

# Turning on Retirement Income



Page 25 of the Workbook



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# When ?

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# 55

- IF you leave the company in the year you turn 55, no 10% tax penalty applied to withdrawals
- Applies only to your current workplace plan

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# 59 1/2

- No 10% tax penalty for withdrawal of retirement plan pretax balances
- Tax-free withdrawals from Roth accounts (and five years)



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# 62

- Social Security early retirement – benefits may start.
- But monthly payment will be reduced for life.
- Benefits withheld if you keep working and exceed income limits.



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**65**

- Eligible for Medicare



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**65-67**

- Social Security Full Retirement Age - depends on your birth year.
- Earnings limits disappear



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# Full Retirement Age

Full eligibility for Social Security has gradually increased from age 65 to age 67.  
Find your birth year below to determine when you are fully eligible for Social Security.

Birth Year	Full Retirement Age
1937 or earlier	Age 65
1938	Age 65 and 2 months
1939	Age 65 and 4 months
1940	Age 65 and 6 months
1941	Age 65 and 8 months
1942	Age 65 and 10 months
1943-1954	Age 66
1955	Age 66 and 2 months
1956	Age 66 and 4 months
1957	Age 66 and 6 months
1958	Age 66 and 8 months
1959	Age 66 and 10 months
1960 and later	Age 67

The summary contained herein have been obtained from sources believed reliable but are not necessarily complete and cannot be guaranteed.  
Source: [www.ssa.gov/pubs/EN-05-10035.pdf](http://www.ssa.gov/pubs/EN-05-10035.pdf)

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**70**

- Social Security benefits max out.



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# 73

- Required Minimum Distributions (RMDs) begin from pre-tax accounts.
- There are no RMDs from Roth accounts.



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## Turning on Retirement Income

- New priorities, new risks
- Consider available investment vehicles
- Plan your withdrawals



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# New Priorities and Risks



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# What is an Annuity?

**INSURANCE**

- Contract between you and insurer
- You surrender principal for the promise of future monthly income
- People who die early subsidize people who live longer

Francis does not provide legal advice. Annuities are an investment that is subject to risk and can lose money.

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# Turning a 403(b) into a Pension

Monthly income generated from \$500,000

Add to My Report	Average Estimated Quotes Joint Life & Period Certain Options Income Starts Immediately	Est. Monthly Income
<input type="checkbox"/>	Life (2)	\$1,968
<input type="checkbox"/>	Life & 10 Years Certain (2)	\$1,965
<input type="checkbox"/>	Life & 20 Years Certain (2)	\$1,936
<input type="checkbox"/>	Life with Cash Refund (2)	\$1,907
<input type="checkbox"/>	5 Year Period Certain (2)	\$8,201
<input type="checkbox"/>	10 Year Period Certain (2)	\$4,356
<input type="checkbox"/>	15 Year Period Certain (2)	\$3,122
<input type="checkbox"/>	20 Year Period Certain (2)	\$2,534
<input type="checkbox"/>	25 Year Period Certain (2)	\$2,300

Premium \$500,000 (Male 65, Female 65). These quotes are estimates. To get exact quotes, check the "Add to My Report" box next to any annuity options and continue to step 2.

VS

**Continued Investment**

**Rule of thumb:**

**Live on 5% of assets = \$2,083**

**Live on 4% of assets = \$1,666**


Rule of thumb assumes continued investment with 2% better than inflation rate of return with a 3% increase in annual withdrawal rate.

Source: [www.immediateannuities.com](http://www.immediateannuities.com) – Assumes 65-year old married couple in California with option listed. Francis does not provide legal advice. Annuities are an investment that is subject to risk and can lose money.

