



RETIREMENT READINESS

**How ready
are you?**



What is retirement readiness?

Determining factors:

Social Security

Pension benefits

Retirement plan benefits

Retirement income

Healthcare costs

Emotional readiness



Taking a closer look at your retirement readiness



The big picture

- Retirement income
 - Social Security
 - Healthcare costs
- Retirement budget
- Psychological effects



The details

- Investing principles
- Withdrawal strategy
 - Taxes
 - Inflation
- Where to live
- Long-term care
- Estate planning

Your retirement income

Where can your money come from after you retire, and will you have enough to live the retirement you imagine?



Where your income in retirement can come from

Social Security may not be enough. For many, Social Security will only replace a portion of income in retirement.



Social Security



Pensions and retirement plans



Income from assets



Income from earnings



Other

Many financial planners say you'll need between 70% and 90% of your pre-retirement income to live comfortably in retirement.

(Your Alameda County Deferred Compensation plan could be a good source for that income.)



Do you have enough to retire?

It all depends on your unique situation and goals.

Ask yourself:

- › Am I in a position to stop working?
- › What do my retirement expenses look like?
- › What will my healthcare costs be?
- › Do I plan to have a side job?
- › How and where do I want to live in retirement



2024 IRS limits

Workplace plan

\$23,000

Age 50 or over

+\$7,500

IRA

\$6,500

Age 50 or over

+\$1,000

“Last Three Year” Special Catch-up

- Up to twice the standard limit over three years
- As much as \$46,000 in 2024
- No prior catch-ups with Alameda County or other governmental 457(b) plans

A look at Social Security from 30,000 feet

The amount of Social Security available to you depends on your earnings and when you start taking benefits.

What everyone should know about Social Security

- ▶ Partial benefit: Age 62
- ▶ Full benefit: Age 66 (67 if born in 1960 or later)
- ▶ Each year you delay your benefit increases your benefits by 8% until you reach age 70



A look at monthly Social Security benefits examples

Average annual salary	\$25,000	\$45,000	\$65,000	\$85,000	\$105,000	\$142,800 and up
SAMPLE MONTHLY BENEFIT AT FULL RETIREMENT AGE	\$1,218	\$1,732	\$2,245	\$2,620	\$2,861	\$3,338

**Like most people, you're probably thinking
"I'm going to need more than that."**

Source: 2021 Guide to Social Security.

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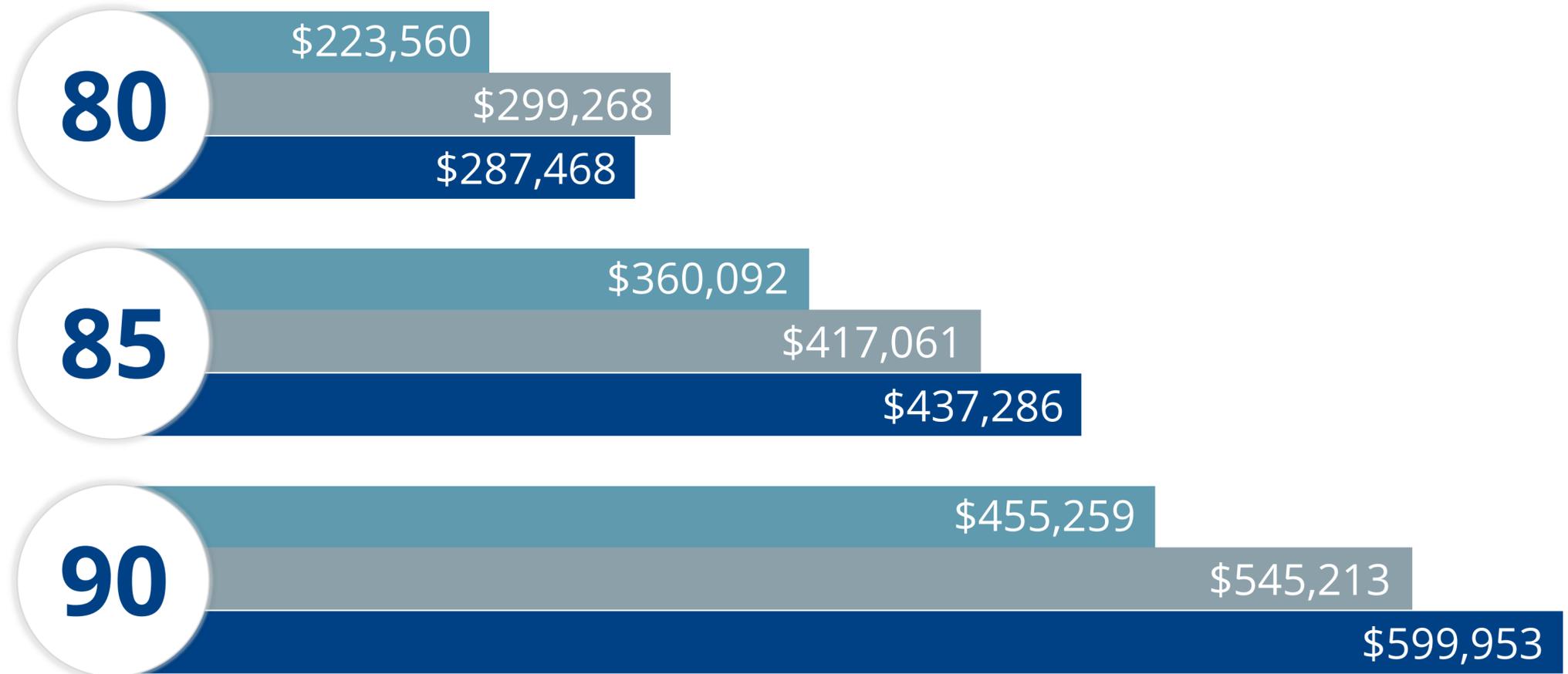
When you start can impact your total income in retirement

If you are in good health and live longer, you may consider waiting to start taking benefits.

