

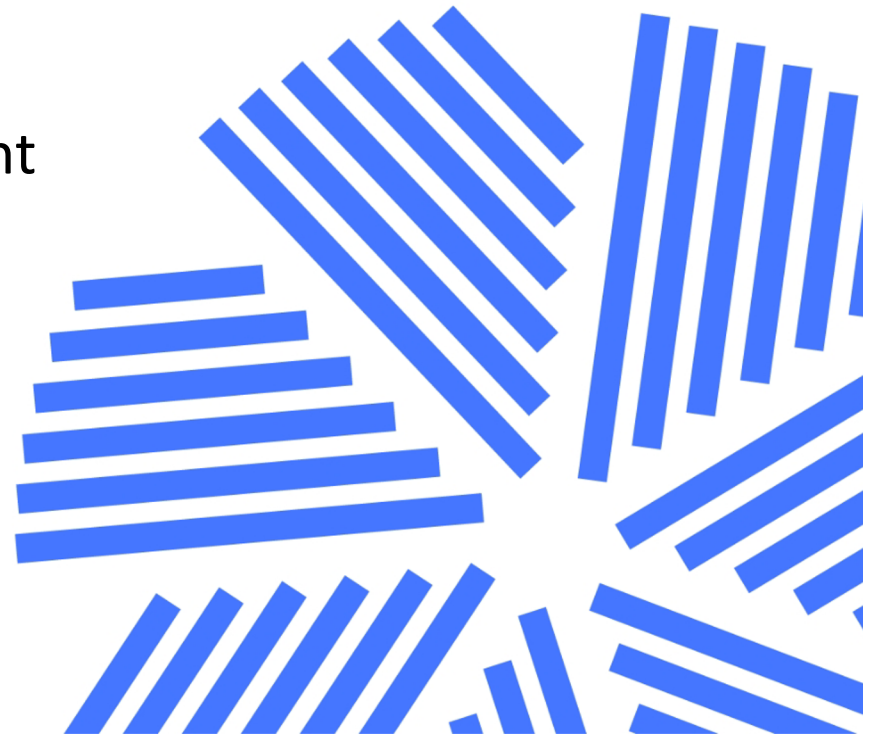


Goals, Not Limits

Budgeting with a Purpose in Retirement

Presenter names

Date



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Budgeting in Retirement Overview Video



Source: [GreaterWithAge](#)

Getting Started: Budgeting with a Purpose

-  Purpose and Benefits of Budgeting
-  Retirement Income Sources
-  Understand Your Expenses
-  How to Create a Budget
-  Budget Resources and Avoid Pitfalls
-  Achieve Financial Goals
-  Make a Plan and Get Started



Source: Public Domain from <http://401kcalculator.org>

Budgeting in Retirement Objectives



Retirement is a significant financial life milestone that we all face. Budgeting is an important financial consideration in this stage of our lives.



Budgeting in retirement is **important** in order to achieve financial security, meet expenses, and achieve our financial goals.



Some aspects of budgeting in retirement are **in our control** and others are **outside of our control**.



Today we'll discuss what **you can do** to successfully budget in retirement and how to handle the factors that are outside of our control.

Budgeting in Retirement Considerations



Understanding Retirement Income Sources



Healthcare and Other Unexpected Costs



Longer Life Expectancy



Inflation Impact

Retirement Income Sources

- Social Security
- Pensions
- Retirement Savings
- Annuities
- Other (Investment Income, Life Insurance, Part-time Work, & Real Estate)



Source: *Image by Nattanan Kanchanaprat from Pixabay*

Social Security Benefit Background

- **Replaces about 40%** of pre-retirement income on average
- **Full Retirement Age (FRA):** 66 – 67 (if born after 1960)
 - Receive full (100%) benefits
- **Start Anytime from Age 62 to 70:**
 - At 62: Will receive 70% of what you receive at FRA
 - At 70: Will receive 132% of what you receive at FRA
- **Waiting Pays Off:**
 - Each year you wait after FRA, your monthly benefit increases by about 8% (2/3% per month)



Source: [Photo by Markus Winkler on Unsplash](#)

Employer Sponsored Pension Income

- **Defined Benefit (DB) Plan**
 - Employer bears the investment risk and promises a specific monthly payment for life based on years of experience and salary history
- **Defined Contribution (DC) Plan**
 - Retirement income depends on the amount saved and the investment's performance over time
 - Employees contribute to accounts similar to 401(k)



