# YOUR RETIREMENT CHECKLIST: SEE WHERE YOU STAND

People are living longer than they used to — and that means retirement is lasting longer, as well. A 65-year-old man today can expect to live to 82 on average, a woman to 85. What's more, there is a 20% chance that a surviving spouse will live to 95.[1]

## WILL YOU BE FINANCIALLY PREPARED TO ACHIEVE THE RETIREMENT YOU WANT?

> The following checklist can help you take stock of where you stand — and take action on the steps that remain.

- [ ] **Have you thought about what retirement means to you?**
  Do you want to travel? Spend time with your family? Start a business or a new career? Will you relocate — or downsize to a smaller home? To plan realistically for retirement, you'll first need to envision the retirement you want.

- [ ] **Do you have a written plan?**
  Creating a written plan for retirement is a multi-step process, best undertaken with a trusted advisor. The idea is to articulate your retirement goals clearly and draw a roadmap for achieving them. Once your plan is in place, you and your advisor should consider reviewing it together at least once a year and make any necessary adjustments to help keep you on track.

- [ ] **Do you know how much retirement income you will need and where it will come from?**
  Your requirements will depend, of course, on your desired lifestyle. But as a general rule of thumb, you'll likely need to replace about 70% of income earned in your last year working. To gauge how close you currently are to that benchmark, total your projected income sources, such as pensions and retirement plans, investments, Social Security, annuities, earnings from part-time work, and any proceeds from the sale of a home or business.

- [ ] **Are you saving enough of your earnings each year?**
  Regardless of your income level, you may want to set aside 10–20% if it's early in your career, more if you're getting a late start. The good news is that you may be able to set aside less of your pay if you put money into a workplace retirement plan where your employer matches your contributions.

- [ ] **Are your assets invested appropriately?**
  Your retirement assets should be diversified in a way that reflects your life stage, risk tolerance and long-term goals. Generally speaking, the focus of your asset mix should shift from asset growth to preservation as you get closer to retirement. Because investment allocations may "drift" over time, it's important to re-balance your portfolio periodically.

- [ ] **Do you have both an IRA and a 401(k)?**
  There's a common misconception that contributing to a 401(k) plan eliminates the need for an Individual Retirement Account and vice versa. The fact is, you probably don't have to choose: Funding both concurrently, to the extent eligible, increases the maximum amount you can set aside each year while providing the potential for tax-advantaged growth on two fronts.

- [ ] **Are you making catch-up contributions, if eligible?**
  You can contribute up to $5,500 per year to an IRA if you are under 50. But if you turn 50 by the end of the tax year, the IRS allows you to make an additional "catch-up" contribution of up to $1,000. With a 401(k) plan, the allowances are more generous: You can contribute up to $18,000 a year — plus a catch-up contribution of up to $6,000 in the tax year you turn 50.[2]

## ☐ Are you contributing the maximum to your workplace retirement plan?

It's smart to do so — especially if the employer will also pay into the plan. Many employers will match your own contribution up to a set limit. Matching contributions are essentially "free money" that can increase your account size over time.

## ☐ Have you considered setting up a Roth IRA?

Because traditional and Roth IRAs offer separate and distinct advantages, either — or both — could fit into your overall plan. The key difference is that contributions to a Roth IRA are made with *after-tax* dollars. While you won't get a tax deduction, your money has the opportunity to grow tax-free and you won't be taxed on qualified withdrawals. Moreover, a Roth IRA imposes no required minimum distributions (RMDs) during your lifetime. This lets you tailor your withdrawals to your actual income needs — or eliminate them altogether in any given year and let your money keep growing.

## ☐ Are you taking full advantage of all available tax breaks?

Along with tax-advantaged retirement savings plans, there are other less obvious ways to reduce your tax liability, giving you more to set aside for retirement. For example, depending on your Adjusted Gross Income — and subject to certain conditions — you may be able to deduct interest on student loans, investment advisor fees, job-related relocation costs and healthcare premiums.

## ☐ Are your retirement assets inflation-proof?

As inflation happens, purchasing power erodes, and a dollar will buy less than it does today. To preserve the *real* value of your retirement assets, you need to keep it growing at a rate that stays even with inflation or, better yet, outpaces it. If you place any of your money in a savings account or certificate of deposit, it's important that the interest be compounded daily and that the annual percentage yield (APY) be higher than the rate of inflation.

## ☐ Do you have a plan for drawing down your assets?

As people live longer, "longevity risk" — the danger of outliving their money — becomes increasingly real. It is essential to know how much you can withdraw each year without exhausting your retirement assets before you die. Bear in mind, however, that if you have a traditional IRA, you *must* begin taking a Required Minimum Distribution (RMD) each year after you reach age 70½ or be subject to costly penalties.

## ☐ Is your insurance coverage adequate and up to date?

Your healthcare costs will likely increase during your retirement years. According to HealthView Services, a 65-year-old couple in good health will spend upwards of $288,000 over the course of their retirement on healthcare needs.[3] And the U.S. Department of Health and Human Services estimates that 70% of Americans now turning 65 will require long-term care during their retirement. Having the appropriate types and amounts of insurance — notably life, disability and long-term care — can offset the need to deplete your retirement assets to protect your goals or provide for your loved ones.

**For more information on retirement planning, or for help with your retirement plans, call 855-762-4683 or visit the PNC Retirement Center online at www.pnc.com/retirement.**

**1** Society of Actuaries Annuity RP-2014 Total Healthy Annuitant rates, Scale MP-2014. Figures assume you are in good health.

**2** All amounts subject to IRS allowances in any given tax year.

**3** HealthView Services: 2016 Retirement Health Care Costs Data Report.

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