

# Retirement income planning

Issues/process/strategies



Wealth Management

Withdrawing 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 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 2021 will need \$662,156 to pay for medical expenses throughout their retirement.<sup>1</sup>

**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, taxes play a role in retirement.

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

**Emotion** — It's important to have strategies to avoid selling low and buying high.

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## 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.

<sup>1</sup> 2021 Retirement Health Care Costs Data Report, Healthview Services, 2021

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

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

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