Source: Image by vector4stock on Freepik

Retirement Savings Options

- Employer Sponsored Deferred Compensation (**401k**) & Individual Retirement Account (**IRA**) Plans
 - **Traditional:** Tax deferred growth
 - Required Minimum Distributions (RMDs) by April 1st the year after you turn 73
 - **Roth:** Tax free growth
 - Withdrawals also tax free after certain age
 - Conversions are beneficial if you expect to be in higher tax bracket in the future

Annuities

- **Purpose:** Contract with insurer to provide guaranteed income in return for a lump-sum or periodic payments
- **Key Types:**
 - **Fixed:** Lifetime or term-guaranteed payouts
 - **Variable:** Linked to investment performance
 - **Indexed:** Tied to market indices (e.g., S&P 500)
- **Strategic Value:**
 - Protects against market volatility and longevity risk
 - Ensures stable cash flow in retirement
- **Be Aware:**
 - Can be complex instruments
 - May have high fees



Source: Photo by Jakub Zerdzicki on Unsplash

Other Retirement Income Sources

- Investment Income: Passive retirement income through dividends and interest income
- Life Insurance: Dual role – protection & potential income stream
- Part-time / Freelance Work
- Real Estate Property Income



Source: [Image by jcomp on Freepik](#)








Benefits of Diversifying Retirement Income Sources

- **Reduce Risk:** Spread out income to avoid relying on one source of income and provides protection during downturns.
- **Protect against Inflation:** Multiple income types help keep up with rising costs.
- **Save on Taxes:** Blend taxable and tax-free income to lower your tax bill.
- **Stay Flexible:** More income streams More control over your cash flow.



Source: *Photo by Towfiq barbhuiya on Unsplash*

Budgeting Necessary Expenses

-  Housing
-  Food
-  Utilities
-  Mobile Phone
-  Transportation
-  Healthcare Costs
-  Insurance



Housing Options in Retirement

- **Age in Place:** Stay home with minor safety upgrades (e.g., grab bars, stair lifts, etc.)
- **Downsize:** Reduce costs by moving to a smaller residence
- **Senior Living Communities:** Explore independent or assisted living with built-in support and social interaction



Source: [Image by Freepik](#)

