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PREVIEW

focus on®

Retirement Income

Charting a Course to Help Your Money Last

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What Happens When You Retire?

- **Financial focus shifts**
- **Change from *accumulating* assets to *withdrawing* assets**
- **Generate an income stream that will last a lifetime**

Many people envision traveling to new destinations, having more time for family and hobbies, and volunteering for their favorite charitable organizations.

One thing is certain: Your financial focus takes a dramatic shift. The guidelines for managing money are different from when you were working.

Instead of saving money to accumulate assets, you'll need to figure out how to withdraw assets efficiently for income.

Your primary focus is two-fold: to live your desired lifestyle and avoid running out of money. This means generating a steady income stream and making decisions to help your assets last throughout your retirement years.

Retirement Expenses May Be Higher Than You Think

More than half of retirees said their overall expenses were higher than what they had expected.

Source: Employee Benefit Research Institute, 2024

Four Steps to Developing an Income Strategy

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1. **Prepare for the Unexpected**
2. **Envision Your Retirement**
3. **Refine Your Investment Mix**
4. **Choose a Distribution Method for Tapping Assets**

First you need to prepare for the unexpected. Even the most well-thought-out financial strategy could be derailed by some risks you may encounter in retirement.

Envisioning your retirement involves assessing your current financial situation, exploring the lifestyle choices you will make, and understanding the sources of income that will be available to you.

Refining your investment mix involves balancing your need for a steady income, growth potential, and stability throughout retirement.

Finally, you need to choose a distribution method for tapping the assets you've worked so long and hard to accumulate. The goal is to help your assets last as long as you do.

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Prepare for the Unexpected

Your ability to live the retirement lifestyle you want — and deserve — may depend on how prepared you are to manage and overcome several risks.

Longevity Risk

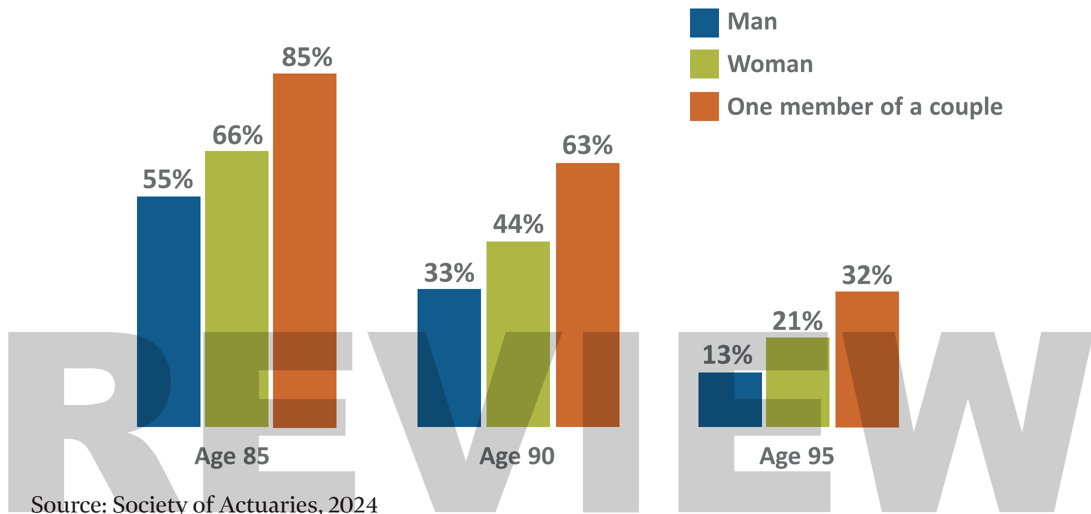
The good news is that you may live a long time. The challenge is making sure that your retirement assets last as long as you do.

Based on life-expectancy statistics, a retired, 65-year-old man and woman in average health would have the following chances of living to age 85, 90, and 95.

Overlooked Value of Social Security

Social Security replaces about 40% of pre-retirement income for beneficiaries age 66 and older with career-average earnings around $66,000.

Source: Social Security Administration, 2024



Source: Society of Actuaries, 2024

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How confident are you that you will be able to live comfortably at age 90 or 95? Your retirement income strategy should include the possibility of a long life.

Inflation Risk: The Loss of Purchasing Power

Inflation is the rise in consumer prices over time. It has an effect on everything — from the cost of a bag of groceries, to a car, to a home. Inflation averaged 3.0% over the past decade but was especially challenging in 2021 and 2022, rising 7.0% and 6.5% respectively, the largest annual increases since 1981. Fortunately, inflation slowed to 3.4% in 2023 and 2.9% in 2024.

Whether you realize it or not, you have battled inflation throughout your working years. Yet it could be even harder to deal with in retirement when you're on a fixed income.

Assuming a long-term, hypothetical 3% annual inflation rate, the cost of a $50 bag of groceries would more than double in 30 years.

Source: U.S. Bureau of Labor Statistics, 2025

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Prepare for the Unexpected

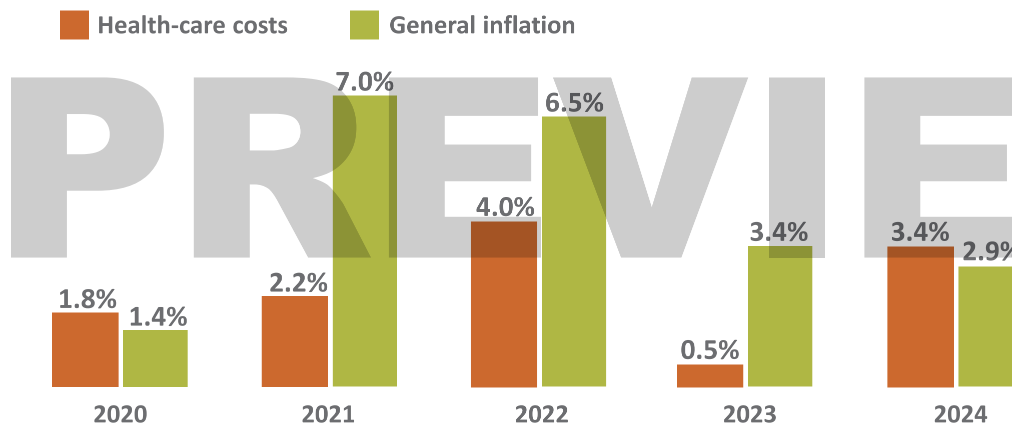
Now consider how inflation could affect your retirement nest egg. After 30 years, assuming the same 3% annual inflation rate, a $1 million nest egg would have the purchasing power of about $412,000.

