



VISUALIZE RETIREMENT

THROWING THE SWITCH FROM SAVING TO SPENDING



There's more to planning for retirement than just saving money. It's also about knowing how you'll use that money to live the kind of retirement you envision.

So you'll ultimately want to have a clear idea of your retirement lifestyle: who you want to spend time with, where you want to live, and how you want to enjoy your time.

But even if you have not yet worked through a complete retirement vision, there are some helpful ways to get the process started.

! Afraid to Spend?

Spending after years of being in savings mode may be difficult. Will you be afraid to spend your hard-earned money because you are worried that you may outlive it? You aren't alone.

The majority of retirees actually spend down a very small portion of their assets in the first 20 years of retirement.¹ On average, retirees with at least \$500K in liquid assets before retirement spent less than 12% of their money during their first 20 years of retirement.



START with a rule of thumb

Aim to replace about 75% of current income in retirement

REFINE the rule of thumb

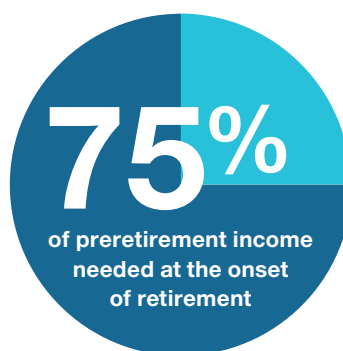
Take into account your personal situation

PERSONALIZE the rule of thumb

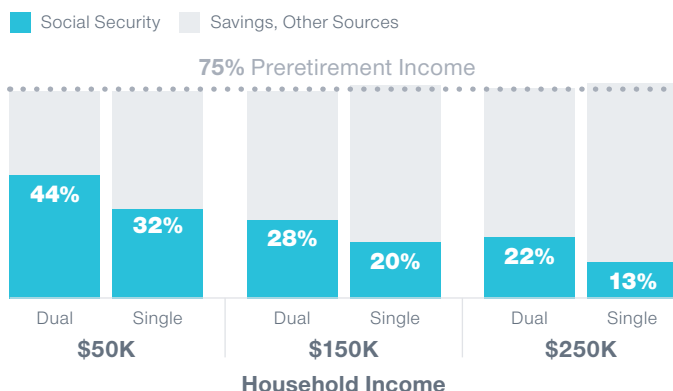
Plan your spending in retirement

START with a rule of thumb

For starters, consider planning to replace about 75% of your current gross income to maintain your current lifestyle in retirement. Why 75%? Generally, living expenses go down in retirement. Taxes will likely be reduced as well, especially payroll taxes when you stop working. And you won't be saving for retirement any longer.²



AS INCOME RISES, SOCIAL SECURITY REPLACES LESS INCOME³



REFINE the rule of thumb

Your retirement will be funded through your personal savings, in addition to Social Security benefits and any other income (pensions or part-time work).

As shown in the chart, your marital status and household income impact your Social Security benefits and ultimately show where your personal savings will help fund your retirement spending.



PERSONALIZE the rule of thumb

How much you plan to spend in retirement will have a direct impact on how much money you will need. If you plan to spend 1% more when you retire than you spend today, that has about a 1% impact on the income you'll need to replace. The same idea applies if you think you'll spend less.

Predicting future spending habits is tough. An easy place to start is to figure out what you're spending today. That may give you a good idea of what your retirement spending may be (at least to start).



Defining a clear vision for your retirement lifestyle will ultimately be the best way to pinpoint your spending needs and ensure that your financial plan is going to work.



NEXT STEPS

- 1.** Create your retirement vision. Think about how you will spend your time, where you will spend it, and who you'll spend it with.
- 2.** Marry that vision with a financial plan for retirement with the help of an advisor. Together, look at what you spend today and how much you are currently saving. If you can save more now, you may be able to spend more later.
- 3.** See how much Social Security benefits will contribute to your monthly income. The Social Security website (ssa.gov) has a Retirement Estimator that will offer an estimate based on your actual earnings.

¹ Asset Decumulation or Asset Preservation? What Guides Retirement Spending?, Sudipto Banerjee, Employee Benefit Research Institute, April 2018

² Assumes household saving of 8% of gross income, income and spending keep pace with inflation until retirement, and then spending is reduced by 5%.

³ Income Replacement in Retirement, T. Rowe Price 2018. Key assumptions include: Assumes spouses are the same age, and "dual income" means that the one spouse generates 75% of the income that the other spouse earns. Social Security benefits are based on the SSA.gov Quick Calculator (claiming at full retirement age), which includes an assumed earnings history pattern.

Charts are shown for illustrative purposes only.

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