

**WIN MAKE GIVE**



**WEALTH  
SERIES**



**PART THREE**

**PLANNING FOR  
RETIREMENT**



# RETIREMENT



“Money is something you got to make in case you don’t die.”

- Max Asnas -

# Part Three - Planning for Retirement

In the Win Make Give Wealth Series Part Two, you learned about how to track your expenses, debt, and income in order to calculate your net worth and know “where you’re at” with the reality check.

Now that you’re equipped with this knowledge and have committed to tracking your net worth moving forward, the next step is to figure out your financial goals for retirement, so you know where you’re headed and if you’re on track to reach that goal.

My follow up question and challenge to you is this: **Figure out how much money you need on an annual basis to live - so that when you retire, that money will come in automatically.**

In this session, we will focus on your retirement and give you the tools and knowledge to figure out exactly how much you need to retire, make a plan to help you earn that amount of money, and reduce expenses if you aren’t on track quite yet.

If you are struggling with any of this emotionally, have questions, or are looking for assistance with the spreadsheets or tools, please join our Facebook Community right away!

Let’s dive in!



**Ben Kinney**

Ben Kinney Companies Founder



# How Much Will You Need to Retire?

Most financial advisers estimate that you will need about 70 percent of pre-retirement income to live comfortably in retirement, including your Social Security benefits, investments, and personal savings. In other words, if you make \$100,000 by the time you retire, you may want to plan to live off \$70,000 per year in retirement.

However, the number that's right for you is determined by factors like your intended quality of life, expenses you can pay off before retirement, and additional streams of income.

How much do you think you will need annually to live on when you retire?

\$

Many of us were raised thinking that we should invest in traditional retirement accounts like a 401(k), IRA, pension's, etc. However, no one teaches us how much we need and how long a certain amount of money will last us through retirement. There are a few important variables to consider when making this calculation:

1. Total balance in your investment accounts at retirement
2. The number of years you plan to be retired before dying (I know, a morbid thought)
3. What your annual estimated rate of return will be in your investment accounts
4. How much you plan to withdraw annually throughout retirement

The rest of this lesson will help you determine how much you need and how that income for retirement will be generated.

# The 4% Rule

The fixed withdrawal strategy, also called “**the 4% rule**”, states that you can withdraw 4% per year from your investment accounts safely and it would sustain you for 30 years or more. There are two ways of using it:

**1.** Since you know your desired annual income from the exercise on the previous page, input that in the first box below and divide it by 4% (.04) to see the total amount of money you’d need to retire.

$$\begin{array}{ccc} \$ \boxed{\phantom{000000}} & / .04 = & \$ \boxed{\phantom{000000}} \\ \text{In annual income} & & \text{In my retirement} \end{array}$$

If you know you need \$100,000 a year in annual income when you retire, divide 100,000 by .04 to find out the total you’ll need to save for retirement ( $\$100,000 / .04 = \$2,500,000$ ).

**2.** You can also start with the amount you have in your retirement (or the projected amount you think you’ll have when you retire) and multiply it by .04 to figure out how much you could safely withdraw annually as income.

$$\begin{array}{ccc} \$ \boxed{\phantom{000000}} & \times .04 = & \$ \boxed{\phantom{000000}} \\ \text{In my retirement} & & \text{In annual income} \end{array}$$

e.g. If you know that you will have \$1 million in your retirement account then multiply that number by 4% ( $\$1,000,000 \times .04 = \$40,000$ )

At this point you’re probably feeling like me and are a little discouraged about how much is required to live off your retirement account for 30 years. DON’T worry. This is why you need a multi-pronged approach to retirement income.

# 4% Rule Retirement Example

This chart starts with the desired annual income needed for retirement divided by .04 in order to establish how much you'd need in your retirement account in order to sustain that income for at least 30 years.

<b>Desired Annual Retirement Income</b>			<b>Total Needed For Retirement</b>
\$10,000	/ .04	=	\$250,000
\$20,000	/ .04	=	\$500,000
\$30,000	/ .04	=	\$750,000
\$40,000	/ .04	=	\$1,000,000
\$50,000	/ .04	=	\$1,250,000
\$75,000	/ .04	=	\$1,875,000
\$100,000	/ .04	=	\$2,500,000
\$125,000	/ .04	=	\$3,125,000
\$150,000	/ .04	=	\$3,750,000
\$200,000	/ .04	=	\$5,000,000
\$250,000	/ .04	=	\$6,250,000
\$300,000	/ .04	=	\$7,500,000
\$500,000	/ .04	=	\$12,500,000
\$750,000	/ .04	=	\$18,750,000
\$1,000,000	/ .04	=	\$25,000,000

# 4% Rule Retirement Example

Here are more examples of the 4% rule. This chart starts with the known balance of your retirement account multiplied by .04 in order to establish how much income would be available over a 30 year period of withdrawals.

