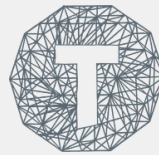
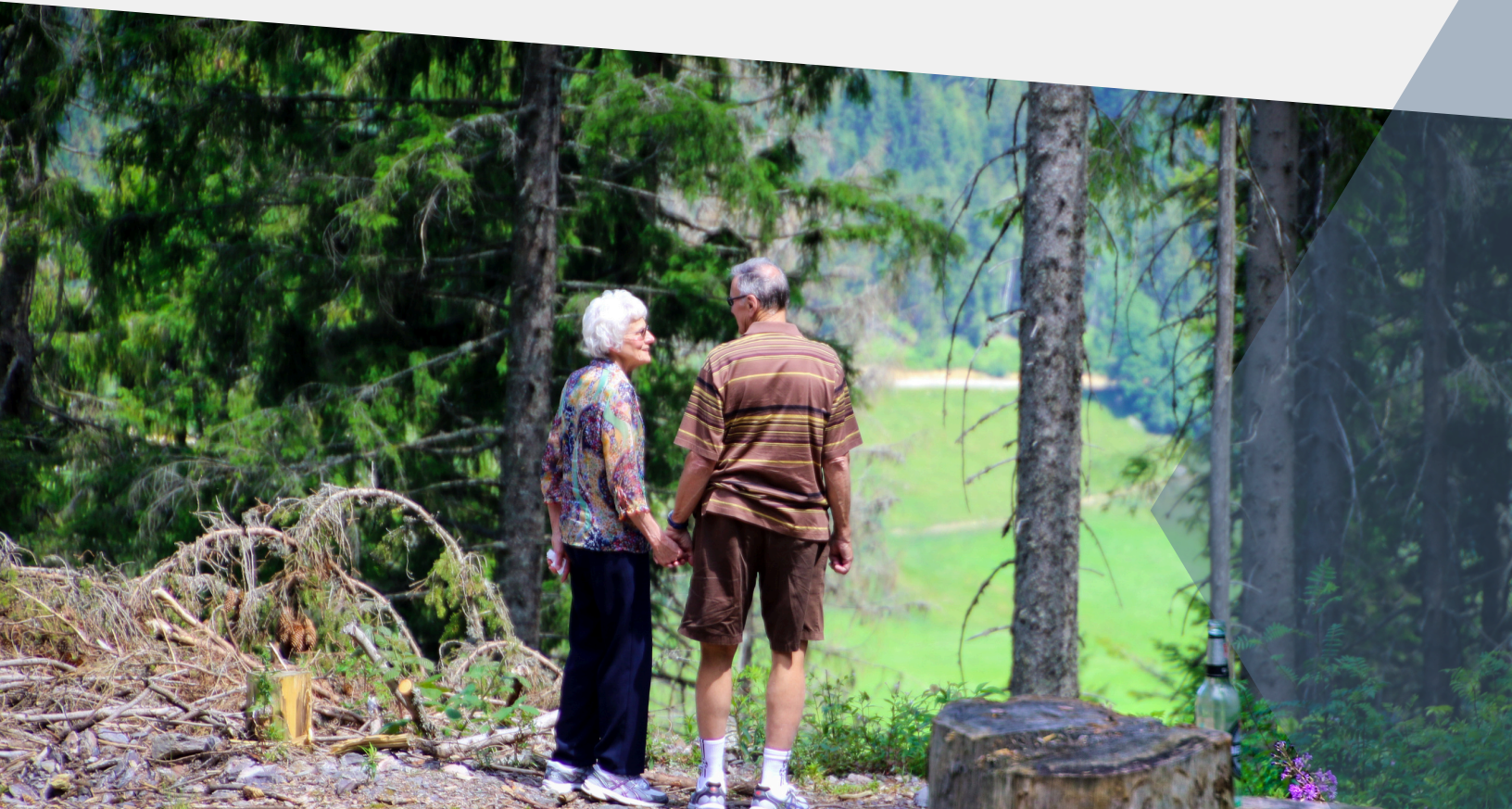


The Blueprint For Retirement Income

The Step-By-Step Guide to Calculating
How Much You Need to Retire



T H E O R E M
WEALTH MANAGEMENT



If You Only Read One Page – Read This

Your Retirement Income Plan Determines How Long Your Money Lasts.

