



T.RowePrice

# Retirement Readiness

T. Rowe Price



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# Agenda

- What does Retirement Readiness mean?
- What role will your retirement savings play within the bigger picture?
- Options to consider that impact your income in retirement
- Milestone ages
- Monitor your account
- Q&A

“

re·tire·ment

The action or fact of leaving  
one's job and ceasing to work.

# Retirement



## Replacement income

 **75%**

- Pensions
- Social Security
- Savings
- Wages

T. Rowe Price believes that investors will need 75% of their income in retirement.



88%

of **workers**  
**expect** Social  
Security to be an  
income source

91%

of **current retirees**  
**report** Social  
Security as an  
income source

**84%**

of **workers expect**  
their employer-  
sponsored savings  
to be an income  
source

**48%**

of **current retirees**  
**report** employer-  
sponsored savings  
as an income  
source

“What role will your retirement savings play?

# Retirement savings

How much should I have?

# 15%

rule

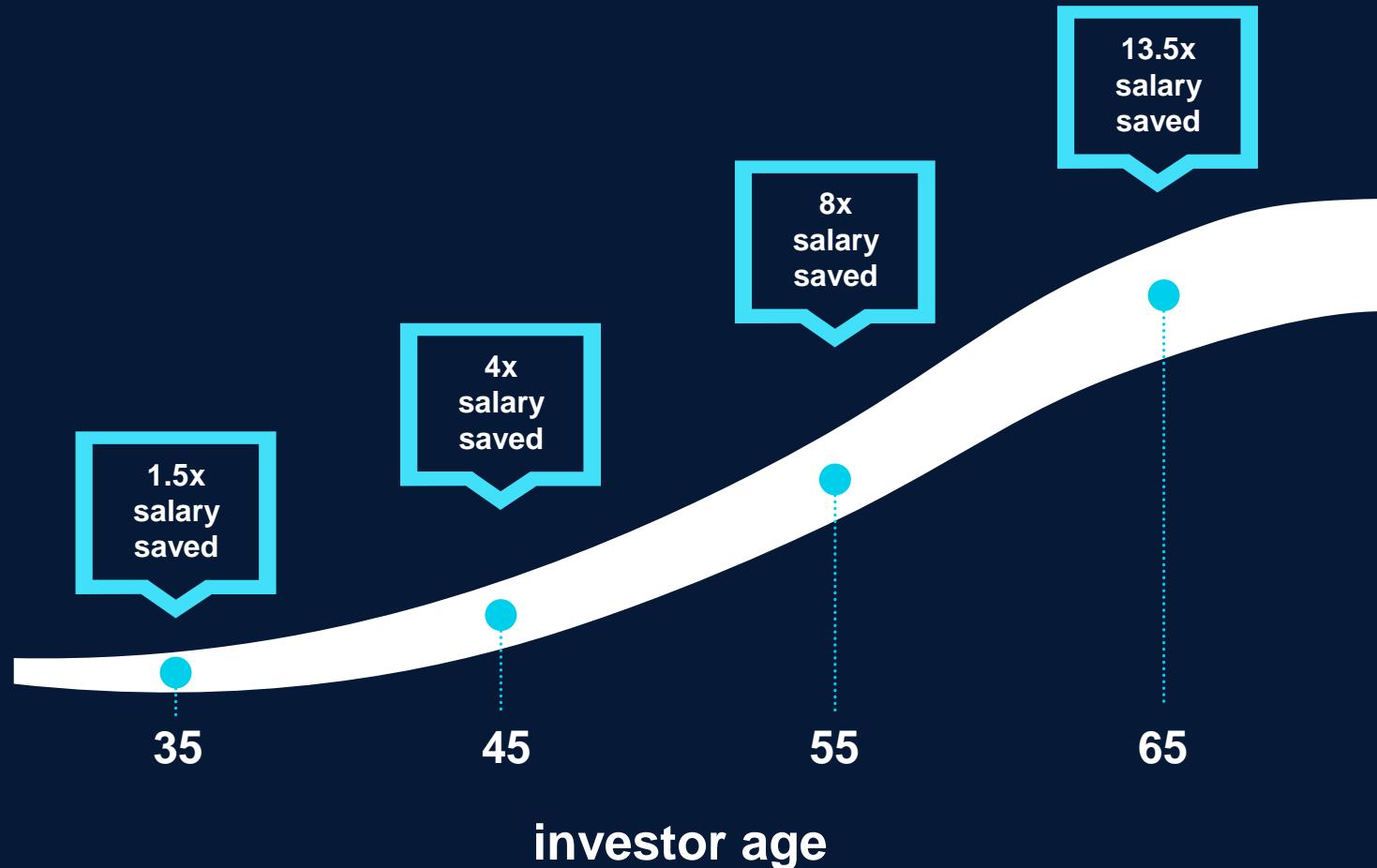
Investors should strive to

**SAVE  
AT LEAST** **6%**

Consider increasing contributions by 2% gradually to build toward the 15% target.

Assumptions: Benchmarks are based on a target multiple at retirement age and a savings trajectory over time consistent with that target and the savings rate needed to achieve it. Household income grows at 5% until age 45 and 3% (the assumed inflation rate) thereafter. Investment returns before retirement are 7% before taxes, and savings grow tax-deferred. The person retires at age 65 and begins withdrawing 4% of assets (a rate intended to support steady inflation-adjusted spending over a 30-year retirement). Ranges are based on individuals or couples with current household income between \$75,000 and \$250,000.

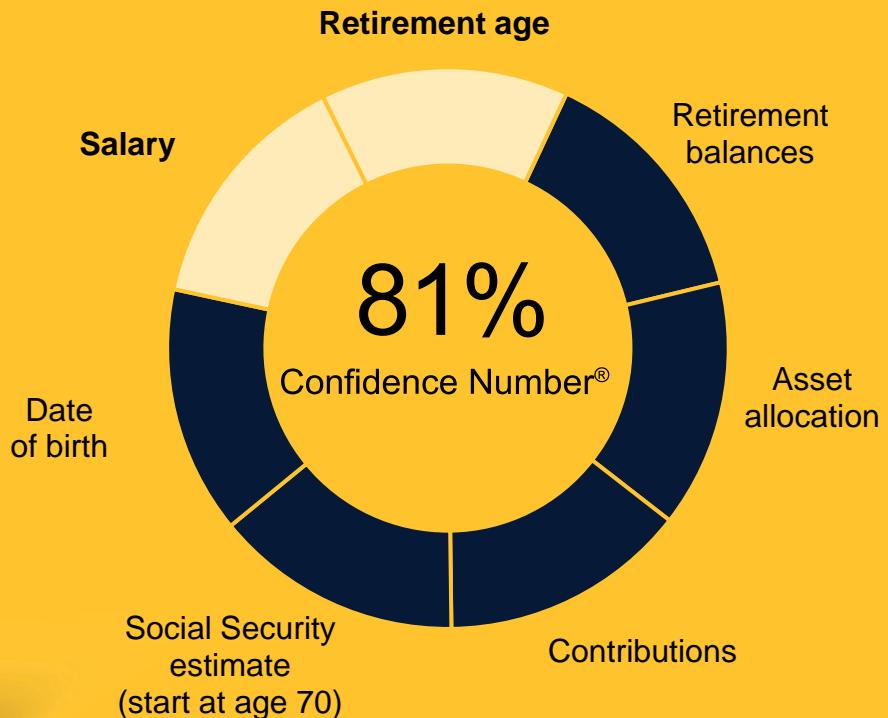
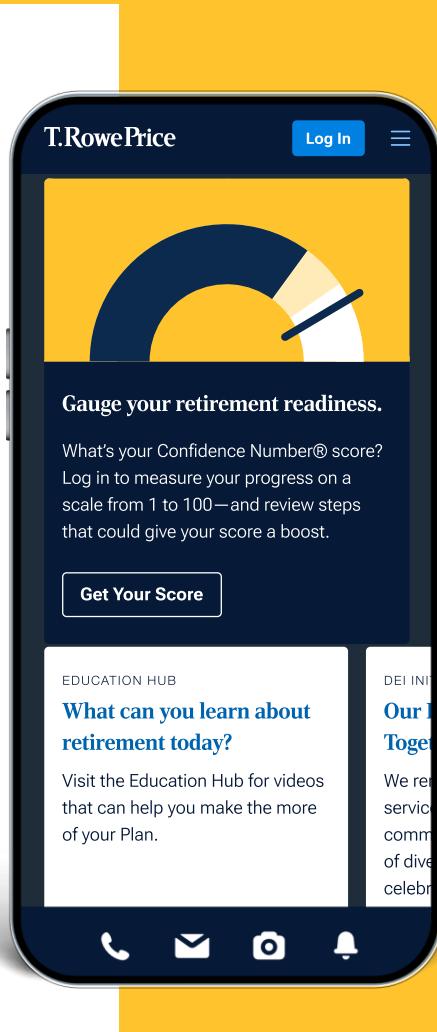
# Savings benchmarks