<b>Total Needed For Retirement</b>			<b>Desired Annual Retirement Income</b>
\$250,000	X .04	=	\$10,000
\$500,000	X .04	=	\$20,000
\$750,000	X .04	=	\$30,000
\$1,000,000	X .04	=	\$40,000
\$1,250,000	X .04	=	\$50,000
\$1,875,000	X .04	=	\$75,000
\$2,500,000	X .04	=	\$100,000
\$3,125,000	X .04	=	\$125,000
\$3,750,000	X .04	=	\$150,000
\$5,000,000	X .04	=	\$200,000
\$6,250,000	X .04	=	\$250,000
\$7,500,000	X .04	=	\$300,000
\$12,500,000	X .04	=	\$500,000
\$18,750,000	X .04	=	\$750,000
\$25,000,000	X .04	=	\$1,000,000

# Understanding Social Security

Social Security is a program that helps older Americans, workers who become disabled, and families in which a spouse or parent dies. When you work, you pay taxes into Social Security which go into a trust fund that pays people who are getting benefits right now. Any unused money goes to the Social Security trust funds, not a personal account with your name on it.

**Social Security was never meant to be the only source of income for people when they retire. Social Security replaces a percentage of a worker's retirement income based on your lifetime earnings.** You pay Social Security taxes based on your earnings, up to a certain amount.

The amount of your average wages that Social Security retirement benefits replaces varies depending on your lifetime earnings and when you choose to start receiving benefits. If you start benefits at “full retirement age”, this percentage ranges from as much as 75 percent for very low earners, to about 40 percent for medium earners, to about 27 percent for high earners. If you start benefits after full retirement age, these percentages would be higher. If you start benefits earlier, these percentages would be lower.

There is a maximum amount available to be paid for 2020 of \$45,480. Use the link below to get an estimate of your available social security benefits.

The **Social Security Administration Retirement Estimator** gives you an estimated benefit amount based on your actual Social Security earnings record. Try it out at the link below:

[https://www.ssa.gov/benefits/retirement/estimator.html?gclid=EAIaIQobChMI3\\_XLjYLX6QIV4iCtBh1laAJgEAAYASAAEgJvD\\_D\\_BwE](https://www.ssa.gov/benefits/retirement/estimator.html?gclid=EAIaIQobChMI3_XLjYLX6QIV4iCtBh1laAJgEAAYASAAEgJvD_D_BwE)



# Other Sources of Income

Retirement planning is a combination of generating the right amount of income and reducing your expenses so that you can live on less. What CAN YOU do prior to retirement in order to increase your other sources of income in preparation for retirement?

## 1. Rental income

## 2. Second career / part time work

## 3. Other investments / owning a business that continues to run

# Retirement Income Worksheet

Spend some time calculating how you will generate the desired annual income needed for your retirement. Calculate your Social Security benefits. Use the 4% rule to estimate your available annual income from your retirement accounts, and think about alternative sources of income like owning rentals, owning businesses, or a second retirement career.

	MONTHLY	ANNUAL
Social Security Benefits (2020 max. is \$3,790/mo. or \$45,480/year)	_____	_____
Retirement Account Balance (using the 4% rule)		
Est. Balance \$ <input type="text"/>	_____	_____
Rental Property Income	_____	_____
Other Income	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____

**TOTAL MONTHLY =**

\$

**TOTAL ANNUAL =**

\$

**COMPARE TO YOUR DESIRED ANNUAL INCOME =** \$



# Reduce the Amount Needed to Retire

Retirement planning is a combination of generating the right amount of income and reducing your expenses so that you can live on less. What CAN YOU do prior to retirement in order to decrease your expenses (and therefore reduce the amount of income needed) in preparation for retirement?

## 1. Housing

## 2. Automobile

## 3. Other - Medical, Etc

## Part Three Giveaway Question

For those of you participating in the giveaway, make sure to answer this question and save it somewhere you can access later as you will receive a form at the end of the series with a question from each part. This is a requirement for entering to win up to \$5,000 to fund your retirement and help you build wealth.

**Use the 4% rule - if you need \$60,000 a year when you retire, what is the amount you would need in your retirement account?**

**\$ \_\_\_\_\_**

## Preparation for Part Four

- Gather and print your recent bank and credit card statements once more - you'll need them for another highlighting exercise in Part Four.
- Start to think about how much money you could save per paycheck.
- Please join the discussion on the Win Make Give Facebook group. Post your thoughts, comments, and takeaways from the first two lessons.