5 GROWING RETIREMENT ASSETS
MAKING UP A RETIREMENT SHORTFALL

DELAWARE LIFE®

DELAWARE LIFE DIMENSIONS

RETIREMENT EDUCATION SERIES

Playing the Retirement Catch-up Game

Playing this game begins with filling out a few blanks:

"I'm ________ years old, earn $___________ and have only $__________ in savings."

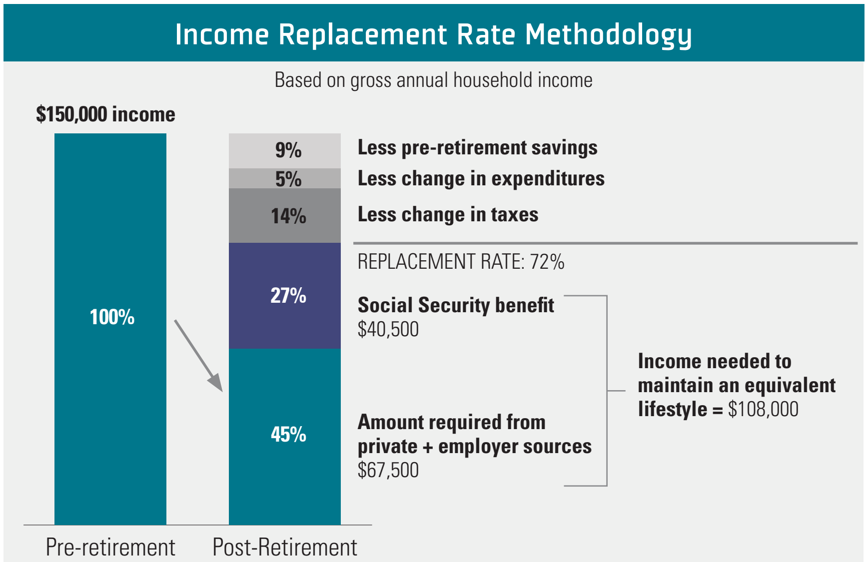
"What are my spouses' retirement goals? How much does he/she have in retirement savings? "

"What must I have to be able to retire at _______ years of age?"

Retirement may be coming up soon or may be a long way off for you, but how do you know if you've saved enough?

First, you need a general idea of how much you expect to spend in retirement. A general rule of thumb used by financial planners is that you'll need at least 70% of your pre-retirement income to meet future retirement expenses.[1]

Less income is typically needed in retirement due to changes in spending and the elimination of FICA taxes and retirement savings.



This hypothetical example is for general illustrative purposes only and does not represent every retiree's situation or experience.

[1] J.P. Morgan Asset Management analysis, 2016. Household income replacement rates are derived from an inflation-adjusted analysis of: Consumer Expenditure Survey (BLS) data (2011-2014); Social Security benefits using modified scaled earnings in 2016 for a single wage earner at age 65 and a spousal benefit at age 62 reduced by Medicare Part B premiums; and 2016 OASDI and FICA taxes. https://www.jpmorganfunds.com/blobcontent/647/343/1272924627455_JP-GTR.pdf

According to the Insured Retirement Institute (IRI), as boomers have moved closer to, and into retirement, their confidence in how ready they are to tackle the challenges of retirement has steadily eroded since 2011.[2]

Many who are not confident in their retirement readiness wish they had done more to prepare, the IRI noted. Only about one in five said they:

- Will have enough money to last throughout retirement
- That they did, or are doing, a good job preparing financially for retirement
- That they will have enough money for health care expenses

Among their top retirement savings regrets were: Wishing they had started saving for retirement earlier (65%) and wishing they had saved more (69%).

