Envisioning Your Retirement

- Kim Becker
“FULFILLMENT”

What does it mean and how do you find it?

“RETIREMENT”

What is it today and how do you define it?
You are the architect of your retirement

- Filling your days?
- Days of fulfillment?
- Every day is a Saturday!
How many days might you need to fulfill?

- Average retirement age in America: 63
- Average length of retirement: 18
- Retirement planning horizon: 30

Source: US Census Bureau, labor force participation rates for people ages 40 - 80
4 tips for finding fulfillment in retirement

1. Ask key questions… and answer truthfully
2. Create your purpose
3. Acknowledge this is not “business as usual”
4. Do your research
Ask key questions…and answer truthfully

• Are you ready to leave what you have been doing?
• Are you prepared for the challenges of creating a new life?
• Do you have the resources to create your new life?
• Have you coped well with other transitions?
• Are you patient?
Create your purpose

• Identify and nurture your passion if you have one
• Start “living your dream”
• Expand on what you already know and love
• Talk to everyone you know
• Give each new idea 6 months or more to see if it “sticks”
Consider care of you and your family

- Plan to care for an aging parent
- Consider you might become a caregiver
- Consider you might become the one needing care
Acknowledge this is not “business as usual”

- Expect a transition period – 2 to 5 years
- Create a new identity
- Embrace a new chapter of freedom
- Build and expand your social network
- Take the time to do what you’ve always promised yourself you would do
Where to start?

• Blogs and Books
• AARP


The information contained herein has been provided by the University of California and is solely the responsibility of the University of California.
Where to start?

• UC Retirement Centers
• Emeriti and Retirees’ Associations
• Other happy retirees
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A detailed path that helps you determine how to use your financial resources to generate income to last the rest of your life.
Benefits of a Retirement Income Plan

– Decide when you can retire
– Identify your sources of income
– Prioritize your financial needs vs. wants
– Understand and help minimize key risks
– Stay on track to live the retirement you want
Decide when you can retire
Part 1: What you want

When?
• By choice?
• By need?

Where?
• Downsizing?
• Upsizing?

What?
• Filling your days?
• Days of fulfillment?
Part 2: What you can afford

- Ensure your savings last through retirement
- Achieve the retirement goals and lifestyle you want
- Maintain flexibility for opportunities and emergencies
- Preserve your money for a legacy or inheritance
Identify your sources of income
Traditional retirement income sources

UCRP (pension)
Social Security
UC Retirement Savings Program
Other Savings
Housing and Real Estate

Plans for your home
Rental Income
The gig economy opportunities
Working

- Part-time
- Consulting
- Seasonal work
- Hobbies that generate cash
- Phased retirement
Prioritize your financial needs vs. wants
3 Categories of expenses

- Essential Expenses
- Discretionary Expenses
- Emergency Expenses
Estimated income per month - $2,000
Estimated expenses per month - $7,000
Potential gap per month - $5,000
Understand and help minimize key risks
Longevity Is the Game Changer

There's a 25% chance that you may live a long time

- **Men**: 92 years
- **Women**: 94 years
- **1 of a couple**: 99 years

*1. Society of Actuaries Annuity 2000 Mortality Table, assumes a person is in good health and has reached age 65.*

*2. Society of Actuaries Annuity 2000 Mortality Table, updated to 2015 with Schedule G Adjustments. Figure assumes opposite-sex couple with both persons in good health.*
Know How Much You Can Withdraw Each Year

It’s not as much as you might like

4%  5%  10%
4% guideline when you need income for 30 years

$500,000 \times 4\% = $20,000

Beginning at 72*, you must take required minimum distributions

$500,000 \div 25.6 = $19,531

* The change in the RMD age requirement from 70½ to 72 only applies to individuals who turn 70½ on or after January 1, 2020. Please speak with your tax advisor regarding the impact of this change on future RMDs.
Other investment and income risks

- Preparing for inflation
- Investing for the long-term
- Anticipating health care costs
Stay on track to live the retirement you want
Your initial plan pulls the pieces together

- Risks
- Income Sources
- Goals
- Distributions
Reduce the impact of taxes
Help determine your investments
Adjust your investment mix

A distribution from a Roth 401(k) is tax free and penalty free, provided the five-year aging requirement has been satisfied and one of the following conditions is met: age 59½, disability, or death.
Specific Actions Needed at Specific Ages

50s—Quick Plan
• Write down best estimates
• “Super save”
• Set up an initial planning session with Fidelity

60s—Detailed Plan
• Determine Social Security strategies
• Reassess risk and asset allocation
• Build a detailed financial assessment

65+—Master Plan
• Sign up for Medicare
• Discuss retiree health insurance options with employer
• Prepare portfolio for required minimum distributions
Next steps

- Attend classes available at myUCretirement.com/classes
- Gather your UCRP estimate, UCRSP account balances and Social Security Estimate
- Read articles on income planning at myUCretirement.com
- Schedule a planning session in person or over the phone 800-558-9182
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Important Questions to Ask Before You Claim

- Social Security

5 Important Questions to Ask Before You Claim

- Spencer Richards
5 Important questions

1. When should I claim (vs. when can I claim)?

2. How can I claim retirement benefits?

3. Where do I get information?

4. What do I need to get my benefits?

5. Where does Social Security fit in my plan?
Q1. When should I claim (vs. when can I claim)?
Everyone knows the earliest age to claim, but is that the right time for you?