That's why it is essential for your retirement portfolio to keep pace with — and ideally exceed — inflation to avoid losing purchasing power as the years go by.

This hypothetical example of mathematical principles is used for illustrative purposes only. A 3% annual inflation rate cannot be guaranteed. Actual results will vary.

Rising Health-Care Costs

One of the biggest worries that many retirees face is paying for health care.



Source: U.S. Bureau of Labor Statistics, 2025

Medicare is available once you reach age 65, but in addition to the monthly premiums, there are some fairly stiff deductibles, copays, and limitations. Costs vary depending on the coverage you choose and the medical services you need.

Medicare Part B (medical insurance) premiums in 2025 range from $185.00 per month to $628.90 per month, based on the modified adjusted gross income reported on your 2023 tax return. And if you enroll in the Original Medicare program, there is no annual limit on your out-of-pocket expenses.

If Medicare benefits remain at current levels, a 65-year-old couple who retired in 2023 and live an average life expectancy may need $351,000 to pay their health expenses in retirement. Costs could be even higher for those who develop a chronic illness or incur high prescription drug costs.

Source: Employee Benefit Research Institute, 2024 (estimated amounts needed for Medicare Part B and Part D, Medigap Plan G, and median out-of-pocket prescription drug expenses)

Risk of a Health Crisis

An unexpected health crisis could derail your plans and deplete your retirement savings.

According to statistics, today's 65-year-olds have a nearly 70% chance of needing long-term care services at some point in their lives. The national median cost for a private room in a nursing home is $116,800.

Sources:
National Council on Aging, 2024; Genworth Cost of Care Survey 2023 (most current data available)

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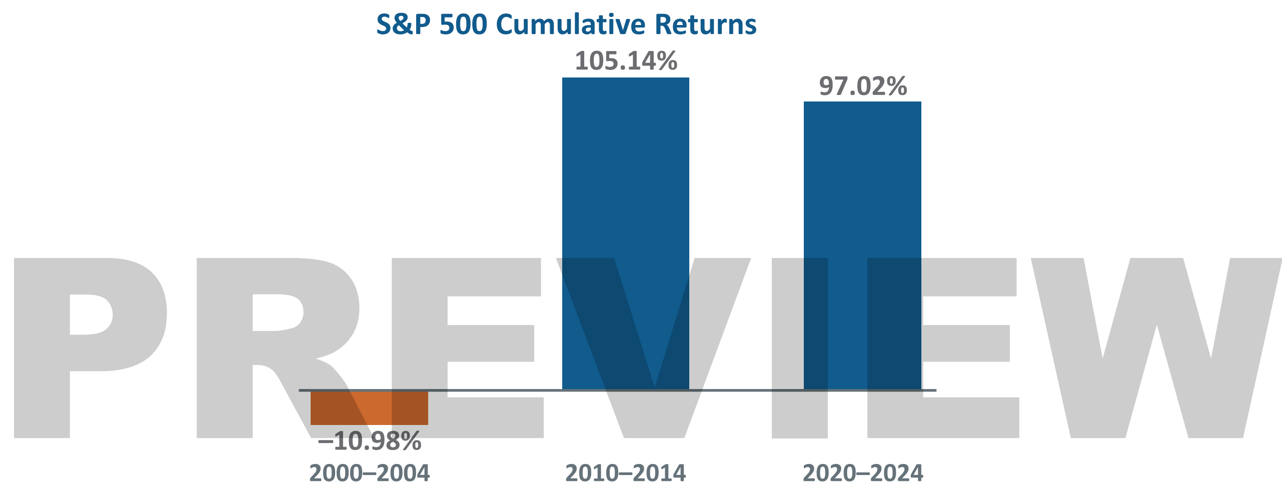
Unpredictability of the Financial Markets

Market conditions can change, often unexpectedly and sometimes dramatically. Generally, it's a case of *when* and not *if* it happens. And if it happens when you're about to retire, or when you're drawing down your retirement investments for income, it can be unsettling to say the least.

Consider the outcomes below, which show the cumulative total returns of the S&P 500 Composite Index over three different five-year periods. *(The cumulative return looks at the total percentage increase or decrease in the value of an investment over a specific time period.)* As you can see, these three time periods produced vastly different results.



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Source: London Stock Exchange Group (LSEG), 2025, for the periods 1/1/2000 to 12/31/2004, 1/1/2010 to 12/31/2014, and 1/1/2020 to 12/31/2024. The S&P 500 Composite Total Return Index is generally considered representative of the U.S. stock market. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Rates of return will vary over time, particularly for long-term investments. Past performance is not a guarantee of future results. Actual results will vary.

Sequence-of-Returns Risk

The danger of experiencing poor investment returns at the wrong time is called *sequence risk* or *sequence-of-returns risk*. This is a significant factor in retirement when you are withdrawing money from, not contributing money to, your investment portfolio.

If the financial markets take a downturn just before you retire or in the early years of retirement — resulting in an early loss of your retirement assets — you would have a lower base of assets on which to generate income throughout your retirement years.