Budgeting for Non-Essential Expenses



Travel



Hobbies

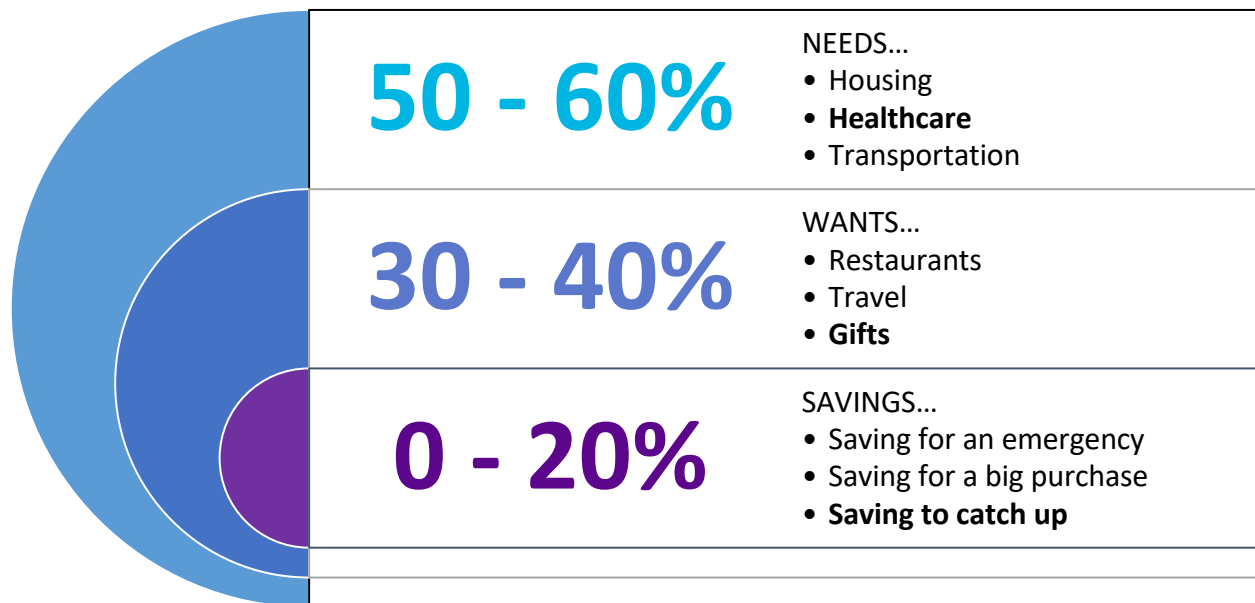


Dining Out



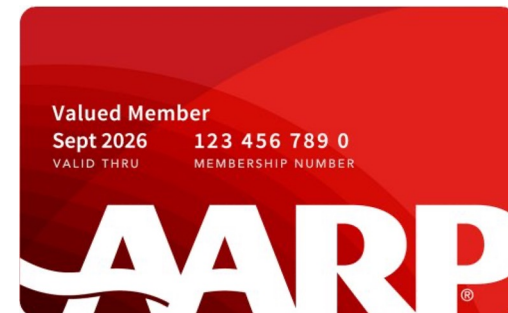
Gifts

50 / 30 / 20 Rule in Retirement



Strategies for Managing Expenses

- Downsizing your home, fewer cars etc.
- Shop smart by utilizing senior discounts
 - AARP, Restaurants, Shopping, National Park Service etc.
- Reviewing subscriptions: Do you still need or want them?
- Bundle insurance policies where applicable



Source: [AARP](#)

How to Budget

Set Up An Initial Budget!

**Decide on frequency
(e.g., monthly)**

List sources of income and amounts

List out expenses and group

Track actual vs. planned amounts

Adjust as necessary

Take what is left over as savings or invest

How to Budget

Make a list of anticipated income and expenses for the coming month and estimate how much they will be.

It is ok to estimate!

Break up expenses into categories
For organization – *be detailed!*

Monthly Income	
Source	Budget
Social Security	\$2,000
Pension	\$750
Retirement Savings	\$1,500
Other	\$250
TOTAL INCOME:	\$4,500



Monthly Expenses	
Type	Budget
Rent / Utilities:	\$2,000
Rent / Mortgage	\$1,500
Electricity / Heat	\$150
Cable TV / Internet	\$200
Cell Phone	\$150
Transportation:	\$200
Gas / MBTA	\$150
Ride Share / Taxi	\$50
Emergency Savings	\$200
Healthcare Costs	\$400
Food:	\$550
Groceries	\$400
Dining Out / Takeout	\$150
Other:	\$250
Clothes	\$100
Entertainment	\$100
Netflix / Other Subscriptions	\$50
TOTAL EXPENSES:	\$3,600
NET SAVINGS:	\$900

Annual Financial Checklist

- Review income sources and expenses
- Check insurance coverage (e.g., health, home, auto, life, etc.)
- Update beneficiaries on accounts and policies
- Monitor credit reports and bank statements
- Revisit your budget and retirement plan throughout the year



Budgeting Tips To Keep in Mind



A lot of things can get in the way!

- List the most important expenses first
- Monitor your progress consistently
- Determine if you need to adjust
- Remember, this is your budget. You own it!

Find the right process and tools that work for you!



Budgeting in Retirement Resources

- [AARP Budget Calculator](#)
- [CFPB's Managing Someone Else's Money Guides](#)
- [MyMoney.gov](#)
- Local senior centers offering workshops
 - [Boston Senior Programs](#)
 - [Massachusetts Council on Aging](#)