Total retirement income if start taking benefits at:



If you live to:



FOR ILLUSTRATIVE PURPOSES ONLY. The example uses an estimated Social Security benefit for a 62-year-old making \$50,000 a year. Estimated benefit taken from ssa.gov calculator. Example assumes a 1.7% annual increase in benefit. Figures are rounded to the nearest dollar amount.

How Social Security works with your pension

Receiving a pension doesn't automatically reduce your Social Security benefits, but it could. Here's what you need to know about the Windfall Elimination Provision.

- ▶ It may reduce Social Security benefits for government employees or people who worked for foreign companies.

It applies if a pension comes from income that wasn't subject to Social

- ▶ Security tax but additional income came from jobs that withheld Social Security tax.



THE BIG PICTURE

Creating your retirement budget

The better the idea you have of your potential **retirement expenses**, the better you can determine what kind of retirement income you might need. Creating a retirement budget is a great first step.



Your spending plan for the future

A retirement budget will help you see where your money will be going.

Benefits of a retirement budget

- ▶ Prioritizes your future spending
- ▶ May help your retirement savings last longer
- ▶ Might help you reach your financial goals



The foundation of your retirement budget

It doesn't have to be complicated. In fact, the basis for your retirement budget can be made up with just three main components.



Your current monthly expenses

Fixed and variable needs vs. wants



Your retirement expectations

The kind of retirement lifestyle you'd like to have



Your expected monthly income

Fixed and variable (Social Security vs. retirement plan withdrawals)

Additional retirement expenses that could be on your radar



Relocation



Home improvements



Vacation



Hobbies



Caring for aging parents



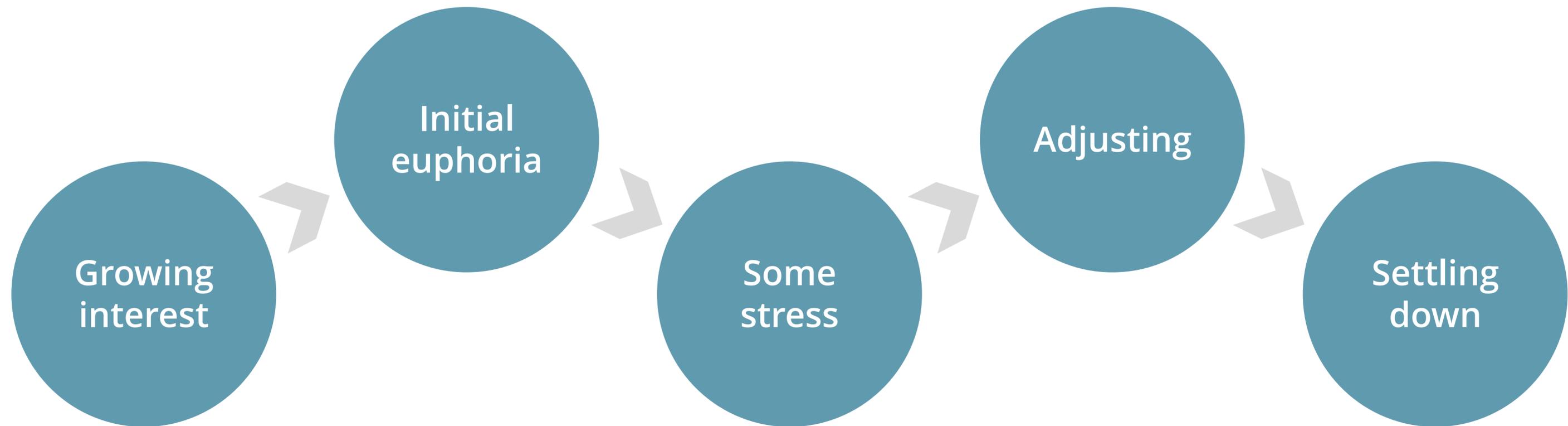
Grandchildren



A second home

What the emotional transition to retirement looks like

With so much attention being paid to financially preparing for retirement, many overlook the emotional changes that will come with your new life. Here are the five stages of retirement transition.



Potential psychological effects to be aware of

Everybody is different and experiences different feelings and thoughts as they approach and then enter retirement.

Some common feelings people experience are:



Loss of self-identity



Lack of structure



Trouble making decisions



Depression



Procrastination



Loneliness



Death anxiety

Common issues retirees face

The transition from a structured to an unstructured lifestyle can be a big change. There are ways to prepare for it, though.



Fulfilling your emotional needs

Hobbies | Volunteer work | Part-time work | Sports or activities | Social engagement

THE DETAILS

Withdrawal strategy in your retirement

How you plan to get money
out of your retirement
strategy is just as important as
how you saved it.



Factors you can't control can impact your withdrawal strategy

Longevity

There's no knowing if you'll live five years or 35 years in retirement.

Investment returns

Your strategy should be flexible enough to account for market fluctuations.

Inflation

Rising costs will influence how much income you will need in the future.