In such a scenario, you might need to reduce your spending and withdraw less from your retirement portfolio. Having sufficient cash reserves on hand or a financial product that offers a guaranteed income for life may enable you to avoid selling investments during a down market.

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Envision Your Retirement

Envisioning retirement involves assessing your current financial situation, the lifestyle choices you will make, and the sources of income that will be available to you.

Hopefully, the choices you have made in the past will enable you to live the life you've envisioned. Yet it's important to remember that the decisions you make now will play a significant role in how you spend your retirement years. Some of these choices could help or hinder the longevity of your retirement income streams.

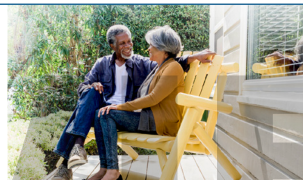
- **How do you want to spend your life in retirement?**
- **How will you support your desired lifestyle?**
- **What will you do if you haven't accumulated enough?**

Lifestyle Issues

Depending on your vision for retirement and other factors, such as your health and any debt you carry, you could need anywhere from 70% to 80% (or more) of your pre-retirement income to live comfortably in retirement.

Primary Sources of Retirement Income

Personal savings and investments
Social Security
Continued employment earnings



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Personal Savings and Investments

You might be saving for retirement using tax-advantaged vehicles such as IRAs and employer-sponsored retirement plans. These savings vehicles may include a variety of investments, including stocks, bonds, cash alternatives, mutual funds, and exchange-traded funds (ETFs). You may also have taxable vehicles, typically securities purchased through brokerage accounts outside of retirement plans.

When you retire, you will be making decisions about what to do with the assets you currently hold. Should you keep them, sell them, consolidate them, or move them around? How will these decisions affect your taxable income?

The interest from certificates of deposit (CDs) and bank savings accounts is taxable as ordinary income. The return and principal value of stocks, mutual funds, ETFs, and bonds fluctuate with market conditions. Shares, when sold, may be worth more or less than their original cost. Supply and demand for ETF shares may cause them to trade at a premium or a discount relative to the value of the underlying shares. The FDIC insures CDs and bank savings accounts, which generally provide a fixed rate of return, up to $250,000 per depositor, per insured institution.

Mutual funds and ETFs are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company and the underlying investments, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

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Social Security

One of the most important decisions you need to make is when to start Social Security. If you claim worker benefits at the earliest eligibility age (62), your full retirement benefit (referred to as the primary insurance amount or PIA) will be permanently reduced by 25% to 30%, depending on the year you were born. You are entitled to 100% of your PIA at full retirement age, which ranges from 66 to 67. For each year you delay Social Security after reaching full retirement age, your benefit increases by about 8%, up to age 70.

This chart shows the potential impact on monthly and annual benefits based on claiming age. It assumes a hypothetical PIA of $2,000 per month at age 67, which is full retirement age for those born in 1960 and later.

Taxability of Social Security Benefits

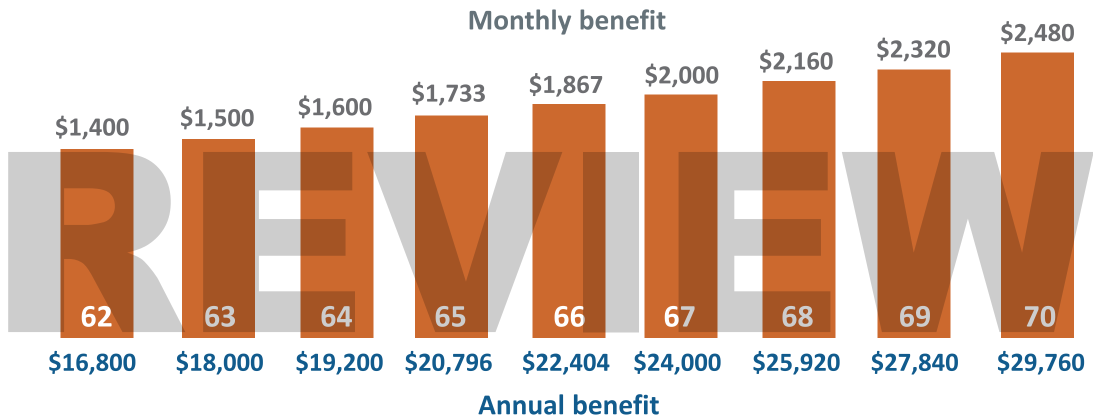
If your "combined income" exceeds specific levels, up to 50% or 85% of your Social Security benefits will be taxable.

The IRS defines "combined income" as adjusted gross income plus any tax-exempt interest plus 50% of Social Security benefits.

In addition, some states tax Social Security benefits.

Source: Social Security Administration

How Claiming Age Affects Monthly and Annual Benefits



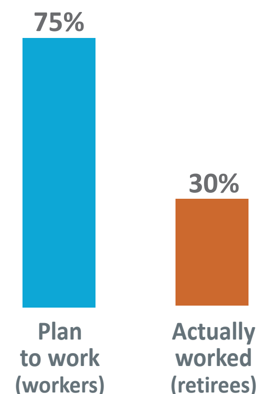
This hypothetical example is used for illustrative purposes only. Actual benefits and results will vary.

Waiting to claim Social Security not only could significantly affect your own lifetime benefits, but it may also help a surviving spouse. That's because survivor benefits include any delayed retirement credits you would earn by waiting past full retirement age to claim Social Security.

Continued Employment Earnings

Many people assume that if they don't have enough money to retire when the time comes, they'll just keep working. The reality is that even though 75% of workers think they will work for pay in retirement, only 30% of retirees have actually worked since retiring.

If you claim Social Security before reaching full retirement age and continue to work, your benefits will be reduced if your earnings exceed annual limits.