Common Pitfalls to Avoid



Overspending in Early Retirement



Underestimating Healthcare Costs

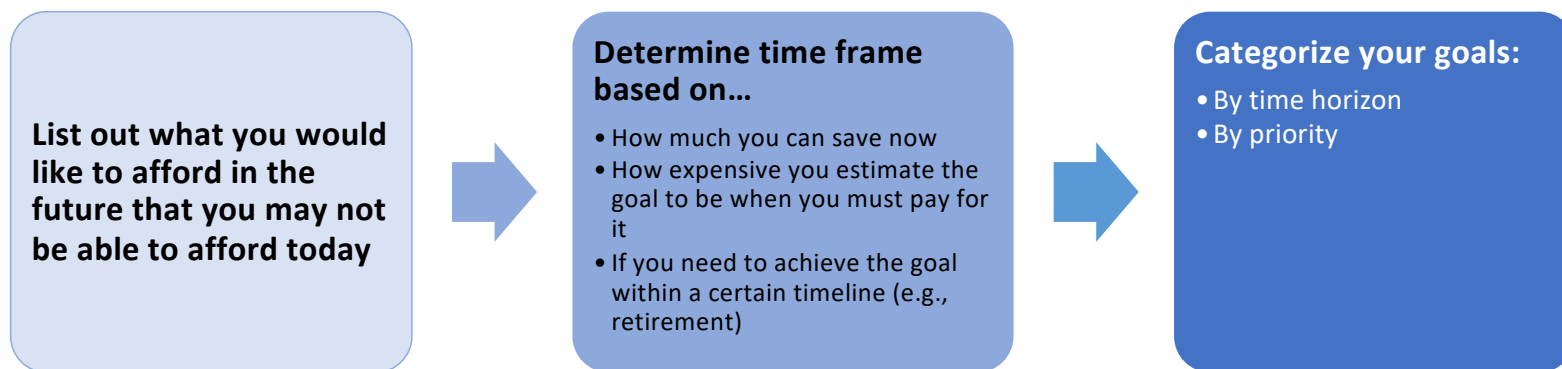


Falling for Scams



Understating Inflationary Impacts

When You Want to Meet a Financial Goal



List Out Your Financial Goals



Short Term Goals

0-3 years

- Pay off credit card debt
- Save for an emergency
- Take a nice vacation



Medium Term Goals

3-7 years

- Pay for relative's education or significant event (e.g. wedding)
- Lease or buy a car



Long Term Goals

7+ years

- Wealth and Estate Planning Goals
- End of Life Care

Learn by Doing



**Create a budget for
yourself for the next 12
months!**



Q&A Session

How can we help?



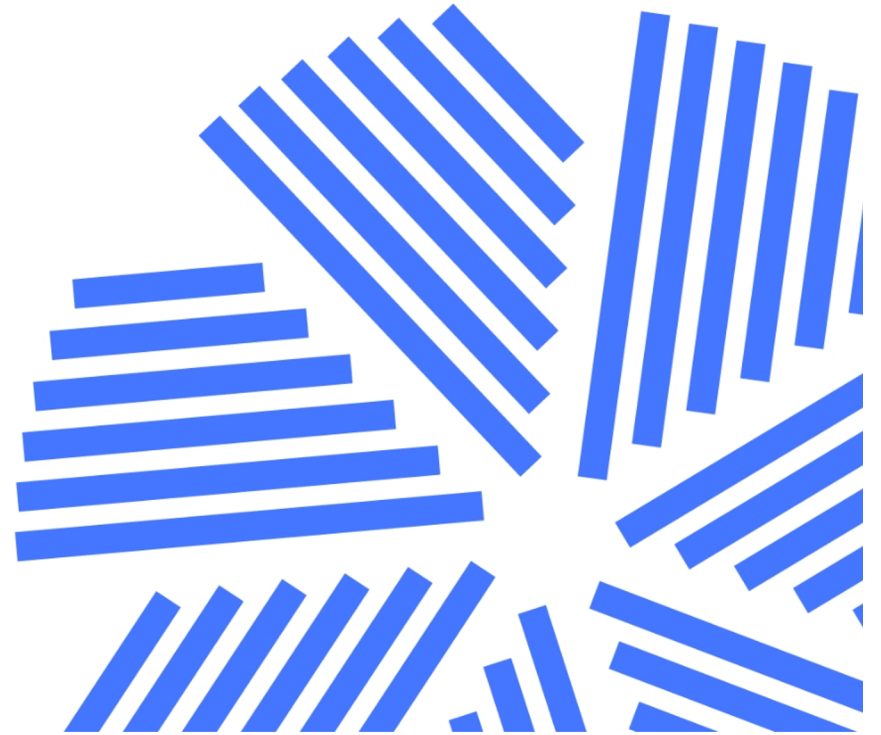
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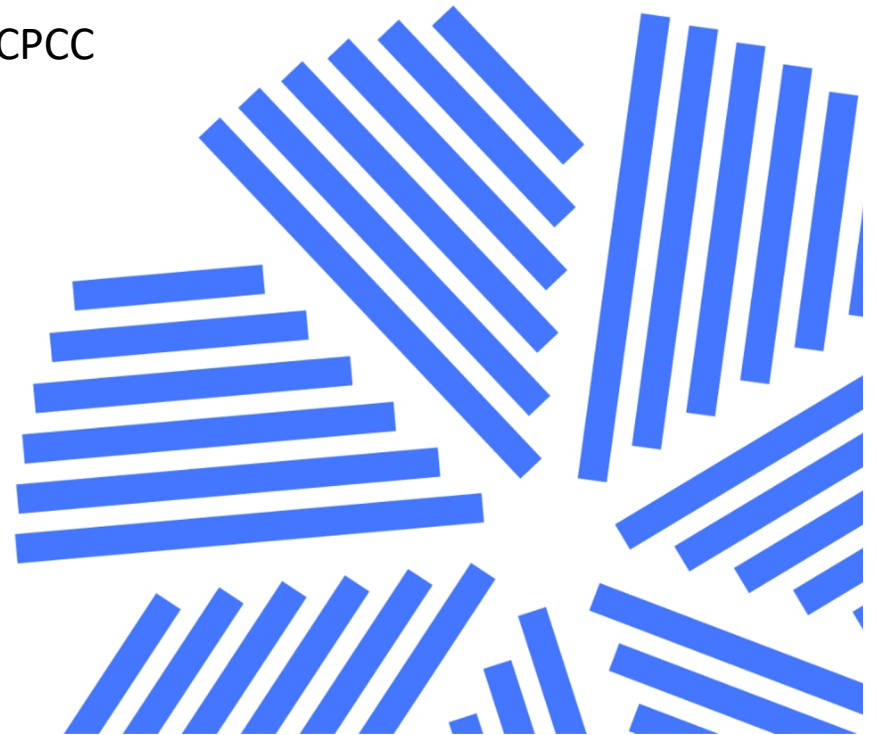