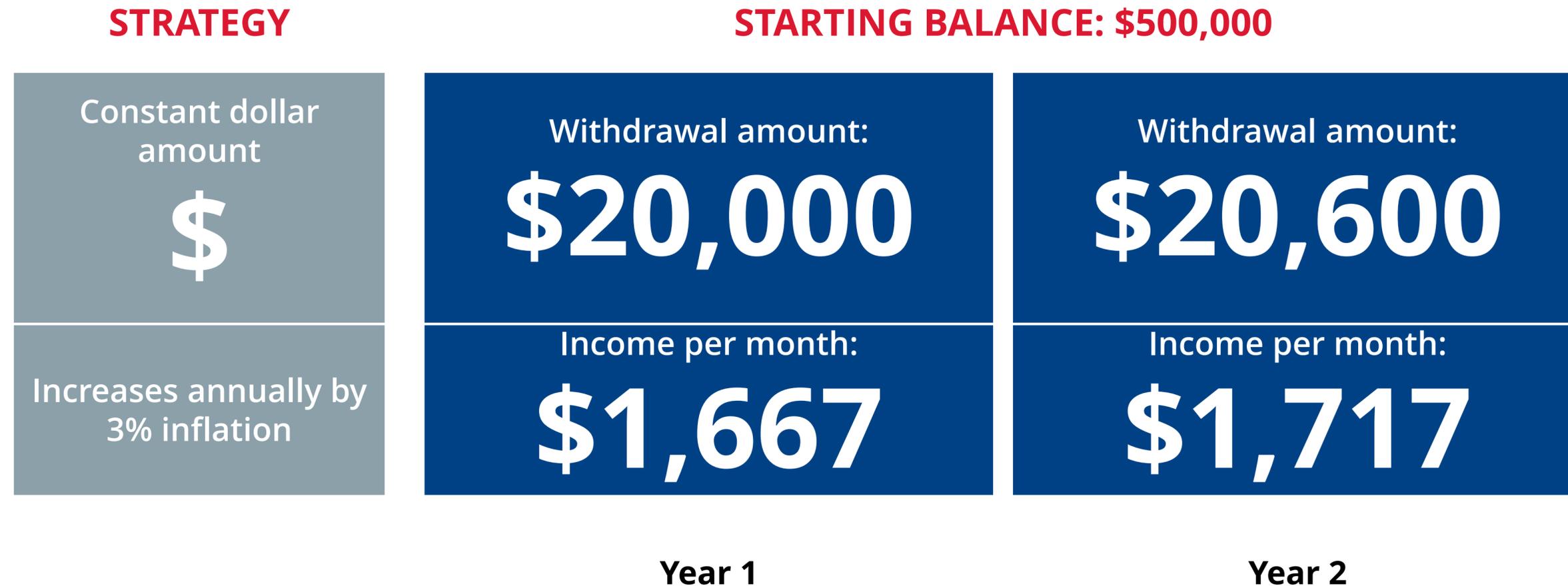
Future expenses

Strategies that account for some unknown expenses may help ease anxiety in your retirement years.



Constant dollar amount withdrawal strategy

This strategy has a fixed withdrawal amount that increases annually for inflation and is based on the initial balance at the time of the initial withdrawal.



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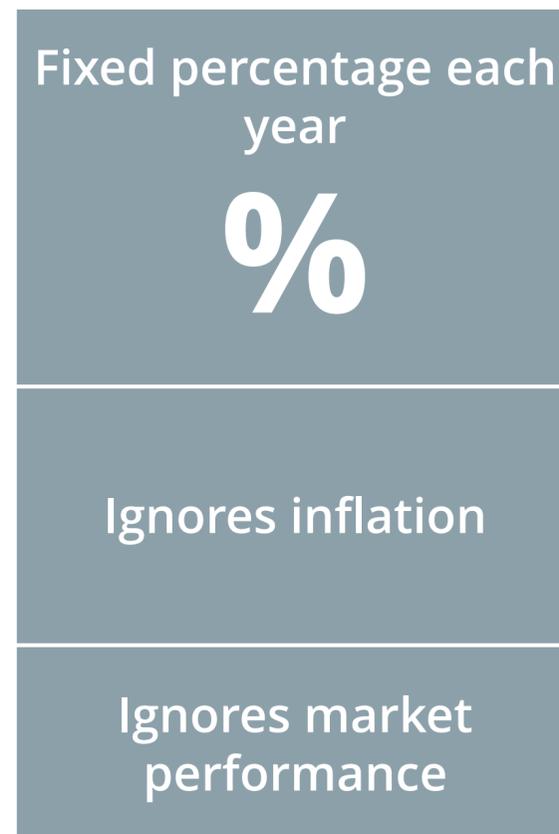
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Constant percentage amount withdrawal strategy

Using this strategy, a fixed percentage is withdrawn from your portfolio year after year regardless of inflation or market performance. Positive markets will result in larger withdrawals, and down markets will result in smaller withdrawals.

STRATEGY



STARTING BALANCE: \$500,000

Positive market



Larger withdrawal

Down market



Smaller withdrawal

FOR ILLUSTRATIVE PURPOSES ONLY. This is a hypothetical example that is demonstrating a mathematical principle. It does not illustrate any investment products and does not show past or future performance of any specific investment. Not intended as financial planning or investment advice. There may be minimum distribution requirements the year you turn 73

Required minimum distribution approach

Take the ending balance for the prior year and divide it by your IRS life expectancy factor (you can find life expectancy tables at IRS.gov).

Distributions are smaller early in retirement and increase the further you get into your retirement years.

Balance as of 12/31: \$400,000

Assumed retirement age: **65**

Assumed age to begin distributions: **72**

Life expectancy factor: **25.6**

Withdrawal amount: **\$15,625**

Monthly income: **\$1,302**



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Capital preservation methods

Also known as the planned income approach, these methods may mean that you live off the potential income your investments generate.

- ▶ Offer customized portfolio management
- ▶ Have their performance tracked on the plan website
- ▶ Make fund data sheets available

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THE DETAILS

Taxes on your retirement income

The impact taxes can have on your retirement income is often overlooked but can be a big factor in your retirement security.