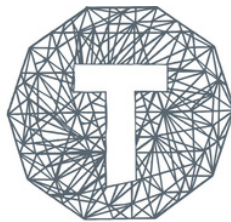
The amount you need to retire is not a single number. It depends on how your income, spending, taxes, and investments work together throughout retirement.

Why Retirement Income Planning Matters:

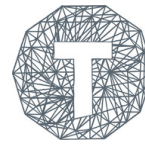
- Retirement income planning helps determine how much savings you actually need
- Different income sources (Social Security, investments, pensions) must work together
- Taxes and Required Minimum Distributions can significantly impact retirement income
- A structured income plan helps reduce the risk of running out of money

The 3 biggest questions this guide will answer:

- 1. How much money do you need saved to retire comfortably?**
- 2. How do you turn your savings into reliable income throughout retirement?**
- 3. How do you balance withdrawals, Social Security, and investments to make your money last?**



T H E O R E M
WEALTH MANAGEMENT



UNDERSTANDING RETIREMENT INCOME

Most retirees rely on multiple sources of income, not just one account. Understanding where your income will come from is the first step in building a sustainable retirement plan. For many households, retirement income is created by combining several different sources that work together over time.

THE FOUR PILLARS OF RETIREMENT INCOME

1. Social Security

Social Security provides guaranteed monthly income for life backed by the federal government. For many retirees, it forms the foundation of their retirement income plan. Your benefit is based on your earnings history and the age you start claiming benefits. Claiming later increases your monthly payment, while claiming earlier reduces it. Because Social Security lasts for life and adjusts for inflation, it often provides stable income throughout retirement.

2. Investment Accounts

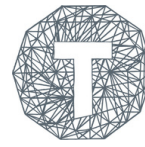
Many retirees generate income from savings in 401(k)s, IRAs, Roth IRAs, and brokerage accounts. These accounts are typically built during your working years and later used to provide withdrawals in retirement. How and when you withdraw from these accounts can affect taxes and how long your savings last. Investment accounts provide the flexibility to supplement guaranteed income like Social Security.

3. Pensions

Some retirees receive income from pension plans provided by employers. A pension usually provides a fixed monthly payment for life, creating another source of predictable retirement income. Some plans also offer survivor benefits for spouses. For those who have them, pensions can provide additional financial stability in retirement.

4. Other Income Sources

Some retirees also have income from rental properties, part-time work, annuities, or other investments. These sources can help increase income, provide flexibility, or fill gaps before other income sources begin.



THE 3-STEP PROCESS TO CALCULATING RETIREMENT INCOME

STEP 1: ESTIMATE YOUR RETIREMENT SPENDING

Most people do not need to replace 100% of their working income in retirement. A common guideline is that retirees typically spend about 70–90% of their pre-retirement income.

Some expenses often decrease after retirement, such as retirement contributions, payroll taxes, commuting, and work-related costs. However, other expenses may increase, including travel, hobbies, and healthcare. Because spending changes over time, estimating your expected retirement expenses is an important step in determining how much income you will need each year in retirement.

Example

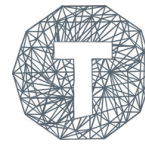
Working income: \$120,000

Estimated retirement spending: \$80,000 – \$100,000

Include categories:

- Housing
- Healthcare
- Travel
- Lifestyle
- Taxes





THE 3-STEP PROCESS TO CALCULATING RETIREMENT INCOME

STEP 2: CALCULATE YOUR RETIREMENT INCOME GAP

Once you estimate how much you expect to spend in retirement, the next step is to determine how much of that spending will already be covered by guaranteed income sources. Many retirees receive income from sources such as Social Security or pensions. These income streams can cover a portion of your annual expenses.

The remaining amount that is not covered by these sources is known as your retirement income gap. This gap represents the amount of income your investment portfolio must generate each year through withdrawals.

Example

Estimated retirement spending: \$85,000 per year

Guaranteed income:

- Social Security: \$40,000
- Pension: \$10,000

Total guaranteed income: \$50,000

Retirement income gap:

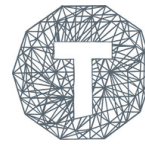
$\$85,000 - \$50,000 = \$35,000$

In this example, your investments would need to provide approximately \$35,000 per year to support your retirement lifestyle.