Source: Employee Benefit Research Institute, 2024

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Developing a Sound Investment Strategy

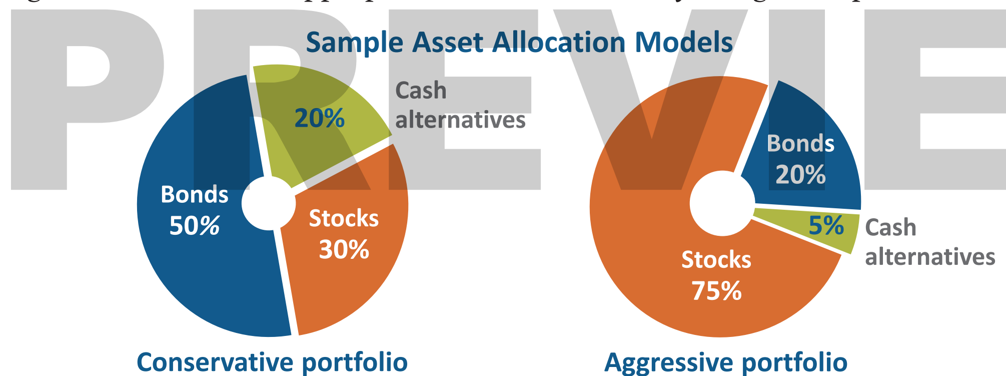
A sound investment strategy takes into account three major variables:

Investment objectives
Time frame
Risk tolerance

Because these variables are unique to everyone, there is no "one-size-fits-all" retirement investment strategy. It's important to make sure that your strategy considers your individual needs and goals, time frame, and risk tolerance.

Asset Allocation

Asset allocation involves strategically dividing a portfolio into different asset classes — typically, stocks, bonds, and cash alternatives — to seek the highest potential return for your risk profile. Sophisticated statistical analysis is used to determine how different asset classes perform in relation to one another, and its goal is to achieve an appropriate balance of security and growth potential.



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The allocations shown are examples, not recommendations.

Choose a Well-Diversified Investment Mix

Cash alternatives for preservation of principal
Bonds for stability and income
Stocks for growth potential
Mutual funds and exchange-traded funds for a variety of goals

The return and principal value of stocks, bonds, mutual funds, and exchange-traded funds (ETFs) fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. Bond funds are subject to the same inflation, interest rate, and credit risks associated with their underlying bonds. As interest rates rise, bond prices typically fall, which can adversely affect a bond fund's performance. Investing internationally carries additional risks, such as differences in financial reporting, currency exchange risk, and economic and political risk unique to the specific country. This may result in greater share price volatility. Diversification does not guarantee a profit or protect against investment loss. It is a method used to help manage investment risk.

Mutual funds and ETFs are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company and underlying investments, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

If your risk tolerance changes in retirement, you may want to adjust your portfolio's asset allocation — for example, by reducing exposure to growth-oriented investments or increasing the proportion of fixed-income investments.

Rebalancing a portfolio typically involves buying and selling investments, which could have tax repercussions.

Asset allocation and diversification do not guarantee a profit or protect against investment loss. They are methods used to help manage investment risk.

Generally, the more potential growth offered by an investment, the more risk it carries.

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Income-Producing Vehicles

Fixed-income investments
Income-oriented mutual funds and ETFs
Dividend-paying stocks
Tax-exempt investments
Income annuities

Managing Your Tax Liability in Retirement

When your income exceeds specific thresholds, a higher percentage of your Social Security benefits will become taxable, and your premiums for Medicare Part B and Part D will be higher.

By arranging to have a mix of tax-free and taxable income in retirement, you generally have more flexibility to manage your overall tax liability and stay under annual income thresholds.

Fixed-income vehicles not only generate income but may help diversify your portfolio by balancing out swings in your stock holdings. With a bond, you should receive regular, fixed amounts of income for as long as you hold the bond, unless the issuer defaults. Bond interest is taxed as ordinary income.

Capital gain distributions from mutual funds and exchange-traded funds (ETFs) held in brokerage accounts are taxed at favorable long-term capital gains rates, unless they result from short-term market transactions (one year or less). ETFs typically generate fewer capital gain distributions than mutual funds, which may make them somewhat more tax-efficient. Funds that include high dividend or interest-paying securities could result in a higher tax bill.

Tax-exempt investments are free of federal tax and may enable you to minimize your tax liability. Only the earnings portion of annuity payments is taxed as ordinary income.

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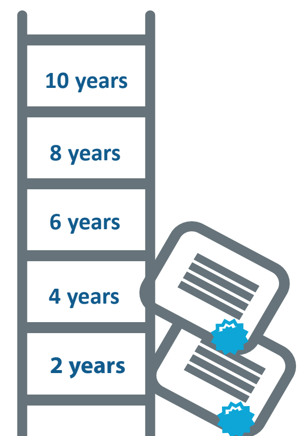
The return and principal value of stocks, mutual funds, ETFs, and bonds fluctuate with changes in market conditions. Shares, when sold, and bonds redeemed prior to maturity may be worth more or less than their original cost. Bonds are subject to inflation, interest rate, and credit risks. As interest rates rise, bond prices typically fall.

Mutual funds and ETFs are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company and underlying investments, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

Structuring a Fixed-Income Ladder

To help manage the risks associated with bonds (and certificates of deposit, which have fixed holding periods), you might consider a ladder, which spreads out the maturity dates over time and may help build a more predictable income stream.

For example, you might purchase five different bonds with maturity dates of 2, 4, 6, 8, and 10 years. As each bond matures, you would reinvest the principal in bonds of longer maturities so that the ladder continues. At the end of the bond term, you will be repaid your loan amount (the principal) in full. Don't confuse bonds with bond funds, which are mutual funds or ETFs without defined maturity dates.



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Dividend-Paying Stocks

- **Dividend stocks can serve double-duty in your portfolio by providing income and an element of potential growth**
- **Qualified corporate dividends receive the same favorable tax treatment as long-term capital gains**

As a shareholder, you receive cash dividends on a regular (often quarterly) basis. You could also receive a specified monthly income in retirement — say $500 — by selling an appropriate number of shares to provide that income stream.

