

Managing Wealth in Retirement

According to a 2005 study, more than half of new retirees experienced a significant growth of their total wealth between 1992 and 2002.¹

But how much money is enough? Considering that your retirement could easily last three decades or more, it's important to be prepared for the long haul.

Calculate the Cost

The first step is to make realistic assumptions about the cost of retirement. Half of today's workers believe they will be able to survive on 70 percent or less of their pre-retirement income. But more than half of today's retirees say they need 95 percent or more of their previous salary.²

The discrepancy might be due in part to higher-than-expected health-care expenses, which are difficult to predict with any certainty. For the past several years, health-care costs have far outpaced general inflation.

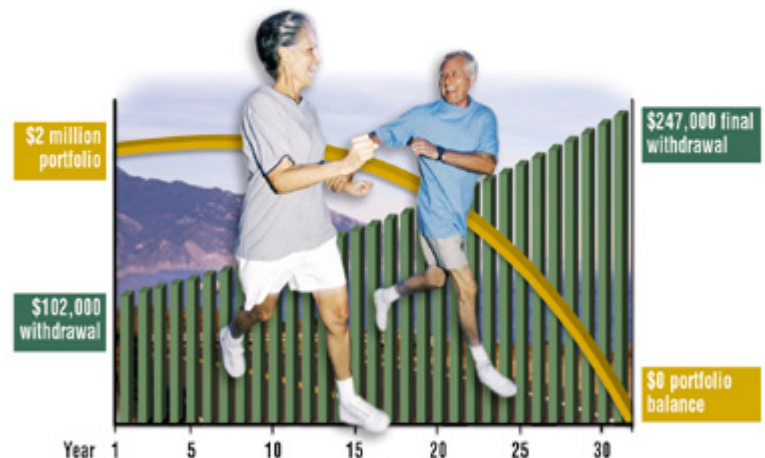
It's critical for retirees to take inflation into account. As the accompanying chart shows, inflation can significantly affect the amount of money retirees need to withdraw each year in order to maintain their standard of living.

Take Control

Once you have an idea of what retirement costs, you can determine where you stand in terms of savings and how much you can feasibly withdraw each month. This is a complex

Keeping Pace with Inflation?

Because the cost of living rises, you might need more cash toward the end of retirement to maintain your lifestyle. In this example of a \$2 million portfolio (earning a 6% rate of return), withdrawals beginning at \$102,000 and adjusted 3% per year for inflation could grow to about \$247,000 after 30 years (depleting the portfolio).



This hypothetical example is used for illustrative purposes only and does not represent any specific investment. It does not consider investment fees and expenses or the effect of taxes on distributions. It assumes a 3% inflation rate and a 6% rate of return. Rates of return will vary over time, especially for long-term investments. Actual results will vary.

task that requires careful consideration of a number of variables, including expected earnings and inflation.

Estimating how much you can spend each month will give you added control over the depletion of your savings. If you suffer losses or gains to your portfolio, your withdrawals can be adjusted accordingly.

After examining your savings and future expenses, you might find that your portfolio needs some modification – either to better safeguard what you have or to help bolster your savings to meet oncoming needs. Allocating assets appropriately for your financial situation in retirement can help you preserve your purchasing power and manage the ups and downs of the financial markets.

Everyone has sunny visions of what retirement should be. Careful preparation can help increase your chances of living out those visions.

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1) Employee Benefit Research Institute, 2005

2) 2006 Retirement Confidence Survey, Employee Benefit Research Institute