



## RPC NEWS

A quarterly newsletter  
for Retirement Plan  
Participants

RPC NEWS

## Retirement Savings Tips for Millennials

If you're a millennial, retirement may barely register in your consciousness. Between paying down student loans, trying to take that first step on the housing ladder, or other financial priorities, you may have little time to think much about your life 35 years from now.

However, you shouldn't wait until later to start planning for retirement. Retirement success can depend greatly on getting an early start on saving for your future. Here are some basic tips that can help put you on the path to retirement security.

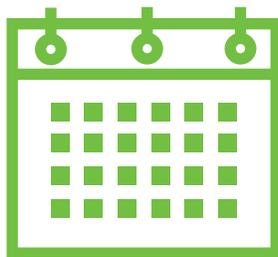
### Live Within Your Means

Tip number one is to spend less than you make. That way, you will have some money left over from your paychecks for other purposes, such as saving and investing.

### Be a Disciplined Saver

Save as much as you can as early as possible. Give yourself a savings target and stick to it. Decide, for example, to save 3% of your income for retirement and increase that percentage every year. It won't be long before you are contributing the maximum allowed for an employer-provided retirement plan. Set aside some or all of any tax refunds, bonuses, and pay raises for an emergency fund and your retirement savings account.

### Understand the Time Value of Money



Compounding is the magic ingredient when it comes to building your retirement nest egg. It is simply the process of earning money on your savings and then earning money on your earnings as well as your savings. The longer your money is invested, the greater the potential benefit from compounding.

### Learn About Investments and Investing

Knowledge is power when it comes to investing. If you feel you lack the patience to study investing, see if your employer's plan has a target date retirement fund you can consider.



### Focus on Your Goal

Remember, saving and investing for retirement is a long-term goal. Have a plan and stick with it. Stay focused on your long-term goal of retirement security and don't let short-term market changes knock you off course.

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## Frequently Asked Retirement Income Questions

### When should I begin thinking about tapping my retirement assets and how should I go about doing so?

The answer to this question depends on when you expect to retire. Assuming you expect to retire between the ages of 62 and 67, you may want to begin the planning process in your mid-to-late 50s. A series of meetings with a financial professional may help you make important decisions such as how your portfolio should be invested, when you can afford to retire, and how much you will be able to withdraw annually for living expenses.<sup>1</sup> If you anticipate retiring earlier, or enjoying a longer working life, you may need to alter your planning threshold accordingly.

### How much annual income am I likely to need?

Financial professionals typically suggest that many people are likely to need between 60% and 80% of their final working year's income to maintain their lifestyle after retiring. But low-income and wealthy retirees may need closer to 90%. Because of the declining availability of traditional pensions and increasing financial stresses on Social Security, future retirees may have to rely more on income generated by personal investments than today's retirees.

### How much can I afford to withdraw from my assets for annual living expenses?

As you age, your financial affairs won't remain static: Changes in inflation, investment returns, your desired lifestyle, and your life expectancy are important contributing factors. You may want to err on the side of caution and choose an annual withdrawal rate somewhat below 5%; of course, this depends on how much you have in your overall portfolio and how much you will need on a regular basis. The best way to target a withdrawal rate is to meet one-on-one with a qualified financial professional and review your personal situation.

### When planning portfolio withdrawals, is there a preferred strategy for which accounts are tapped first?

You may want to consider tapping taxable accounts first to maintain the tax benefits of your tax-deferred retirement accounts. If your expected dividends and interest payments from taxable accounts are not enough to meet your cash flow needs, you may want to consider liquidating certain assets. Selling losing positions in taxable accounts may allow you to offset current or future gains for tax purposes. Also, to maintain your target asset allocation, consider whether you should liquidate overweighted asset classes. Another potential strategy may be to consider withdrawing assets from tax-deferred accounts to which nondeductible contributions have been made, such as after-tax contributions to a 401(k) plan.

If you maintain a traditional IRA, a 401(k), 403(b), or 457 plan, in most cases, you must begin required minimum

distributions (RMDs) after age 72.<sup>2</sup> The amount of the annual distribution is determined by your life expectancy. RMDs don't apply to Roth IRAs.

### Are there other ways of getting income from investments besides liquidating assets?

One such strategy that uses fixed-income investments is bond laddering. A bond ladder is a portfolio of bonds with maturity dates that are evenly staggered so that a constant proportion of the bonds can potentially be redeemed at par value each year. As a portfolio management strategy, bond laddering may help you maintain a relatively consistent stream of income while managing your exposure to risk.<sup>3</sup>

In addition, many of today's annuities offer optional living benefits that may help an investor capitalize on the market's upside potential while protecting investment principal from market declines and/or providing minimum future income. Keep in mind, however, that riders vary widely, have restrictions, and that additional fees may apply. Your financial professional can help you determine whether an annuity is appropriate for your situation.<sup>4</sup>

When crafting a retirement portfolio, you need to make sure it is positioned to generate enough growth to prevent running out of money during your later years. You may want to maintain an investment mix with the goal of earning returns that exceed the rate of inflation. Dividing your portfolio among stocks, bonds, and cash investments may provide adequate exposure to some growth potential while trying to manage possible market setbacks.

#### Source/Disclaimer:

<sup>1</sup>Penalty-free "coronavirus-related" distributions (CRDs) may be available in 2020 under the CARES Act.

<sup>2</sup>This age was increased from 70½, effective January 1, 2020. Account holders who turned 70½ before that date are subject to the old rules. The CARES Act waives certain 2020 required minimum distributions (RMDs).

<sup>3</sup>Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Bonds are subject to availability and change in price.

<sup>4</sup>Annuity protections and guarantees are based on the claims-paying ability of the issuing insurance company.

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