

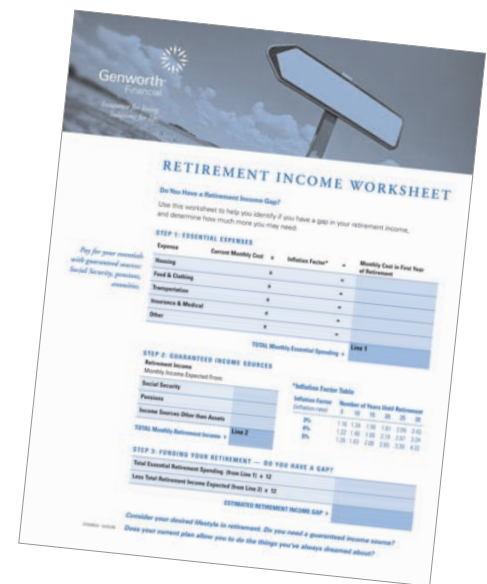
WHAT IS AN INCOME GAP?

In order to create a successful Plan for Living, you must first assess a client's current retirement income plan. The Retirement Income Worksheet can help you provide a clear, easy-to-understand picture of a client's retirement plan – and the potential implications of their choices.

Step 1: Essential Expenses

Many financial experts recommend planning on 70% to 80% of a client's pre-retirement income to pay for living expenses in retirement. Of that amount, 60% typically covers "essential" or fixed expenses.¹ Use this section to estimate clients' expected retirement expenses.

Remember to ask clients what expenses they consider "essential." From golf club memberships to annual vacations – a client's goals are as unique as they are!



STEP 1: ESSENTIAL EXPENSES

| Expense | Current Monthly Cost | x | Inflation Factor* | = | Monthly Cost in First Year of Retirement |
|------------------------------------|----------------------|---|-------------------|---|--|
| Housing | \$1,500 | x | 1.28 | = | \$1,920 |
| Food & Clothing | \$500 | x | 1.28 | = | \$640 |
| Transportation | \$250 | x | 1.28 | = | \$320 |
| Insurance & Medical | \$500 | x | 1.28 | = | \$640 |
| Other | \$100 | x | 1.28 | = | \$128 |
| TOTAL Monthly Essential Spending ▶ | | | | | Line 1 \$3,648 |

Continues on reverse

Remember to evaluate how secure clients' guaranteed sources of income really are.

In an era of declining pension plans can they count on their income to last as long as they do?

Step 2: Guaranteed Income Sources

Your clients have probably spent some time planning for retirement and may have accumulated assets, a pension and social security payments to draw on. Use this section to determine just how much guaranteed income they can count on in retirement.

STEP 2: GUARANTEED INCOME SOURCES

Retirement Income

Monthly Income Expected From:

| | |
|--|---------------------------|
| Social Security | \$2,000 |
| Pensions | \$950 |
| Income Sources Other than Assets | N/A |
| TOTAL Monthly Retirement Income ▶ | Line 2 \$2,950 |

Remember we've only calculated client's essential expenses. Ask clients to describe their desired lifestyle in retirement.

Step 3: Do they have a gap?

It's important to help clients develop a plan to ensure that their essential living expenses will be covered in retirement. If not, they may have to make unexpected adjustments to their lifestyle or risk running out of money. Use this section to illustrate whether their current plan is designed to meet their retirement expectations.

STEP 3: FUNDING YOUR RETIREMENT — DO YOU HAVE A GAP?

| | |
|--|----------------|
| Total Essential Retirement Spending (from Line 1) x 12 | \$43,776 |
| Less Total Retirement Income Expected (from Line 2) x 12 | \$35,400 |
| ESTIMATED RETIREMENT INCOME GAP ▶ | \$8,376 |

Contact your company representative to request more tools and strategies from the Genworth Financial companies to help create a Plan for Living for your clients!

This educational material was developed by the Genworth Financial companies.