Remember that dividends are paid at the discretion of a company's board of directors. A company's dividend can fluctuate with earnings, which are influenced by economic, market, and political events. Though dividends can increase, there is no guarantee that a dividend will not be reduced or eliminated.

The return and principal value of stocks fluctuate with market conditions. Shares, when sold, may be worth more or less than their original cost.

Consider Your Tax Situation

People in higher tax brackets may benefit from investing in municipal bond funds and tax-free money market funds. These vehicles may help them avoid paying more taxes than they would otherwise.

Is Tax-Exempt Investing Appropriate for You?

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How do you decide whether tax-exempt investing is right for you? This table compares the tax-exempt yield to its taxable counterpart. Generally, the higher your income, the more you can benefit from tax-advantaged investing.

Federal income tax bracket	Tax-exempt yield 2%	3%	4%	5%
10%	2.22%	3.33%	4.44%	5.56%
12%	2.27%	3.41%	4.55%	5.68%
22%	2.56%	3.85%	5.13%	6.41%
24%	2.63%	3.95%	5.26%	6.58%
32%	2.94%	4.41%	5.88%	7.35%
35%	3.08%	4.62%	6.15%	7.69%
37%	3.17%	4.76%	6.35%	7.94%

Taxable equivalent yield

Calculating the Taxable Equivalent Yield	Example	You
1. Take the tax-exempt yield	4 %	____ %
2. Your federal income tax rate	24 %	____ %
3. Subtract your rate from 100% *(1.00 – line 2)*	76 %	____ %
4. Taxable equivalent yield *(line 1 ÷ line 3)*	5.26 %	____ %

The chart and the hypothetical example are used for general illustrative purposes only and do not reflect the performance of any specific investments. Possible state taxes, capital gains taxes, and alternative minimum taxes are not considered. Actual results will vary.

This formula is only one factor that should be considered when purchasing securities and is meant to be used only as a general guideline when calculating the taxable equivalent yields on municipal bonds and agency securities. Rates of return will vary over time, especially for long-term investments.

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Creating Your Own "Pension" with an Annuity

Annuities can be used to provide a reliable income stream in retirement, similar to a traditional pension. They are flexible, insurance-based contracts designed specifically to provide a consistent income stream — either for a set number of years or for life. By offering the option for guaranteed lifetime income, they provide longevity protection.

There are two basic types of annuities. Each is used for distinctly different purposes.

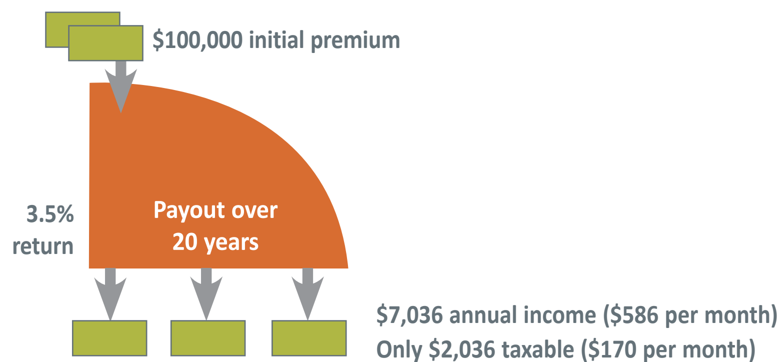
Deferred annuities are designed for long-term accumulation, and the income you receive is postponed to some future date.

Immediate annuities are designed to provide income right away. Once you pay the premium, you will begin receiving a regular income, which is guaranteed by the issuing insurance company.

How an Immediate Annuity Works

An immediate annuity is an attractive financial vehicle when people retire. It offers the option for a guaranteed lifetime income. The contract can last for the duration of two lives, providing payments while you and your spouse (or selected individual) are alive, and continuing payments to the surviving spouse (or selected individual) for the rest of his or her life.

Here's a hypothetical example of how an immediate annuity might work.



This hypothetical example is used for illustrative purposes only and does not reflect the performance of any specific annuity. It does not consider the effects of sales charges or other expenses. Actual results will vary. The guarantees of fixed annuity contracts are contingent on the financial strength and claims-paying ability of the issuing insurance company. If the annuity owner (and/or selected beneficiary) dies before receiving all of the payments, the remaining payments would be paid to the named beneficiaries.

Generally, annuity contracts have fees and expenses, limitations, exclusions, holding periods, termination provisions, and terms for keeping the annuity in force. Surrender charges may be assessed during the early years of the contract if the annuity is surrendered. Withdrawals prior to age 59½ may be subject to a 10% federal income tax penalty. Any annuity guarantees are contingent on the financial strength and claims-paying ability of the issuing insurance company.

QLAC

A qualified longevity annuity contract (QLAC) is a specific type of deferred income annuity purchased in an IRA or a qualified employer-sponsored retirement plan such as a 401(k).

Guaranteed lifelong income payments are delayed until you reach a specific age, up to 85. Because the annuity income is deferred, the payouts are typically much higher than they would be if the annuity income was received immediately.

A QLAC is limited to $200,000, adjusted for inflation. In 2025, the limit is $210,000. Payments can begin any time after age 70½ but no later than the first day of the month following your 85th birthday.

QLAC payments are generally fully taxable, unless a portion of the distribution represents a return of after-tax contributions, whereas only the earnings portion of nonqualified annuities is taxable.