Many boomer retirement accounts took a major hit during the historic downturn between 2007 and 2009 that erased nearly $13 trillion in assets from domestic securities and credit market instruments—more than 20% of total portfolio value.[3]

> "ONLY ABOUT ONE IN FIVE SAID THEY WILL HAVE ENOUGH MONEY TO LAST THROUGHOUT RETIREMENT."
>
> –INSURED RETIREMENT INSTITUTE

[2] Insurance Retirement Institute Boomer Expectations for Retirement 2017 Seventh Annual Update on the Retirement Preparedness of the Boomer Generation https://www.myirionline.org/docs/default-source/research/iri_boomers-expectations-for-retirement-2017.pdf

[3] Federal Reserve Board http://www.federalreserve.gov/pubs/ifdp/2013/1088/ifdp1088.htm

The Ups and Downs of Compounding

Since the Great Depression, U.S. investors have largely been able to compound positive performance. Since 2000, however, negative compounding has become an all-too frequent experience—and getting back to break-even has proven challenging.

The corrosive power of negative compounding illustrated below demonstrates just how long it takes to recoup losses following over-exposure to downward market pressures.

Impact of Negative Returns

Start with $10,000

	Example 1		Example 2		Example 3		Example 4		Example 5	
Year 1	10%	$11,000	-10%	9,000	-20%	$8,000	-30%	$7,000	-50%	$5,000
Year 2	-10%	$9,900	10%	$9,900	20%	$9,600	40%	$9,800	50%	$7,500
Required to Breakeven				11.11%		25.00%		43.00%		100.00%

Source: Investopedia http://www.investopedia.com/articles/06/compoundingdarkside.asp The hypothetical illustration is not meant as a forecast of future events or as a statement that prior markets may be duplicated.

The reverse of negative compounding, of course, is the benefit derived from positive compounding, which may have a better chance to thrive if a retirement strategy includes some guarantees that protect retirement savings against market loss. If you need a few moves to counter the downside of a retirement shortfall consider the seven action steps outlined on the following pages—and up your game.

Seven Action Steps for Overcoming a Retirement Shortfall

1

Keep Working

Perhaps not the most desirable position on the retirement game board. Still, for those facing retirement shortfalls, working allows you to contribute to your savings for a few more years. For example, working another three years and saving 15% of earnings during that time could substantially increase one's future income stream.

2

Reduce Spending during Accumulation Years

One of the best ways to save more is to spend less. Setting explicit goals, having a clear understanding of your net worth and carefully tracking expenses are essential to reducing your spending. By modifying spending habits only slightly, you can uncover a significant source of money for your nest egg. This start-small savings principle, or "cappuccino factor,"[4] can add up quickly if you get in the habit of redirecting dollars from discretionary purchases to long-term savings.

Before and After: How Short-Term Savings Can Accumulate Over the Long-Term

BEFORE: Rate of spending before any savings adjustment	AFTER: Rate of spending after savings adjustment	Estimated savings	Growth over 10 years at 4% a year
Weekly car wash	Bimonthly car wash	$24/month $288/year	$3,532
Buy cappuccinos about 20 times a month	Buy a cappuccino 10 times a month	$30/month $360/year	$4,415
Go to the movies twice a month	Go to the movies once a month	$33/month $396/year	$4,857
Order "take-out" numerous times a month	Dine out once a month	$45/month $540/year	$6,623

These hypothetical examples of savings in a tax-deferred account are based on a 4% annual rate of return compounded at the same rate as contributions over a 10-year period and are not meant to reflect the performance of any product. All numbers are in today's dollars. Your own returns may be more or less than these examples, and income taxes and penalties may be due when you withdraw from your account. You may not be able to invest the contribution at the same rate as periodic savings because of minimum requirements. This table is not intended to imply the performance of any product. Investing in this manner and does not ensure a profit or guarantee against loss in declining markets. Calculations based on the following calculator: https://www.dinkytown.net/java/SpendLess.html

[4] Google search https://www.google.com/search?q=cappuccino+factor&rlz=1C1CHTV_enUS525US525&oq=cappuccino+factor&aqs=chrome..69i57.10048851j0j4&sourceid=chrome&ie=UTF-8

Put controls on spending, then redeploy savings to your retirement strategy.

3

Consider Combining an Accumulation Approach with an Income Strategy

Think of a retirement plan as a two-part strategy that combines an accumulation phase and an income phase. By dedicating resources to growing your savings now, you better position your plan to provide a sustainable level of income tomorrow.