How your retirement income is taxed depends on how you made your contributions

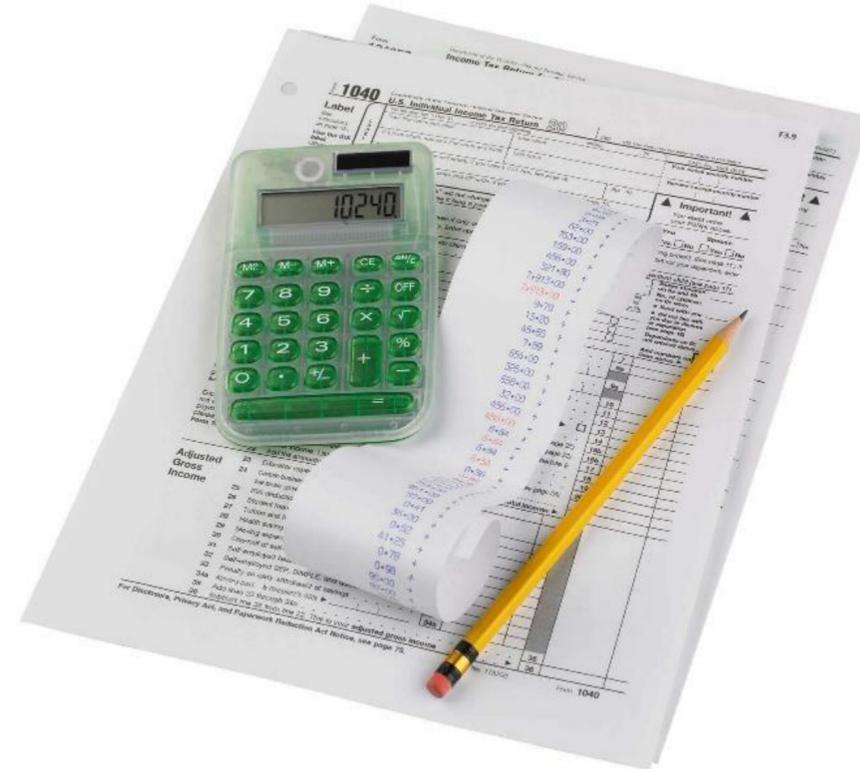
Take a look at your potential sources of retirement income to understand the tax implications they may have.

Taxed as ordinary income upon distribution

- Pretax contributions
- Pretax earnings

Not taxed at distribution

- Roth contributions
- Roth qualified earnings



Will your Social Security benefits be taxed?

It depends. This usually happens only if you have other substantial income (wages, self-employment, interest, dividends and other taxable income you must report on your tax return).

INDIVIDUAL

\$25,000 - \$34,000 up to 50%

\$34,000+ up to 85%

JOINT RETURN

\$32,000 - \$44,000 up to 50%

\$44,000+ up to 85%



Source: [ssa.gov](https://www.ssa.gov), 2019.

THE DETAILS

The impact of inflation on your retirement

Inflation is the general increase of prices that may decrease your purchasing power after you retire.



The longer you live, the more expensive things might get

When looking at your expenses in retirement, be sure to account for the essentials that may be impacted by inflation as prices for these items may rise throughout your retirement years.



Fixed



Variable

Real-life examples of inflation

Nothing gives you a better idea of inflation than seeing how it's affected common purchases.



Gallon of milk

1980 \$1.12
2022 \$4.21

276% increase



Movie ticket

1980 \$2.75
2022 \$11.75

327% increase



Median home value

1980 \$76,400
2022 \$392,000

413% increase



New car

1980 \$7,000
2022 \$48,000

585% increase

THE DETAILS

Where to live in retirement

Where you choose to live after you retire can have a bit impact on your retirement.



Deciding where to live is about more than the weather

Whether you decide to stay put or move someplace new, there is a lot to consider when weighing your options.

Cost of living

How far will your retirement dollars go?

Quality of healthcare

Will you have access to good medical care?

State tax rates

How much of your money can you keep?

Distance to family

Will you miss your family?