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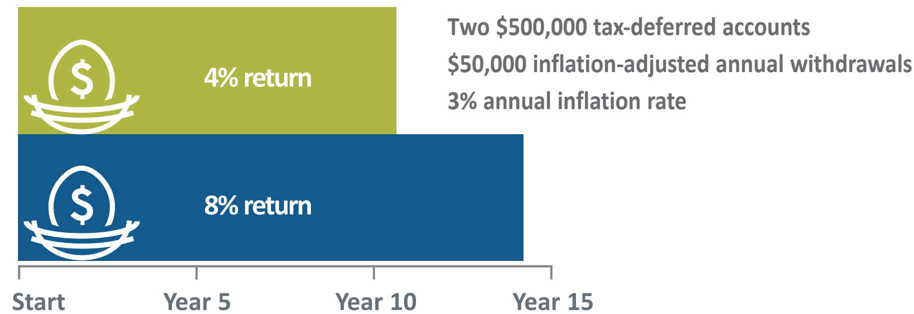
How Long Would a Retirement Portfolio Last?

Before you can make any decisions about tapping your retirement assets, it might help to see how several factors can influence a portfolio's staying power. These factors include the original value of the portfolio, inflation, actual investment returns, tax rates, and annual withdrawal amounts.

This simplified example compares two tax-deferred portfolios earning different rates of return to show how long $500,000 might last in retirement. As you can see, a higher return has a huge impact on how long retirement funds will last.



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The tables below show how long it would take to exhaust different retirement account accumulations based on different initial withdrawal dollar amounts, assuming the same 4% and 8% rates of return.

4% rate of return

Initial Annual Withdrawals	Account Value $250,000	$500,000	$750,000	$1,000,000
$ 25,000	10 years	23 years	36 years	over 50 years
$ 50,000	5 years	10 years	16 years	23 years
$ 75,000	3 years	7 years	10 years	14 years
$100,000	2 years	5 years	8 years	10 years

8% rate of return

Initial Annual Withdrawals	Account Value $250,000	$500,000	$750,000	$1,000,000
$ 25,000	14 years	over 50 years	over 50 years	over 50 years
$ 50,000	6 years	14 years	26 years	over 50 years
$ 75,000	3 years	8 years	14 years	21 years
$100,000	2 years	6 years	9 years	14 years

Assumes a 3% annual increase in withdrawals to compensate for inflation.

These hypothetical examples are used for illustrative purposes only and do not reflect the performance of any specific investment. They do not consider any investment fees or expenses or the effect of taxes on distributions. Rates of return will vary over time, particularly for long-term investments. Investments seeking to achieve higher rates of return involve greater risk. Actual results will vary.

These tables provide a rough estimate of how long different savings amounts might last in retirement. The years represent complete years before funds would be depleted sometime in the succeeding year.

A more comprehensive cash-flow analysis will take into consideration all sources of income and expenses.

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Assess Drawdown Strategies

There's no "perfect" strategy to draw down your assets. The decisions you make will largely depend on three factors:

- **The value of your portfolio when you retire**
- **Actual investment returns** (which cannot be guaranteed)
- **Amount and timing of withdrawals** (a factor you *can* control)

Before converting your retirement savings into an income stream that is designed to last throughout your lifetime, you should assess the pros and cons of different drawdown strategies, which might include the following methods.

Life-expectancy method
4% rule
Three-tiered strategy

Yield Matters

Earning a hypothetical 2% annual rate of return, a $100,000 portfolio would be worth $148,595 in 20 years.

Earning a hypothetical 10% annual rate of return, the same $100,000 portfolio would be worth $672,750 in 20 years.

This hypothetical example of mathematical principles is used for illustrative purposes only. It does not take into consideration investment fees and expenses or taxes, which would reduce the performance described if they were included. Actual results will vary.

Life-Expectancy Method

With this method, you would withdraw an increasing percentage of your portfolio each year based on your life expectancy. Basically, you would divide your total portfolio by your life expectancy.

For 25-year life expectancy, you would withdraw 4% (100% ÷ 25 = 4%)
For 20-year life expectancy, you would withdraw 5% (100% ÷ 20 = 5%)

To determine your life expectancy, you might refer to the IRS life expectancy tables for determining required minimum distributions from retirement plans. There are three tables to choose from in IRS Publication 590-B, *Distributions from Individual Retirement Arrangements (IRAs)*.

The advantage to the life-expectancy method is that it uses a percentage of your savings that increases each year, which can help address the rising cost of living. Theoretically, your portfolio will never be depleted.

The disadvantage is that poor market performance can reduce the income amount in any given year. In addition, you might have lower income in the early retirement years, when you might be most active, and higher income later in life.

To help manage income variances from year to year, you could apply a ceiling and/or a floor to the change in your withdrawal amount.

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Choose a Distribution Method for Tapping Assets

4% Rule

The premise of this method is that if you withdraw 4% of your total account value in the first year of retirement and adjust the amount each year for inflation, your assets could last about 30 years. Some analysts think 4% is too high, whereas others think it may be too low. In either case, it's a reasonable starting point.

The 4% rule strives to provide a consistent level of income, adjusted each year to meet the rising cost of living. But it doesn't consider how a market downturn, taxes, or the need to withdraw more money in a given year could affect the strategy's success.

Withdrawal Decisions

Adjusting your withdrawal rate could help your portfolio last longer.