Understanding your retirement income gap helps determine:

- How large your investment portfolio may need to be
- How much income your savings must generate
- Whether adjustments to spending, saving, or retirement timing may be needed

Once you know your income gap, you can begin estimating how much savings may be required to support that level of income throughout retirement.



THE 3-STEP PROCESS TO CALCULATING RETIREMENT INCOME

STEP 3: ESTIMATE THE PORTFOLIO NEEDED

Once you understand your retirement income gap, the next step is estimating how much savings may be needed to generate that income. Many financial plans begin with a concept called a withdrawal rate. A withdrawal rate is the percentage of your investment portfolio that you withdraw each year to support retirement spending. A commonly used guideline is the 4% rule. This rule suggests that withdrawing about 4% of your portfolio per year may allow your savings to last for several decades in retirement.

Example

If your retirement income gap is: **\$40,000 per year**

Using a 4% withdrawal rate:

$$\mathbf{\$40,000 \div 0.04 = \$1,000,000}$$

In this example, a portfolio of approximately \$1 million could potentially support about \$40,000 of annual income.

GUIDELINES

Why This Is Only a Starting Point

The 4% rule is best viewed as a general planning guideline, not a guarantee. The actual amount of savings needed for retirement can vary based on several factors. Because of these variables, many retirement plans adjust withdrawal strategies over time rather than relying on a fixed percentage every year.

Important factors include:

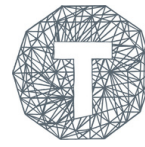
Retirement age: Retiring earlier usually requires more savings

Investment returns: Market performance affects how long a portfolio lasts

Taxes: Withdrawals from different accounts may be taxed differently

Longevity: Longer retirements require income for more years

Spending patterns: Retirement spending may change over time



THE RETIREMENT INCOME STRATEGY

HOW RETIREMENT INCOME IS TYPICALLY STRUCTURED

Once retirement begins, the next challenge is determining how to turn your savings into reliable income. Many retirees have savings spread across different types of accounts, and the order in which withdrawals are taken can affect taxes, portfolio longevity, and overall retirement income stability. A commonly used strategy is to withdraw from accounts in a tax-efficient order, allowing other accounts to continue growing for longer.

1. Taxable Investment Accounts

Many retirement income strategies begin with taxable brokerage accounts. These accounts may contain investments such as stocks, bonds, or mutual funds. Withdrawals from these accounts can sometimes be more tax-efficient because long-term investments may qualify for lower capital gains tax rates. Using taxable accounts first may also allow retirement accounts to continue growing tax-deferred for a longer period of time.

2. Tax-Deferred Retirement Accounts

Next, retirees often begin withdrawing from tax-deferred accounts, such as traditional IRAs and 401(k)s. Money in these accounts has typically grown tax-deferred, meaning taxes were postponed during the accumulation years. When withdrawals begin, the amounts withdrawn are generally taxed as ordinary income. Beginning at age 73, Required Minimum Distributions (RMDs) require retirees to withdraw a minimum amount from these accounts each year.

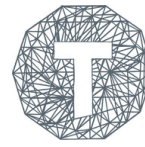
3. Roth Accounts

Roth accounts, such as Roth IRAs, are often used later in retirement. Qualified withdrawals from Roth accounts are generally tax-free, which can make them a valuable source of flexible income later in life. Because Roth IRAs are not subject to Required Minimum Distributions for the original account owner, they can continue growing tax-free for many years. This flexibility can help retirees manage taxes and adjust income when needed.

WHY WITHDRAWAL ORDER MATTERS

The order in which retirement accounts are used can influence several important aspects of a retirement plan:

- **Taxes:** Strategic withdrawals can help manage tax brackets over time
- **RMDs:** Planning ahead can help reduce large required withdrawals later
- **Portfolio longevity:** Allowing certain accounts to grow longer may extend the life of your savings



COMMON RETIREMENT INCOME MISTAKES

Even retirees who have saved diligently can face challenges if their retirement income plan is not carefully structured. Understanding some common planning mistakes can help you avoid issues that may affect your financial security later in retirement.