# Get your Confidence Number® score

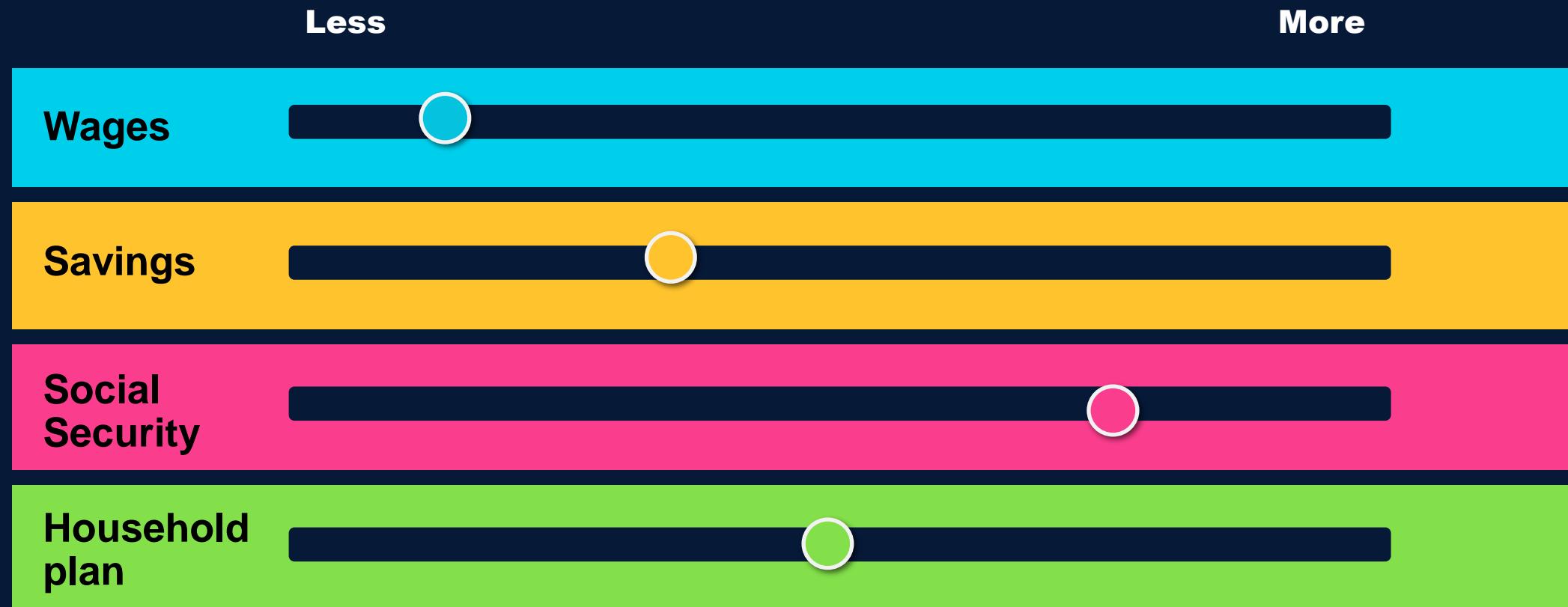
## What does my Confidence Number score mean?