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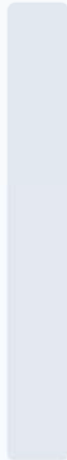
**Once payout begins, annuity balances are paid to beneficiaries upon death.**

0%



True

0%



False

Start the presentation to see live content. For screen share software, share the entire screen. Get help at [pollev.com/app](http://pollev.com/app)

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# Annuities? Maybe Not

Risk of early death



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# Annuities? Maybe Not

Payments usually don't increase over time

# INFLATION

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# Annuities? Maybe Not

Lack of liquidity



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# Annuities? Maybe Not

Difficult to understand



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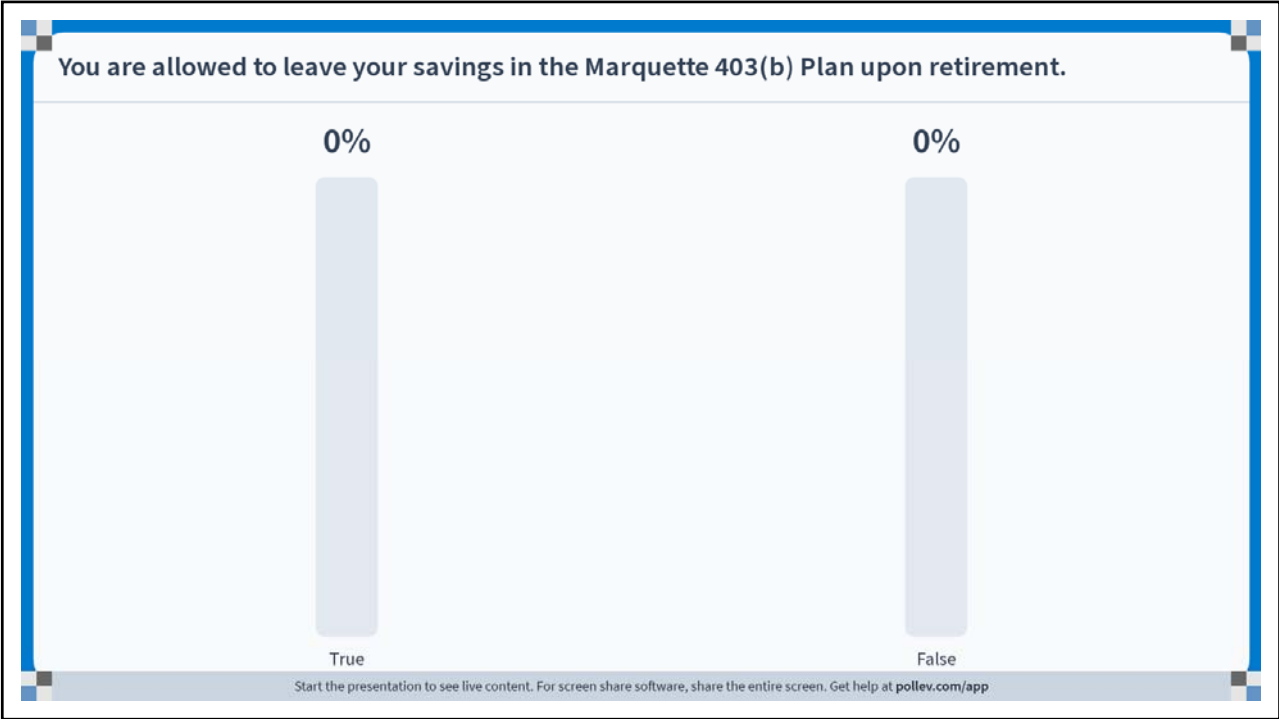
# Annuities Do Cover Expenses



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# Leave Savings in Your Plan

## Pros

- Earlier penalty-free cash distributions
- Preselected investment choices
- Generally, less expensive
- RMD's waived if you keep working

## Cons

- Less convenient withdrawals
- Less investment flexibility

\*Source: The Plan's Summary Plan Description. This document governs all plan rules. Francis does not provide legal advice.

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# Roll Over Savings to IRA

## Pros

- Virtually unlimited investment options
- More flexible payment methods
- May consolidate accounts

## Cons

- More effort required
- May be more expensive
- Less protection from creditors
- Need to hire an advisor?

\*Source: The Plan's Summary Plan Description. This document governs all plan rules. Francis does not provide legal advice.

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## Plan and Control Withdrawals

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## How Long Will Your Money Last?

Pull out 8% per year –	Money lasts 14 years
Pull out 7% per year –	Money lasts 16 years
Pull out 6% per year –	Money lasts 20 years
Pull out 5% per year –	Money lasts 25 years
Pull out 4% per year –	Money lasts 30 years

Assumes 5% annual return and 3% annual increase in withdrawal for inflation adjustment. For illustration purposes only.

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# Using the Bucket Method



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## Many IRA Provider Options



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# Q&A

**Thanks!**

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