- How much income do you need?
- What other income sources are available?
- The longer your wait, the higher the benefit
- Consider life expectancy and longevity
Earliest age for surviving spouse benefits

Earliest age to claim

Lock in 25%–30% reduction

Can reduce surviving spouse benefit

PERMANENT REDUCTION IF CLAIMING BEFORE FULL RETIREMENT AGE (FRA)

MEDICARE ELIGIBILITY

Source: Social Security Administration.
Q2. How can I claim retirement benefits?
4 Ways to claim

1. Individual Worker
2. Spouse
3. Ex-Spouse
4. Surviving Spouse
Individual worker

MAXIMIZE BENEFITS at 70?

OTHER RESOURCES AVAILABLE?

CONTINUE WORKING?
Spouse

You are married

Spouse enrolled in Social Security

Maximum benefit: half of spouse’s full benefit

Reduced amount if you claim before FRA
You have a work record and a current spouse

$1,800

SPOUSE’S PIA

$900

50% OF SPOUSE’S PIA

$650

YOUR PIA

$250

SPOUSAL ADDITION

For illustrative purposes only and based on Social Security rules in effect at the time of publication, and subject to change at any time. All figures assumed to be pretax.
Ex-spouse

- Marriage for 10 years
- You have not remarried
- Both at least age 62
- Divorced 2+ years or ex is claiming
Ex’s can claim on each other’s records

Cannot exceed 50% of ex-spouse’s PIA

Reduced payment if you claim before your FRA

Confidentiality:
- Between you and the SSA
- Marriage certificate
- Divorce decree
- Ex’s SSN
- Other required proof and documentation
Surviving Spouse or Surviving Ex-Spouse

Your spouse dies ➔ You “step into his/her shoes” ➔ Your ex-spouse dies

When the higher-earning spouse / ex dies first

if you were married 10+ years and did not remarry before age 60
Survivor benefit considerations:

• Survivor benefits available as early as age 60
• Early claims will be reduced
• Can switch between survivor and individual benefits
• You are responsible for notifying the SSA
Q3. Where do I get information?
Social Security website: SSA.gov
When should you claim SOCIAL SECURITY?

If you are 50 or over, it’s a good time to start thinking about how Social Security fits into your overall plan. The right strategy could mean a significant difference in your retirement benefits, so let us show you an example of how you can get the most for your future.

I WAS BORN

MM/DD/YYYY

SUBMIT
Q4. What do I need to get my benefits?
You must first qualify for Social Security

1. You paid into Social Security
2. You earned at least 40 “credits”
3. Reach age 62
You need to know your Full Retirement Age

<table>
<thead>
<tr>
<th>If you were born in…</th>
<th>Your full retirement age is…</th>
</tr>
</thead>
<tbody>
<tr>
<td>1943–1954</td>
<td>66 years</td>
</tr>
<tr>
<td>1955</td>
<td>66 years, 2 months</td>
</tr>
<tr>
<td>1956</td>
<td>66 years, 4 months</td>
</tr>
<tr>
<td>1957</td>
<td>66 years, 6 months</td>
</tr>
<tr>
<td>1958</td>
<td>66 years, 8 months</td>
</tr>
<tr>
<td>1959</td>
<td>66 years, 10 months</td>
</tr>
<tr>
<td>1960 or later</td>
<td>67 years</td>
</tr>
</tbody>
</table>

Source: Social Security Administration
You need to understand the implications

**Claiming Age**

- Average of your 35 highest-earning years
- Actuaries determine PIA

**Not waiting:**
- Permanent reduction
- As much as 30% less

**Waiting:**
- Increases until age 70
- Up to 32% more
Q5. Where does Social Security fit in my plan?
When you claim Social Security can have a significant impact on your savings

<table>
<thead>
<tr>
<th></th>
<th>Social Security</th>
<th>Your Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>FRA (Full Retirement Age)</td>
<td>$1,800</td>
<td>$2,200</td>
</tr>
<tr>
<td>Age 70</td>
<td>$2,232</td>
<td>$1,768</td>
</tr>
<tr>
<td>Age 62</td>
<td>$1,260</td>
<td>$2,740</td>
</tr>
</tbody>
</table>

Hypothetical example to illustrate how different Social Security claiming dates deliver different income amounts. Assumes FRA is 67. Essential expense need is $4,000 per month.
Deciding when to claim is a key piece of your retirement income plan.

- How long you may live
- Impact on your survivors
- Your overall financial situation
Next steps

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