SLIDE INFORMATION

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Date of Offering:

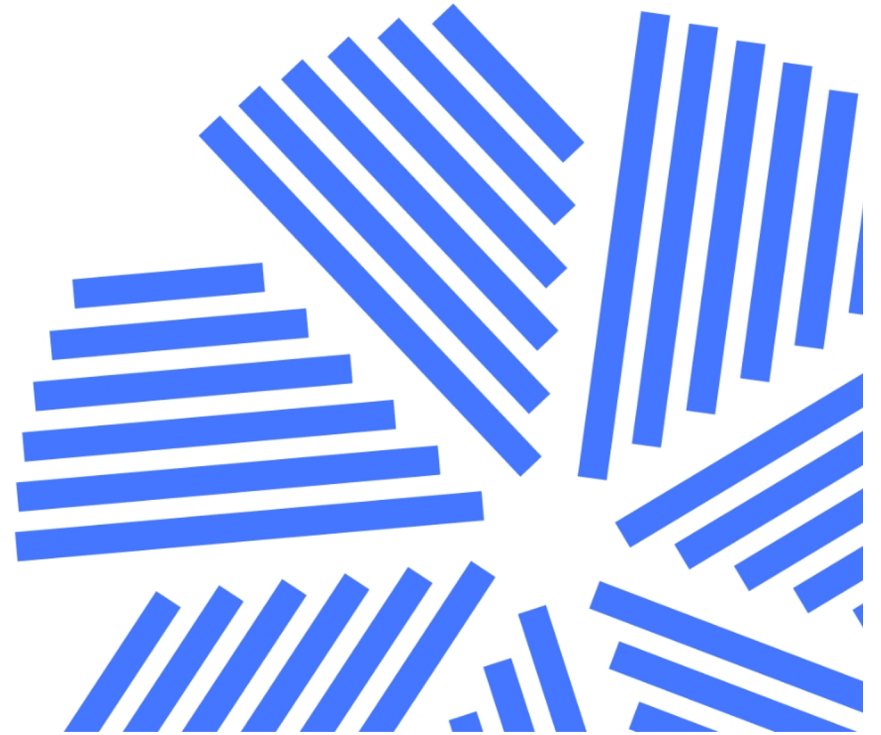
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Medicare Breakdown

- Part A: Hospital Insurance
 - Covers inpatient care including hospitals, skilled nursing facilities (SNFs), and hospice care.
- Part B: Medical Insurance
 - Covers doctor's visits, outpatient care, home healthcare, durable medical care, and some preventative services.
- Part C: Medicare Advantage (i.e., Medicare HMO Plans)
 - Alternative to Traditional Medicare that includes Parts A, B, & D
- Part D: Prescription Drug Coverage