- Your Confidence Number is the likelihood your savings will last through your retirement.
- **We estimate what you'll need.** Unless you've entered a retirement income goal, we estimate the percentage of your current salary required to maintain your lifestyle in retirement, which could last 30 years or more. This amount is based on your spending needs.
- **Then we estimate what you'll have.** We run your salary, retirement age, and account information through 500 market scenarios. Our calculation estimates the percentage of times you'll have enough to meet your retirement income goal throughout retirement. For example, if you end up with enough money in 70% of the scenarios, your Confidence Number will be 70.

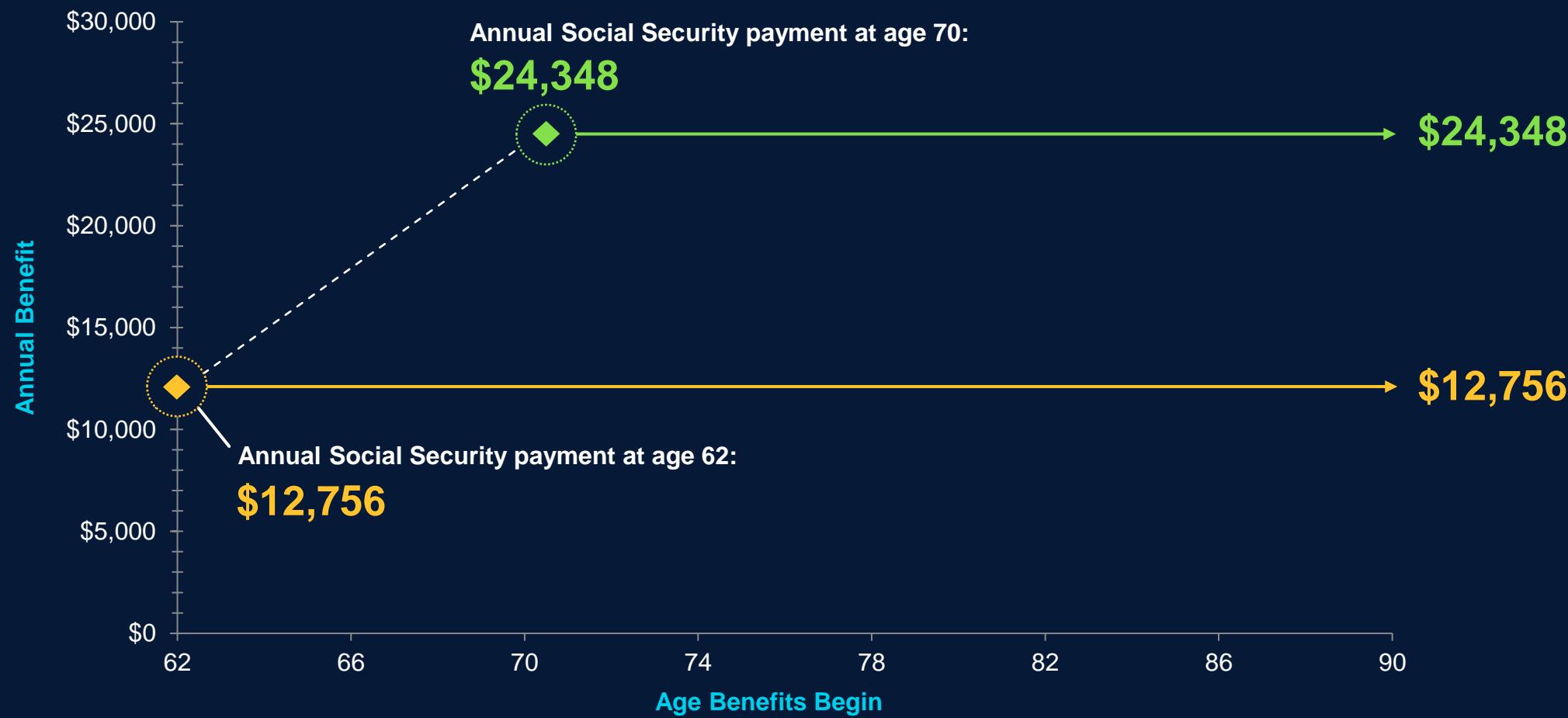


**IMPORTANT:** The projections or other information generated by the Confidence Number score regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. The simulations are based on assumptions. There can be no assurance that the projected or simulated results will be achieved or sustained. Actual results will vary with each use and over time, and such results may be better or worse than the simulated scenarios. Clients should be aware that the potential for loss (or gain) may be greater than demonstrated in the simulations.

# The levers: What can I adjust?



# Impact of delaying Social Security benefits



Social Security payments calculated using the Social Security Administration's Quick Calculator. This assumes an individual who turns age 62 in 2020 (date of birth 1/15/58) who is continuing to work and earning \$50,000 each year until benefits begin. The analysis uses Social Security's default assumptions for prior earnings history. All figures reflect current dollars (no inflation or future earnings increases).