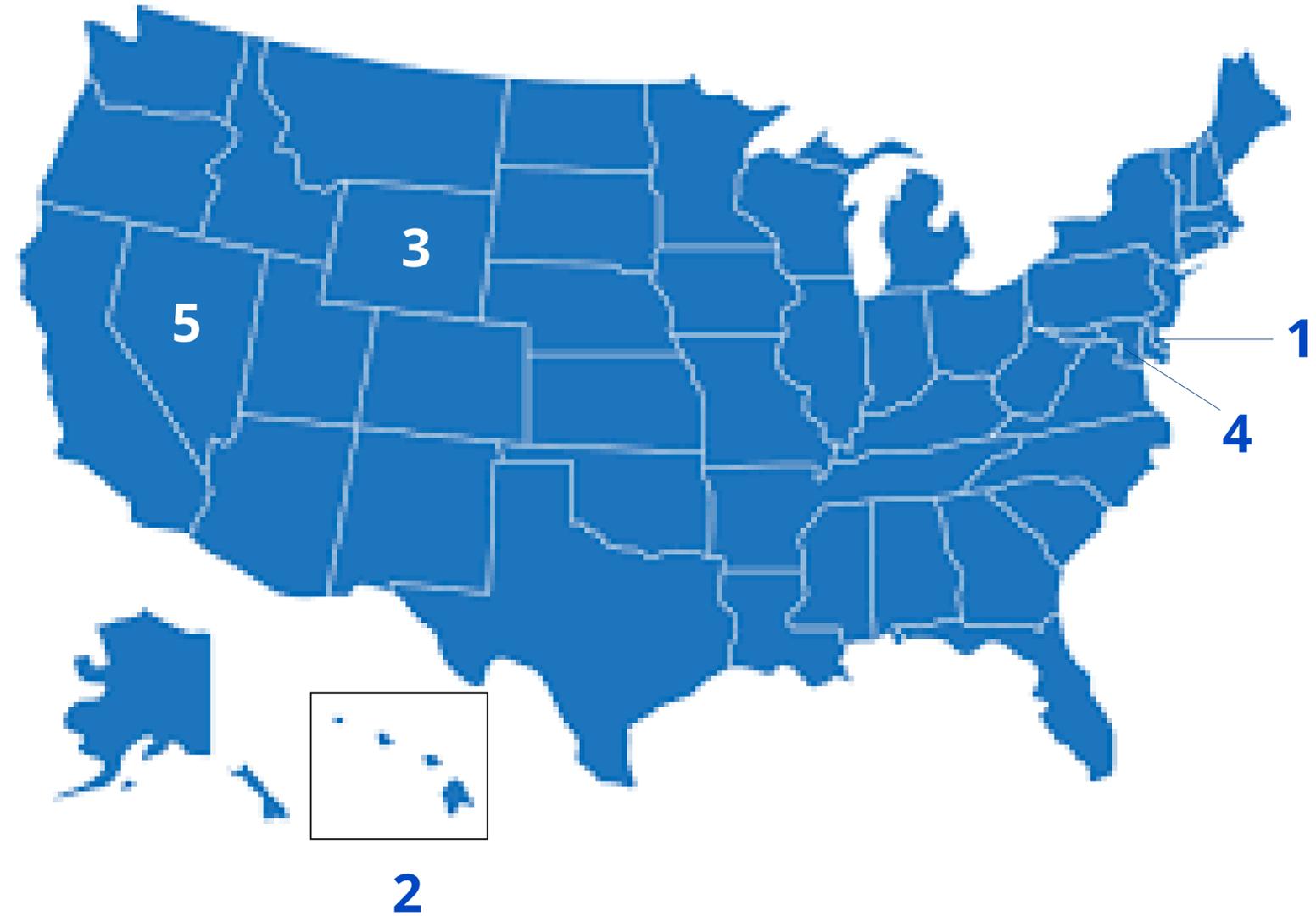
Leisure activities

Will you have enough to do?



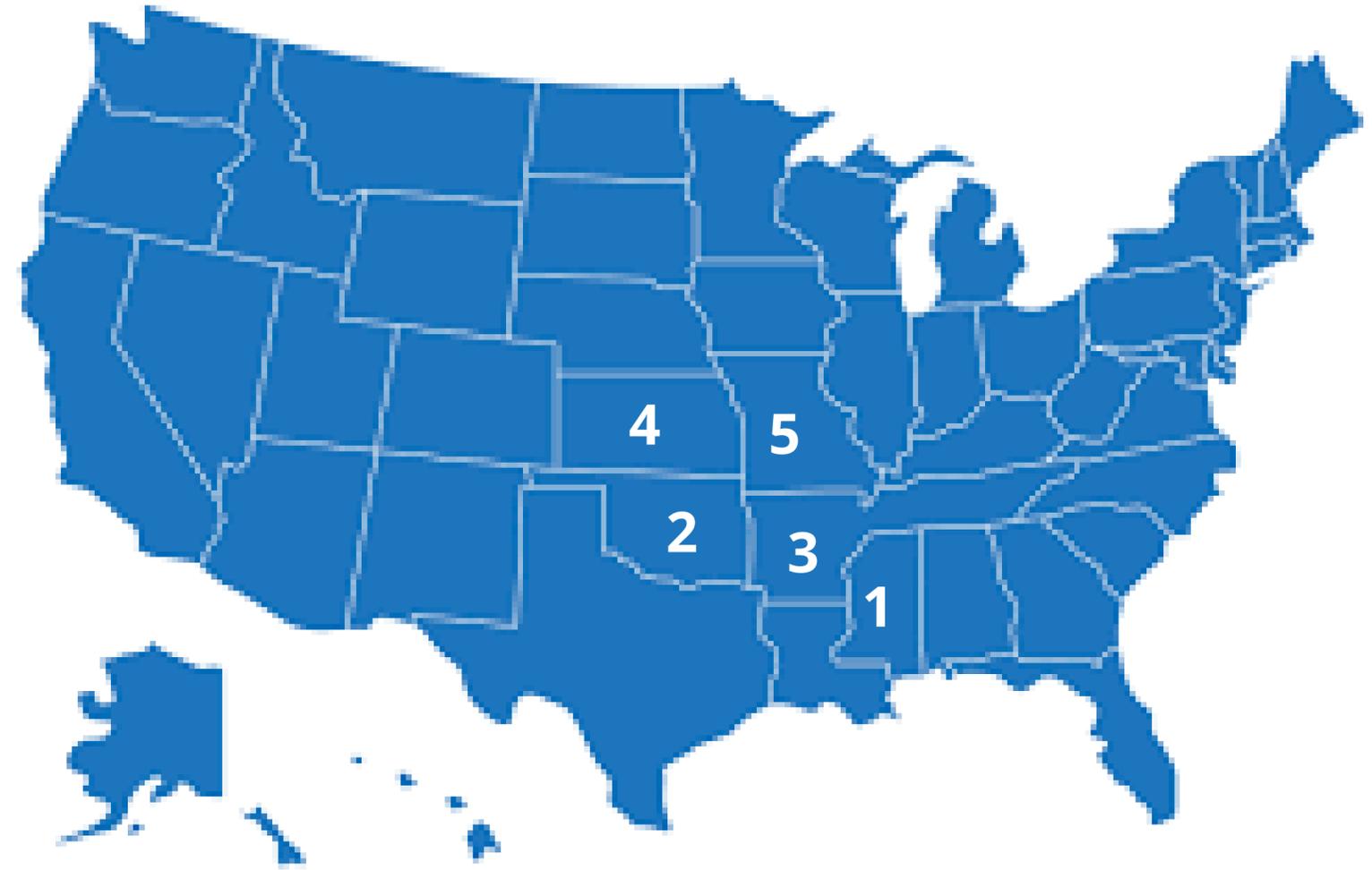
The states with the best tax rates for retirees

