>
<thead>
<tr>
<th>Option 1:</th>
<th>Option 2:</th>
<th>Option 3:</th>
</tr>
</thead>
</table>
| 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**
  - 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.

- **Hybrid Life Insurance with a Long-term Care Benefits Rider**
  - 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.

- **Permanent Life Insurance with a Long-term Care Benefits Rider**
  - 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.

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</tr>
</thead>
<tbody>
<tr>
<td>Has your target retirement date changed?</td>
<td>Has your health status expectation for retirement changed?</td>
<td>Has your retirement income projection changed?</td>
<td>Has your expectation for employer-provided insurance changed?</td>
</tr>
</tbody>
</table>

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. 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.

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.

4 steps to maximizing your benefit

- Review options and consider when to start taking benefits
- Understand the impact of early and delayed benefits
- Consider three variables that may impact your benefits
- Explore various claiming strategies for couples and other benefit considerations (e.g., survivor benefits, ex-spouse, children)

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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.

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

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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).

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


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. |

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.
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

<table>
<thead>
<tr>
<th>Year</th>
<th>Retirees Covered by One (%)</th>
<th>Workers Have One Available (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>84%</td>
<td>25%</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- 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
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.

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

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**

<table>
<thead>
<tr>
<th>Investable Assets and Guaranteed Lifetime Income</th>
<th>Guaranteed Income</th>
<th>Non-guaranteed Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualified</td>
<td>401(k)</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>IRA</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>Roth IRA</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>403(b)</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>SEP</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>Other:</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>$</td>
</tr>
<tr>
<td>Non-Qualified</td>
<td>Social Security</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>Annual amount</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>Annual amount</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>Government annuities</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>Other: Guaranteed Income</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>FRA</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>$</td>
</tr>
</tbody>
</table>

*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*

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**

<table>
<thead>
<tr>
<th>Gap Analysis</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Annual Essential Expenses</td>
<td>$0</td>
</tr>
<tr>
<td>Subtract Pensions (pre-tax)</td>
<td>$0</td>
</tr>
<tr>
<td>Subtract Social Security (pre-tax)</td>
<td>$0</td>
</tr>
<tr>
<td>Subtract Annuity Income (pre-tax)</td>
<td>$0</td>
</tr>
<tr>
<td>Subtract Other Guaranteed Income (e.g., alimony, period payments under the sale of a business or other arrangements)</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Essential Income Gap</strong></td>
<td>$0</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Annual</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Important and Aspirational Expenses</td>
<td>$0</td>
</tr>
<tr>
<td>Additional Expenses (including one-time purchases)</td>
<td>$</td>
</tr>
<tr>
<td>Expected Pay Offs</td>
<td>$</td>
</tr>
</tbody>
</table>
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?

<table>
<thead>
<tr>
<th>Source</th>
<th>Income stability</th>
<th>Growth potential</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend-paying stocks</td>
<td>Moderate</td>
<td>Moderately high</td>
<td>Moderate</td>
</tr>
<tr>
<td>Bond ladders</td>
<td>Moderately high</td>
<td>Moderately low</td>
<td>Moderately low</td>
</tr>
<tr>
<td>Systematic portfolio withdrawals</td>
<td>Moderately low</td>
<td>Moderate</td>
<td>Moderately high</td>
</tr>
<tr>
<td>Annuities</td>
<td>High</td>
<td>Low to Moderate</td>
<td>Low</td>
</tr>
</tbody>
</table>

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.

Source: Merrill, Investment Solutions Group, 2023.
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.

---

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.
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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