If an individual initiates Social Security benefits prior to full retirement age (66 and 8 months in this example), annual retirement benefits from Social Security are reduced by 6% annually for the first 3 years of early retirement and by 5% for additional years. Waiting past full retirement age adds 8% per year to benefits. The illustration also reflects a small impact from additional years of earnings replacing years with different indexed earnings. These results are for illustrative purposes only and are generic in nature.

Source: Social Security Administration Quick Calculator Benefit Estimates June 2020, <https://www.ssa.gov/oact/quickcalc/>.

You have options



## Your retirement savings

**Address  
current  
expenses**

- Cash distribution

**Defer  
taxes**

- Leave in current plan
- New employer's plan
- Rollover IRA



# Retirement income

First year  
Our rule of thumb



4%

Increase dollar amount  
by 3% in subsequent years  
(based on 3% inflation  
assumption)

# Retirement income: \$500,000 saved



This illustration is hypothetical and not representative of any specific investment or strategy. All investments involve risk, including possible loss of principal. Assumes \$500,000 initial investment, 4% first-year withdrawal, with subsequent years increased by annual inflation of 3%.

# Retirement income



## Multiple sources

Taxable  
accounts

Tax-  
deferred  
accounts

Tax-free  
accounts

Part-time  
work

Real  
estate

# Milestone ages



## Age 50

Eligible for catch-up contributions



## Age 55

Penalty-free withdrawal provision



## Age 59½

10% early withdrawal penalty no longer applies



## Age 62

Eligible for reduced Social Security benefits



## Age 65\*

Eligible for Medicare



## Age 70

Claim Social Security benefits if you haven't already



## Age 73 or 75\*\*

Required minimum distributions

\*Medicare has an initial enrollment period of 7 months: the enrollment period begins 3 months before the month you turn 65, includes the month you turn 65, and ends 3 months after you turn 65.