4

Delay Receiving Social Security

If you are in reasonably health, try to refrain from receiving Social Security benefits until age 70 to qualify for your highest payout. Such a delay can contribute to your future income stream significantly.

5

Direct Retirement Savings to Tax-Advantaged Vehicles

Reduce your tax liability and make the most of tax-deferred compounding.

6

Temper the Impact of Market Risk on Your Savings

Make sure your retirement strategy has a least some guarantees and provisions against market loss.

7

Consider Talking to a Financial Professional

Different types of strategies involve varying degrees of risk, and there can be no assurance that any one product or strategy will either be suitable or profitable. However, you do not have to play the retirement game alone. Working with a financial professional can help ensure that your retirement nest egg lasts. Depending on your risk tolerance, your financial professional can develop a strategy designed to grow your assets to accommodate your future income needs. They can introduce you to some of the financial options available to you, such as stocks and bonds, exchange-traded funds, mutual funds, annuities, real estate investment trusts (REITs) or other products and strategies.

Right-sizing a retirement strategy can be daunting. Fortunately, you do not have to undertake this alone. Read "Finding a Retirement Lifestyle Expert" in our educational series: Delaware Life Dimensions.

For the Retirement Dimensions in Your Life: Growth Today for Income Tomorrow

If you are like many individuals nearing or entering retirement, you are looking to achieve two primary goals: Accumulate dollars today and receive dependable income tomorrow.

The journey between those goals, however, may involve unwanted risk exposure unless you have adequate information, expert advice and access to proven strategies. One way of securing a sustainable retirement lifestyle strategy to meet your future needs is through the help of a financial professional with a proven, cornerstone financial product like a fixed index annuity (FIA).

An FIA, in effect, is a contract between you and an insurance company that is designed to help you meet your long-term retirement needs. In exchange for your payment of an insurance premium, the insurance company gives you the opportunity to earn additional interest based on the performance of a market index, and pays you income in the future. Guarantees are backed by the financial strength and claims-paying ability of the insurance company issuing the annuity.

Experience Delaware Life Dimensions

Delaware Life Dimensions is designed to help you reach your retirement goals through timely, thoughtful ideas and leading research. This 12-part educational program offers general advice concerning principal preservation, growth and income during retirement. It is not intended as a substitute for a consultation with a qualified financial professional who understands how this information may apply to your specific situation.

Do You Want to Learn More?

Ask your financial professional about other topics in the Delaware Life Dimensions Retirement Education Series, including:

>2 **Planning for Longevity** America's aging population is also its fastest-growing demographic. What pre-retirees need to consider as they look ahead.

>6 **Tempering Market Volatility** With less time to make up for losses, individuals can turn to a strategy that offers principal protection with a chance to grow retirement assets.

>12 **Creating a Predictable Strategy in an Unpredictable World** How fixed index annuities (FIAs) address retirement uncertainty through an exclusive, dependable blend of tax deferral, indexed interest potential and optional benefits for the protection of assets and income.

Is a Fixed Index Annuity Right for You?

You might be a good candidate for an FIA if you agree with any of these statements:

"I want a convenient way to receive predictable monthly payments after I retire."

"I need to find a way to preserve my retirement principal."

"I'm retiring yet still want my money to keep growing while it pays me income."

"I'd like a solution that locks in value I can leave to my heirs."

About Delaware Life

We are dedicated to supporting you with valuable, straightforward solutions that help you save today and provide income for tomorrow. Our current product offerings include fixed and fixed index annuities. Delaware Life Insurance Company manages approximately 342,000 in-force annuity and life insurance policies representing $36.6 billion in assets under management and $14.1 billion of invested assets as of September 30, 2017.

Contact Your Financial Professional Today to Learn More

Delaware Life Insurance Company is authorized to transact business in all states except New York, as well as in the District of Columbia, Puerto Rico and the U.S. Virgin Islands. Delaware Life Insurance Company is a member of Group One Thousand One.

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NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY

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