1. Underestimating Retirement Spending

Many retirees expect their spending to drop significantly after they stop working. While some expenses may decrease, others, such as travel, hobbies, and healthcare, can increase. Without a clear estimate of retirement spending, it can be difficult to determine how much income your plan will need to generate each year.

2. Claiming Social Security Too Early

Social Security benefits can begin as early as age 62, but claiming earlier permanently reduces your monthly benefit. Waiting longer to claim benefits can increase the monthly income you receive for the rest of your life. Because Social Security often forms a major portion of retirement income, the timing of your claim can have a long-term impact.

3. Using an Inefficient Withdrawal Strategy

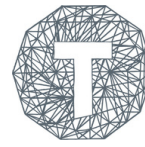
Retirement income often comes from multiple types of accounts, including taxable accounts, tax-deferred retirement accounts, and Roth accounts. The order in which withdrawals are taken from these accounts can affect taxes, portfolio longevity, and income stability throughout retirement.

4. Ignoring Taxes in Retirement

Taxes still apply in retirement. Withdrawals from traditional retirement accounts such as 401(k)s and traditional IRAs are generally taxable, and large withdrawals can push income into higher tax brackets. Taxes can also affect how much of your Social Security benefits are taxable and may influence Medicare premiums.

5. Not Planning for Healthcare Costs

Healthcare is one of the largest expenses in retirement. While Medicare provides important coverage, it does not cover all costs. Premiums, deductibles, and prescription drug expenses can add up over time, making healthcare planning an important part of retirement income planning.