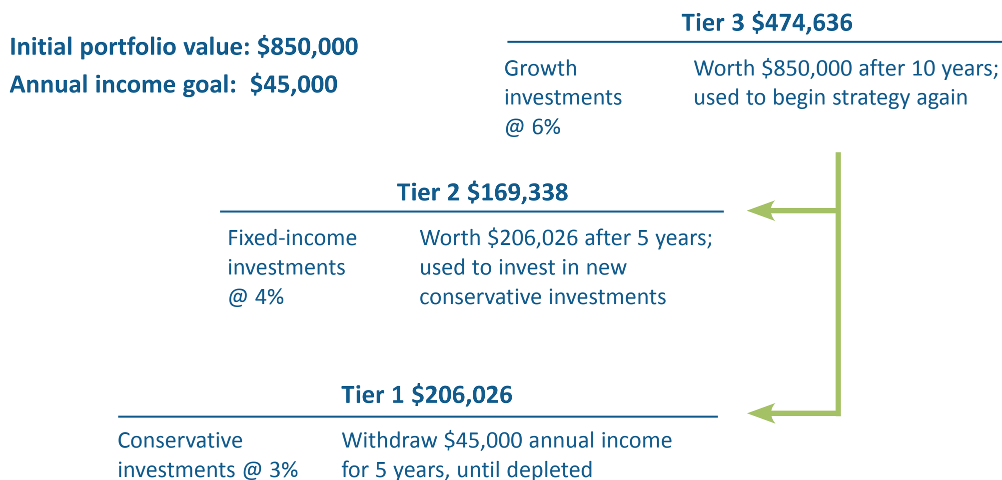
Three-Tiered Strategy

As the name implies, you divide your portfolio into three tiers. For the short term (Tier 1), you estimate how much you might need to live on over the next two to three years and invest that money in conservative assets such as cash alternatives.

For money you would need over the medium term (Tier 2), from three to 10 years, you would invest primarily in fixed-income vehicles that offer the potential for moderate returns but also come with some price volatility. And for money you wouldn't need for a decade or more (Tier 3), you might invest in more aggressive investments to provide future growth potential.

Throughout your retirement, you would periodically shift assets from the long- and medium-term tiers downward to provide for your short-term needs.

The advantage of this strategy is that it divides distributions into manageable steps, offering a way to balance both current and future growth needs. The disadvantage is that it may be challenging to coordinate using multiple retirement accounts with different tax considerations. Here's a hypothetical example.



This hypothetical example is used for illustrative purposes only and does not represent any specific investments. Taxes, fees, expenses, and other expenses are not considered. Investments seeking to achieve higher rates of return also involve a higher degree of risk. Actual results will vary.

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Identify What to Spend First

This decision isn't easy because it involves weighing the tax consequences, opportunity costs, and even emotional implications of liquidating each asset in your portfolio. Further complicating the issue is that you may have an assortment of taxable, tax-deferred, and tax-free accounts to draw from. You want to implement a tax-efficient strategy to avoid paying more taxes than you might otherwise.

Taxable before tax deferred. One strategy is to spend *taxable* accounts before dipping into *tax-deferred* and *tax-free* accounts. Taxable savings and investments generally refer to individual stocks, bonds, mutual funds, CDs, and bank savings accounts. Consider using assets with the highest cost basis first. If you are financially able to leave tax-deferred assets untouched, you can potentially extend their tax-advantaged growth.

Winners vs. losers. Another common strategy is to consider liquidating "winners," or highly appreciated assets, before you spend "losers." Capital losses incurred in previous years can be used to offset capital gains taxes that could result from the sale of appreciated assets.

Leaving an inheritance. If your goal is to leave an inheritance, you might not want to sell some highly appreciated assets (such as property or shares of stock) that you want your family to inherit. If you continue holding these assets, their value would be stepped up to their full market value as of the date of your death. Thus, your heirs would owe capital gains tax only on any appreciation since the time of your death, not on your original basis in the property.

Depending on your needs and goals, you might combine several methods.

Build a Cash Reserve

If you have time to build a safety net of cash reserves that could carry you through the first few years of retirement, you may be able to avoid selling tax-advantaged investments in the event of a down market.

Having this flexibility could give your growth-oriented assets a longer time to recover and potentially grow.

PREVIEW

Retirement Plan Distribution Options

Before making any distribution decisions for the assets you've accumulated in employer-sponsored retirement plans, such as a 401(k) or a 403(b), you should evaluate the main distribution methods that may be available to you.

Keep in original plan

Lump-sum distribution

Systematic withdrawals

Lifetime annuity

Note: A major change in the Setting Every Community Up for Retirement Enhancement (SECURE) Act eliminates the ability of most nonspouse beneficiaries to stretch distributions of inherited IRA and qualified retirement plan assets over their lifetimes. Instead, they will have a maximum of 10 years to liquidate the inherited account. Surviving spouses, disabled or chronically ill beneficiaries, and beneficiaries who are not more than 10 years younger than the decedent can continue to take required minimum distributions of inherited funds over their own lifetimes. Beneficiaries who inherited retirement funds prior to 2020 are not affected by the 10-year rule but must take annual RMDs.

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Choose a Distribution Method for Tapping Assets

Keep money in original plan. This may be an attractive approach if you don't need access to your funds immediately and are comfortable with the costs and investments in your plan. Your retirement funds will continue to accumulate tax deferred until you begin withdrawals or transfer funds to another tax-deferred plan. If you decide to work for another employer, you might be able to transfer assets you've accumulated to your new employer's plan, if the new employer offers a retirement plan and allows a rollover.

Lump-sum distribution. You may decide to cash out with a lump-sum distribution, which would give you total control over your money. You could use it to pay off an existing mortgage, purchase a vacation home, start a business, reinvest in the markets, or any way you like. But the tax implications of this option could be significant in the year of the distribution.

Systematic withdrawals. Some plans will let you take systematic withdrawals, which may be a fixed amount or a fixed percentage of your accumulation at regular intervals. Of course, it's possible that you could deplete your accumulation over time, depending on the amount of your payouts.

Lifetime annuity. This option offers a series of guaranteed regular payments that will last for your lifetime or for the joint lives of you and your specified beneficiary. Taking distributions as a single-life annuity provides the maximum monthly benefit during your lifetime, but your spouse (or selected survivor) would receive no benefit after your death. A joint and 100% survivor annuity would result in a lower monthly income, but your spouse (or selected survivor) would continue to receive the same benefit after your death.

Lifetime annuity payments are not indexed for inflation. If you decide to annuitize, the decision is irrevocable. Guarantees are contingent on the financial strength and claims-paying ability of the issuing company.