1. Delaware
2. Hawaii
3. Wyoming
4. District of Columbia
5. Nevada



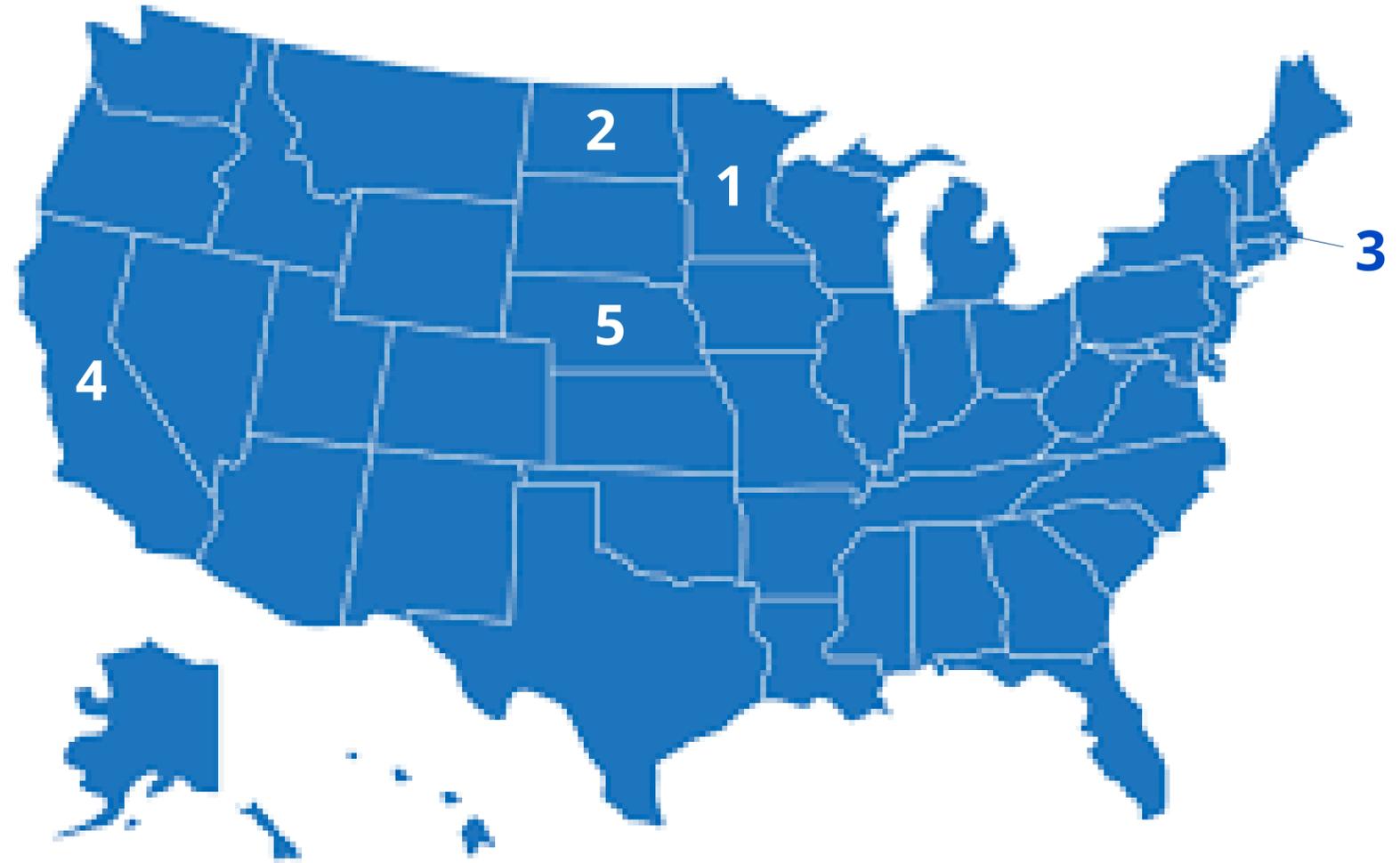
The states with the lowest cost of living