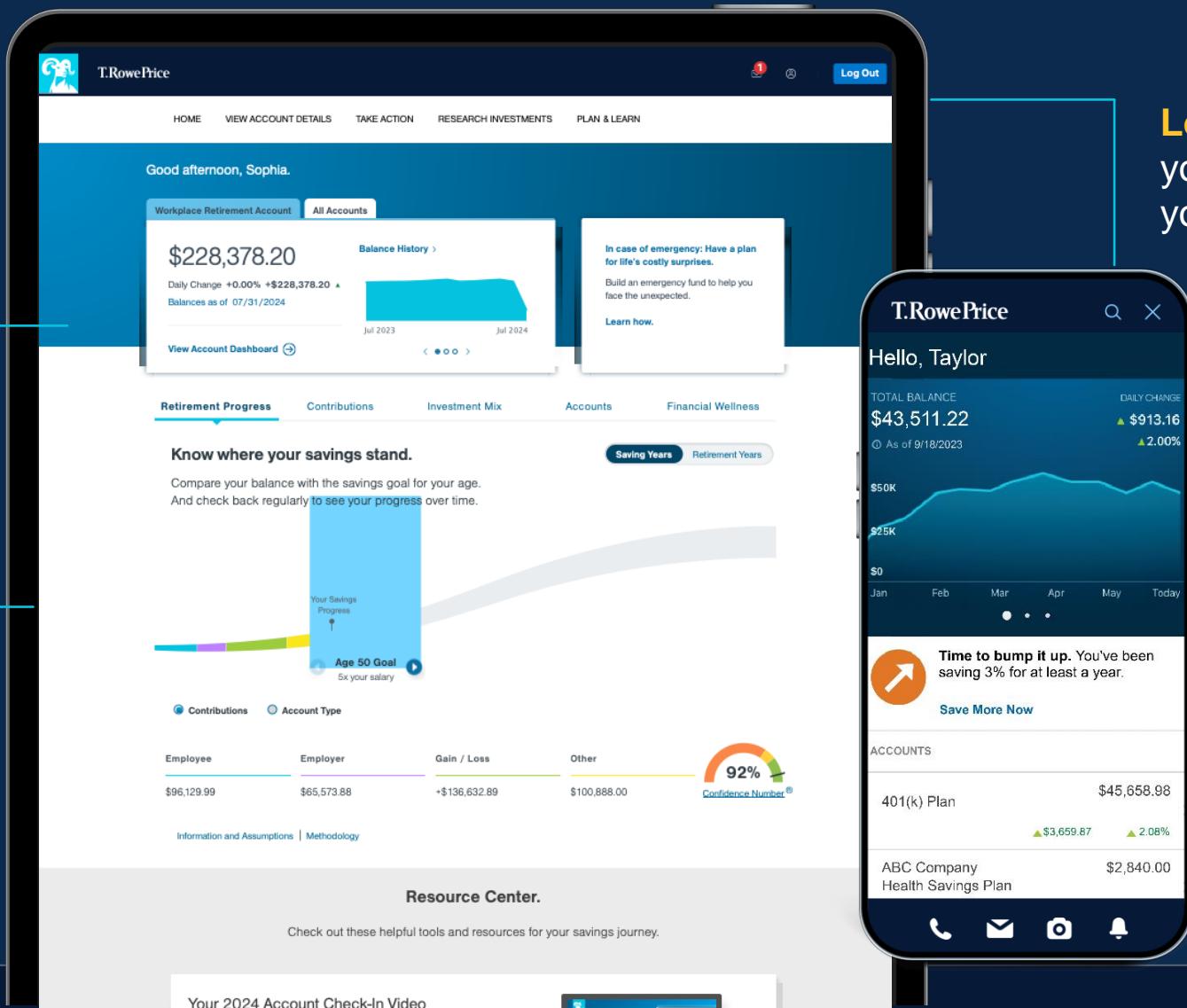
\*\*If you will turn 72 on or after January 1, 2023, your first required minimum distribution (RMD) will not be required until 2024. The new deadline for taking your first RMD is April 1 following the year in which you turn 73 or the year that you stop working for your employer, if later. If you are still employed at that time, your employer may allow you to delay your first RMD until the April 1 following the year in which you terminate employment. If you turned 72 in 2022, you must still take your RMD by April 1, 2023, and continue to take RMDs no later than each December 31 after that. If you turned 72 in 2022 and are still working, you must still take your RMD by the April 1 following the year you no longer work for your employer. If you were born after January 1, 1960, your first required minimum distribution will be April 1 following the year in which you turn 75 or the year that you stop working for your employer, if later.

If you turned 70½ in 2019, you must still take your RMD by April 1, 2020, and continue to take RMDs no later than each December 31 after that. If you turned 70½ in 2019 and are still working, you must still take your RMD by the April 1 following the year you no longer work for your employer.

# Monitor your account

Quickly view and access accounts and balances

Check in on your progress toward retirement



**Log in** wherever you are, whatever your device

**Tips and tools** to help you plan for retirement, save for college, pay down debt, and more

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