Distributions from traditional IRAs and most employer-sponsored retirement plans are taxed as ordinary income and may be subject to a 10% federal income tax penalty if taken prior to age 59½.

IRA Rollover/ Transfer

If you roll over money you've saved in an employer-sponsored retirement plan directly to an IRA, your savings will continue to accumulate on a tax-deferred basis. You would pay ordinary income tax only on withdrawals.

Note: The cost structure for investments in an employer-sponsored plan may be more favorable than those offered in an IRA. Moreover, employer plan assets generally have unlimited protection from creditors under federal law, whereas IRA assets are protected only in bankruptcy proceedings. State laws vary in the protection of IRA assets in lawsuits.

PREVIEW

Which Distribution Method Is Appropriate?

Before you can evaluate which method is appropriate for you, consider these factors:

- **Your age**
- **Liquidity needs**
- **Market volatility vs. preservation of funds**
- **Income needs**
- **Tax situation***

***Current individual income tax rates are scheduled to increase in 2026.**

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Required Minimum Distributions (RMDs)

You cannot defer taxes indefinitely on money you've accumulated in employer-sponsored retirement plans and traditional IRAs. The IRS requires that you take minimum distributions each year once you reach a certain age, whether you need the money or not. The SECURE 2.0 Act raised the RMD starting age to 73 for those born from 1951 to 1959 and to 75 for those born in 1960 or later. If you were born in 1950 or earlier, you are already required to take annual RMDs. If you're still employed, you can usually delay RMDs from your *current* employer's plan until after you stop working.

Required minimum distributions are taxed as ordinary income. Failure to take an RMD could result in a hefty 25% penalty on the amount that should have been withdrawn.* You may need, and can always take, more than the minimum amount each year.

The annual RMD is based on your age, the value of your account(s) on December 31 of the previous year, and your life expectancy. You can use the updated IRS Uniform Lifetime Table (or the Joint and Last Survivor Table, in certain situations) to calculate RMDs for your own situation. IRS tables can be found in Publication 590-B or online at *irs.gov/publications/p590b*.

*The penalty is reduced to 10% if timely corrected, generally by making up the missed RMD in two years (unless the penalty is assessed earlier).

How a QCD Can Reduce RMDs

A qualified charitable distribution (QCD) offers a tax-efficient way to manage required distributions from a traditional IRA while benefiting an eligible public charity.

You must be at least age 70½ to make a QCD; the distribution is limited to $100,000 per year, adjusted for inflation. In 2025, the limit is $108,000.

A QCD must be an otherwise taxable distribution from your IRA, and it can keep your adjusted gross income within a desired range.

Note: You cannot deduct a QCD as a charitable contribution on your income tax return.

PREVIEW

Advantages of a Roth IRA

- **Contributions (not earnings) can be withdrawn at any time, for any reason, tax-free and penalty-free**
- **Qualified distributions of earnings are tax-free and penalty-free**
- **Not subject to RMDs during original owner's lifetime**

Qualified Roth IRA distributions are not included in adjusted gross income, so they won't affect taxability of Social Security benefits, the cost of Medicare premiums, or the net investment income tax. Nor will they affect taxable income, which determines the tax rate on qualified dividends and long-term capital gains.

Generally, a Roth distribution of earnings is considered to be "qualified" if it meets the five-year holding requirement and you are age 59½ or older, become permanently disabled or die (and leave the account to a beneficiary), or use the funds for a qualified first-time home purchase ($10,000 lifetime maximum). Other IRS exceptions may also apply.

Roth IRA conversion. If you believe that high RMDs from traditional IRAs and employer-sponsored plans will push you into a higher tax bracket in retirement, consider the potential benefits of a Roth IRA conversion. Although you must pay ordinary income tax on any pre-tax assets that are converted to a Roth IRA (in the tax year of the conversion), any future growth in the Roth account will be tax-free. By making partial Roth conversions during years when you're in a lower tax bracket, you may be able to help manage the tax liability.

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Figuring Out Your Net Worth

Your net worth is the value of all your assets minus all your liabilities. It provides a snapshot of your overall financial health. By tracking your net worth over time, you might become motivated to save more, spend less, and invest for the future.

Tangible Assets	
Residence	$
Vacation home	$
Furnishings	$
Automobiles	$
Rental real estate	$
Art, jewelry, other valuables	$

Equity Assets	
Qualified retirement funds	$
Stocks	$
Equity mutual funds	$
Exchange-traded funds	$
Variable life insurance (cash value)	$
Variable annuities	$
Limited partnerships	$
Business interests	$

Cash and Cash Alternatives	
Checking accounts	$
Savings accounts	$
Money market funds	$
Certificates of deposit	$
Other cash reserve accounts	$

Debt Assets	
U.S. government bonds and agency securities	$
Municipal bonds	$
Corporate bonds	$
Face amount certificates	$
Debt mutual funds & ETFs	$

Fixed-Principal Assets	
Fixed-interest annuities	$
Life insurance (cash value)	$
Other assets	$
TOTAL ASSETS *(Add tangible assets, equity assets, cash & cash alternatives, debt assets, and fixed-principal assets)*	**$**

Liabilities	
Home mortgage	$
Other mortgage	$
Automobile loans	$
Bank loans	$
Personal loans	$
Student loans	$
Charge-account debt	$
Other debts	$
TOTAL LIABILITIES	**$**

NET WORTH	
Total assets	$
Total liabilities	$
NET WORTH *(Subtract your liabilities from your assets)*	$

Set a goal for yourself.

What would you like your net worth to be in 5 years? $ ____________

What would you like it to be in 10 years? $ ____________

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What to Bring

Please bring the following documents to your complimentary, no-obligation consultation:

1. ____

2. ____

3. ____

4. ____

5. ____

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Your consultation is scheduled for:

____

Date Time

broker-dealer disclosure