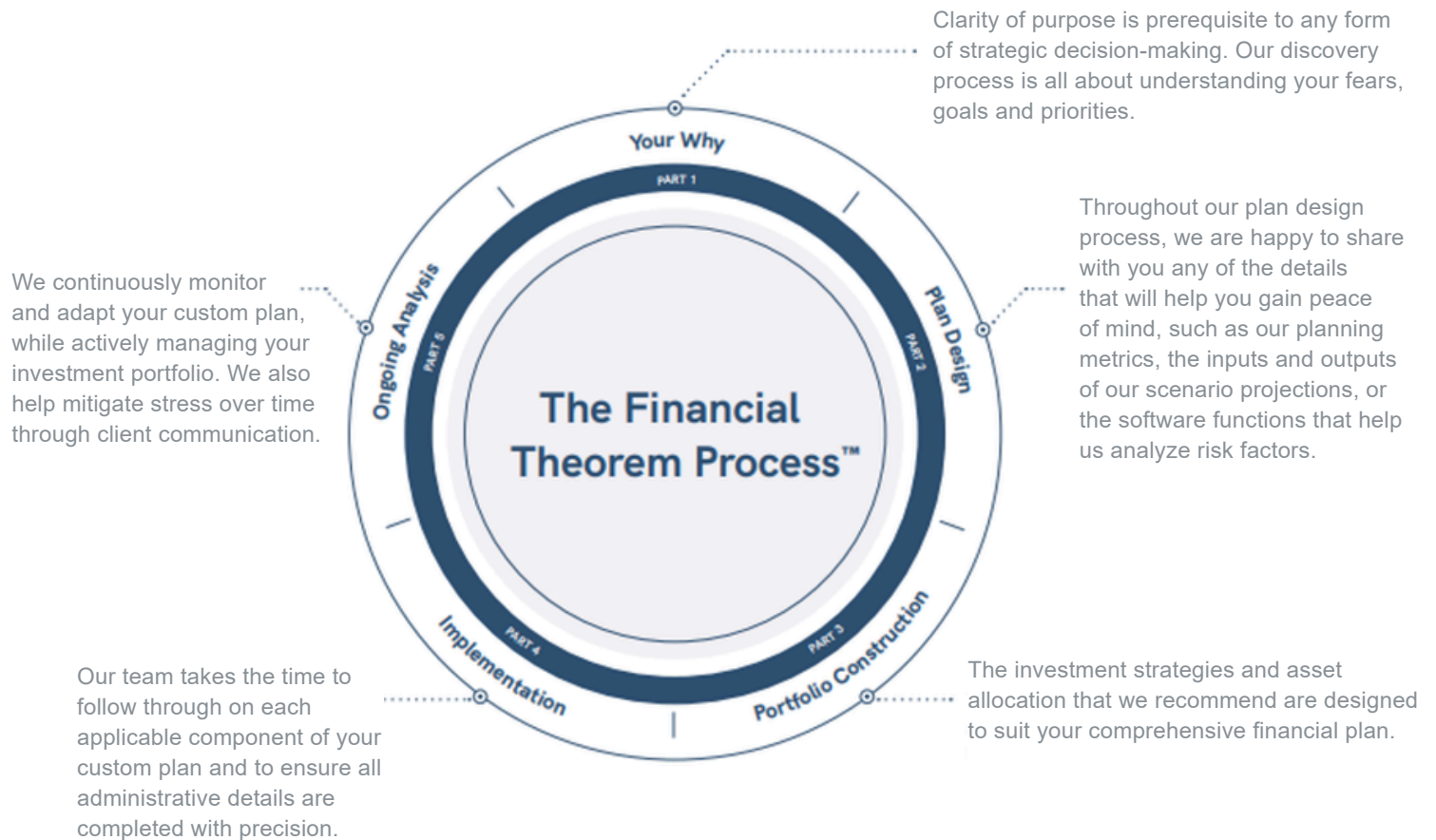


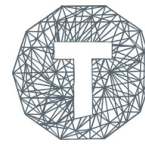
IN SUMMARY

As discussed throughout this guide, your retirement income decisions should be coordinated with your broader retirement strategy, including Social Security timing, investment horizon, tax planning, inflation expectations, and when you and your spouse stop working. Retirement income does not exist in a vacuum, and the right choice depends on your full financial picture.

THE THEOREM PROCESS

At Theorem Wealth Management, our process is designed to understand your goals, both short-term and long-term. We take your entire financial picture into consideration. Decisions like retirement income are planned using a multi-scenario analysis to ensure we are analyzing the long term impacts of every financial decision.





THEOREM WEALTH MANAGEMENT CAN HELP

Retirement income planning is only one part of your retirement strategy. Theorem Wealth Management can create a strategy that is based on your unique needs and goals. Your retirement strategy is what should drive your investment decisions.

FIDUCIARY STANDARD OF CARE

At Theorem Wealth Management, we are an independent firm committed to helping you reach your goals through conflict free advice. We are a fiduciary, bound by law to put our clients' best interests above all else.

A TAILORED APPROACH

We do not believe in a one size fits all approach. We create a personalized portfolio tailored to your unique financial goals.

BEST IN CLASS

Our CEO, Johnathan Rankin was named a Forbes Best-in-State Next Generation Wealth Advisor*, an accolade that represents both quantitative and qualitative achievements in his work within the wealth services field. The ranking is designed to help families identify local professionals who deliver an exceptional level of comprehensive service and expertise.

We believe Theorem Wealth Management can help you reduce the stress of financial management and the major decisions that need to be made when considering retirement.

A second set of eyes on your financial future is always a good idea. If you want an experienced financial professional to review your portfolio and financial goals, [click here for a complimentary evaluation](#).

We look forward to hearing from you.

*Source: Forbes "Best-in-State Next-Generation Wealth Advisors" list, September 4, 2019. Forbes "Best-in-State Next-Generation Wealth Advisors" list was developed by SHOOK Research. Advisors considered for this ranking were born in 1980 or later with a minimum 4 years relevant experience; advisors have: built their own practices and lead their teams; joined teams and are viewed as future leadership; or a combination of both. Ranking algorithm is based on qualitative measures: telephone and in-person interviews, client retention, industry experience, credentials, review of compliance records, firm nominations; and quantitative criteria, such as: assets under management and revenue generated for their firms. Investment performance is not a criteria because client objectives and risk tolerances vary, and advisors rarely have audited performance reports. Rankings are based on the opinions of SHOOK Research, LLC and not representative nor indicative of any one client's experience, future performance, or investment outcome. Neither Forbes nor SHOOK Research receives compensation in exchange for placement on the ranking. Forbes is a trademark of Forbes Media LLC. All rights reserved. Rankings and recognition from Forbes are no guarantee of future investment success and do not ensure that a current or prospective client will experience a higher level of performance results and such rankings should not be construed as an endorsement of the advisor.

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