

# Retirement income planning



Wealth  
Management

## Issues/process/strategies

Creating income from your portfolio is fundamentally different than building wealth. Therefore, it is important to address the issues retirees face by creating a process to help keep you on track, and implementing proven strategies to make adjustments along the way

### Risks in retirement

#### Longevity

A couple age 65 has a 47% chance that one will live to age 90 and 20% chance one will live to 95.<sup>1</sup>

#### Inflation

A 3% inflation rate will reduce the purchasing power of \$50,000 to \$23,880 in 25 years.

#### Market

**Sequence of returns** — Low or negative returns have the greatest impact to a portfolio early in retirement.

**Volatility** — Having to sell when markets are down can prematurely deplete your portfolio.

#### Health care

**Medical expenses** — On average, a 65-year-old couple retiring in 2018 will need \$404,253 to pay for medical expenses throughout their retirement.

**Rising costs** — Health care costs have been rising faster than the rate of inflation, averaging 4% - 5% annually.<sup>2</sup>

**Long-term care** — For couples over age 65, there is a 70% chance one partner will need long-term care.<sup>3</sup>

### Choices in retirement

**Social Security** — When should you take it and what strategies are available?

**Medicare decisions** — What are the right options and costs for your circumstances?

**Spending** — What expenses are essential or discretionary?

**Portfolio** — Your portfolio will change from just growing your assets to creating both income and growth while protecting from market risks.

**Tax considerations: Investments, asset placement and managing distributions** — From the investments you choose, to the account type they are placed in to the order of distribution from the different accounts.

**Employer plans and pension** — Should you take a lump sum or pension payments?

**Emotion** — Having strategies to avoid selling low and buying high.

### Retirement income planning process

Step one: Analyze your retirement needs

Determine retirement goals, identify income sources and understand cash flow needs.

Step two: Build a foundation

Determine the gap between your assured income and living expenses to create a personal pension.

Step three: Establish a withdrawal strategy

Have a strategy to create your retirement income that strives to optimally harvest from your portfolio in a tax-efficient manner.

Step four: Implement products and solutions

Design a portfolio that will balance the income needed today and throughout your lifetime with the need to grow and protect your investments.

Step five: Review and monitor your progress

Determine if you are on track and what adjustments are needed.

**Investment and insurance products offered through RBC Wealth Management are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.**

<sup>1</sup> 2017 Retirement Health Care Costs Data Report, Healthview Services, 2017

<sup>2</sup> Calculators: Life Expectancy, Social Security Administration, 2017

<sup>3</sup> Longtermcare.gov, U.S. Department of Health & Human Services, 2017.

RBC Wealth Management does not provide tax or legal advice. All decisions regarding the tax or legal implications of your investments should be made in connection with your independent tax or legal advisor.

RBC Wealth Management, a division of RBC Capital Markets, LLC, Member NYSE/FINRA/SIPC. © 2018 All rights reserved.

68296 (10/18)