1. Mississippi
2. Oklahoma
3. Arkansas
4. Kansas
5. Missouri



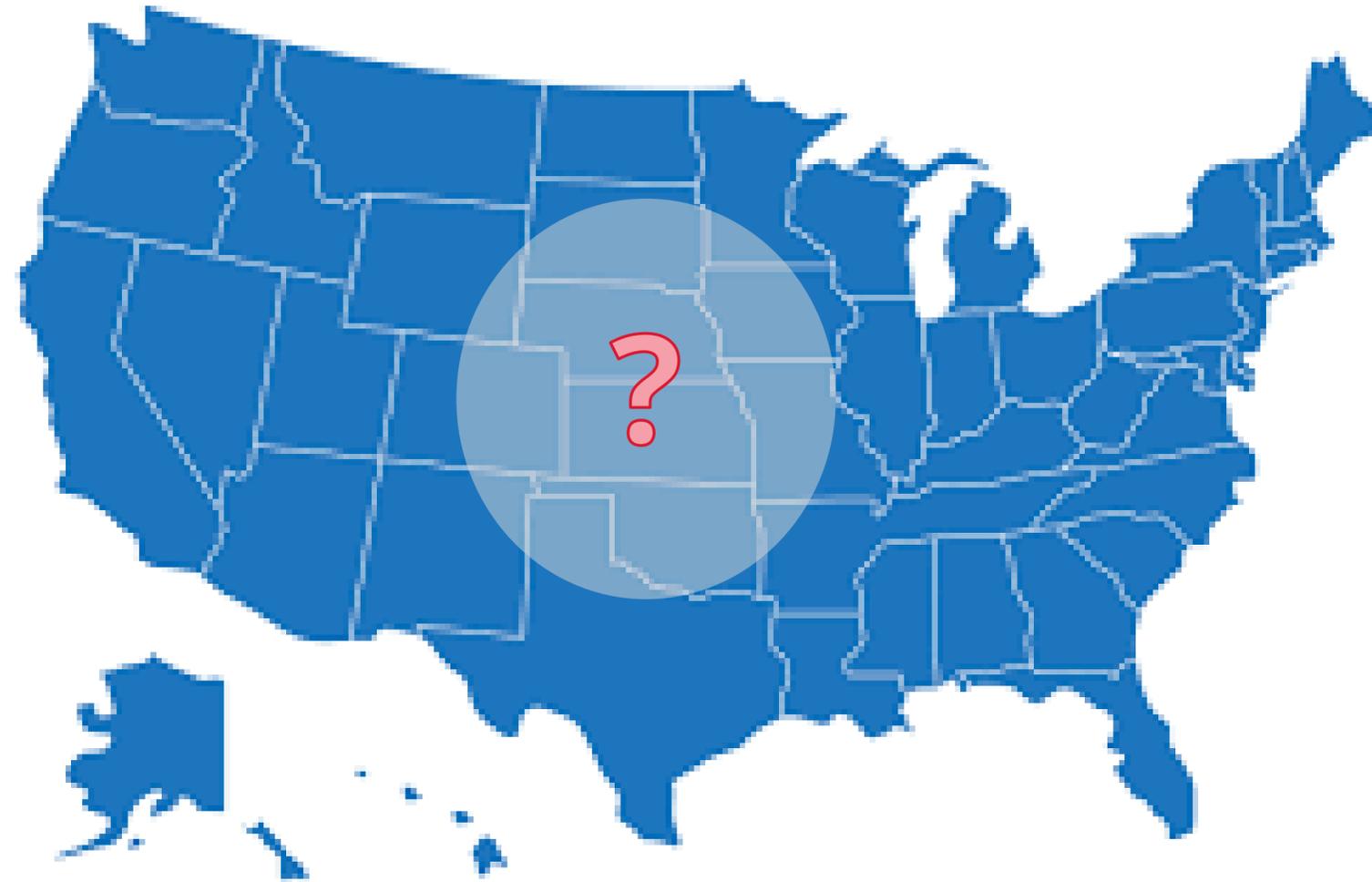
The states with the best healthcare for retirees

1. Minnesota
2. North Dakota
3. Massachusetts
4. California
5. Nebraska



Where to live comes down to deciding what's most important to you

The earlier you start to think about where you'd like to spend your retirement years, the better.



THE DETAILS

Planning long-term care

It's important to understand what long-term care is, the costs that may be associated with it and the impact it can potentially have on your retirement savings.



Long-term care insurance includes more than you may think

Long-term care is a range of services that can help with everyday tasks.

You can receive long-term care that covers:

- › Bathing
- › Dressing
- › Housework
- › Grocery shopping



Common types of long-term care

Long-term care is a range of services that can help with everyday tasks.



Homemaker services

Services that help people live in their own home

National median rate
\$21/hour



Adult day care

Support services in a community setting (less than 24 hours)

National median rate
\$70/day



Assisted living facility

Personal care and health services

National median rate
\$3,750/month



Nursing home care

Semi-private room

National median rate
\$235/day
(Private room: **\$267/day**)

Source: Genworth 2019 Cost of Care Survey, genworth.com.

You should review any insurance policy documents carefully and consult a professional before making any insurance decision.

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■ The role of Medicare and Medicaid in long-term care

Long-term care is a range of services that can help with everyday tasks.

What Medicare covers

- ▶ Maximum of 100 days in a nursing home
- ▶ Short-term home healthcare that meets certain conditions

What Medicaid covers

- ▶ Nursing home services for eligible people 21 and older
- ▶ Home and community-based services for people who would need to be in a nursing home if they didn't receive home care services
- ▶ Services that will help you remain in your home, such as personal care services, laundry, etc. (Available in most states.)

Source: U.S. Department of Health and Human Services, 2018, [longtermcare.gov](https://www.longtermcare.gov).

You should review any insurance policy documents carefully and consult a professional before making any insurance decision.

THE DETAILS

Your estate planning

As you're planning for retirement, it's important to keep in mind that your different retirement accounts are all part of your estate. And so is everything you own. Your car, house, checking account, life insurance, furniture and everything else make up your estate.



■ You need an estate plan because you can't take it with you

Many people haven't created a basic estate plan, including writing up a will. An estate plan helps make sure your assets and possessions are distributed the way you want.

Determining your beneficiaries

- ▶ Heirs
- ▶ Family members
- ▶ Friends
- ▶ Charitable institutions



■ Estate planning goes beyond your possessions

If you become incapacitated or pass away without a plan in place, a court could end up making important decisions that should be made by your spouse, family or someone you have chosen.



End-of-life medical care



Guardianship of children

Possible components of an estate plan

Estate planning isn't just for rich people. It's for people who want to protect their assets, their loved ones and themselves. Here's what an estate plan could include:

Will or trust

- › Says *HOW* you want your property distributed
- › Determines future care of minor children
- › Should be kept current via periodic reviews

Insurance

- › Could help heirs meet survivor and estate-settlement expenses
- › Determined by your personal situation

Executor or trustee

- › May help ensure your wishes are carried out
- › Selected by you



What's next



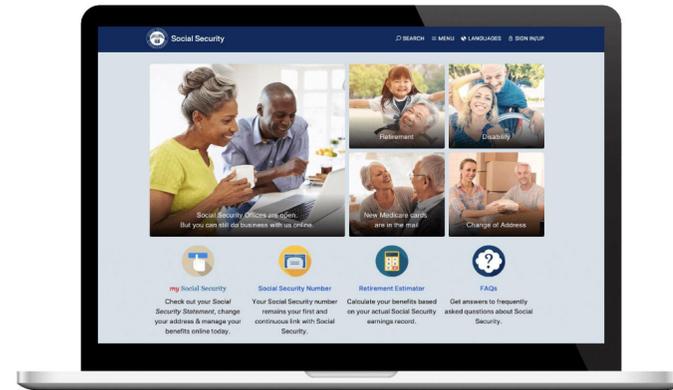
Take a deeper dive

You can use these additional resources to get more information on the topics you're most interested in.



ACERA

[acerazone.org](https://www.acerazone.org)



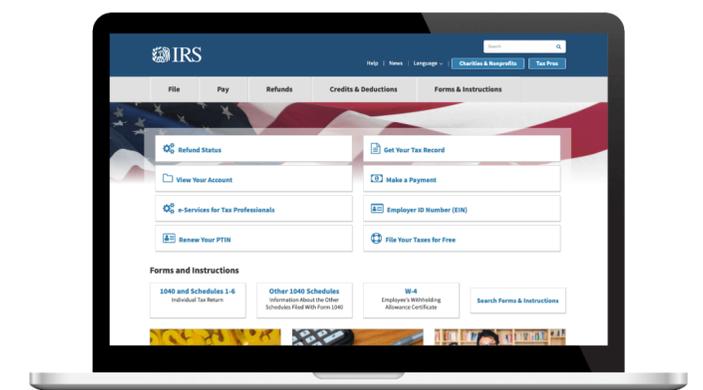
Official Social Security website

[ssa.gov](https://www.ssa.gov)



Official Medicare website

[medicare.gov](https://www.medicare.gov)

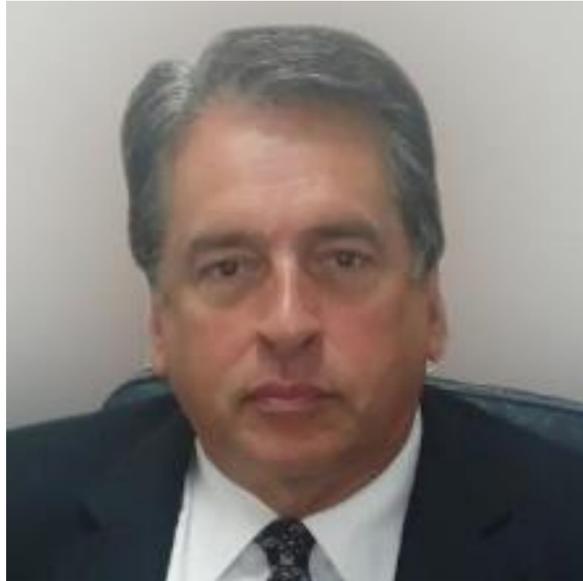


Official IRS website

[irs.gov](https://www.irs.gov)



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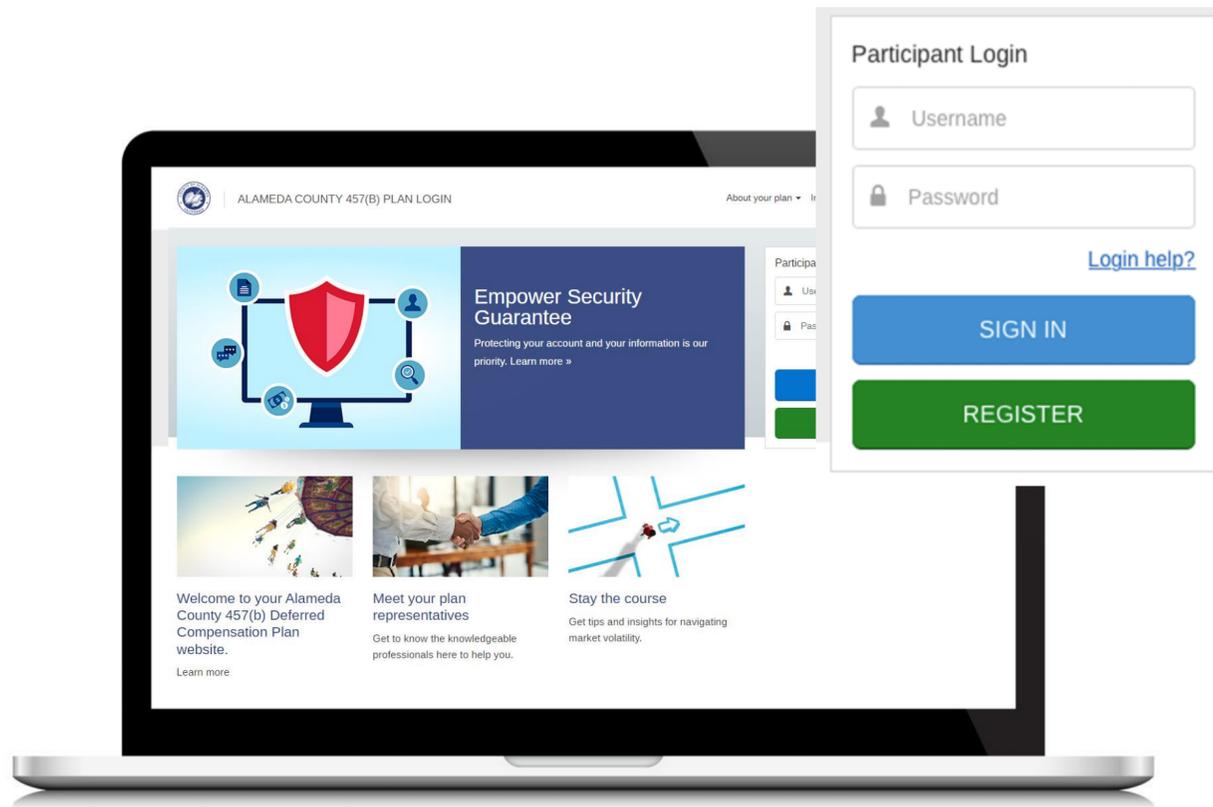
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■ Questions

