

Preparing for retirement

A successful foundation



Plan for
the expected



Prepare for
the unexpected



Position
your portfolio
for both

Preparing for your journey

The process of creating a retirement strategy has three major components:

1

Plan for
the expected

2

Prepare for
the unexpected

3

Position your
portfolio for both

1

Plan for the expected

What's your vision?

This process begins with your vision for retirement, which includes when you want to retire and your desired retirement lifestyle. We'll focus on where you are today — your income, expenses, assets and debt — and where you want to be. We can then help you develop a strategy designed to achieve your goals.

How much do I need?

It's all about desired income

Start by estimating how much income you need to lead your desired retirement lifestyle. Your financial advisor can adjust this estimate for inflation and include outside income sources to determine how much you need to retire. The Rule of 25 can also provide a quick estimate.

The rule of 25

Implicit in how much you need to save is how much you can withdraw from your portfolio each year. We generally recommend an initial portfolio withdrawal rate of 4% for people retiring in their mid-60s, which incorporates annual increases for inflation. Using this as a guide, you can get a quick estimate for how much you should save:

**Inflation-adjusted income
needed from portfolio**

X 25

Required portfolio value

For example, if you'll initially need \$40,000 in pretax income from your portfolio, you'll need a portfolio worth \$1 million. If your number sounds large, don't be discouraged. Stick to your strategy — your investments and time are working for you.

Progress may feel slow at first. But look at the chart on Page 8. The lines curve sharply as you get closer to your goal. This is because of compounding — your returns start to build on one another, speeding your progress. So while your goal may feel far away, stay disciplined — you may be closer than you think.

You're in control: The power of three

Three key variables will directly influence your ability to achieve your goals:

- **Time** (how long you save)
- **Money** (how much you save)
- **Return** (how much your investments earn)

You control money and time, and your asset allocation helps determine your return potential. Your financial advisor can run different scenarios to show you how small changes in these variables can make a big difference over the long term.

The power of three					
	Saving \$450 per month for 30 years, returning 6% per year	Time	Money	Return	All three
		Saving an extra 5 years	Saving \$100 more per month	Earning a 1% higher return	Extra 5 years; \$100 more per month; 7% return
Ending portfolio value	\$450,000	\$640,000	\$550,000	\$550,000	\$990,000
Potential annual income	\$18,000	\$25,600	\$22,000	\$22,000	\$39,600

Source: Edward Jones estimates. This hypothetical example is for illustrative purposes only and does not reflect the performance of a specific investment. Income based on a 4% initial withdrawal rate. Portfolio value rounded to the nearest \$5,000.

Balancing goals

Everyone has competing priorities when it comes to saving. You may be balancing your current expenses (like a mortgage or child care costs) with saving for the future, or you may be looking to prioritize what you're saving for (such as retirement and a child's college education). But don't put off saving for important long-term goals at the expense of shorter-term objectives; your financial advisor can work with you to balance these priorities and adjust your strategy to better position you toward achieving what's important to you.

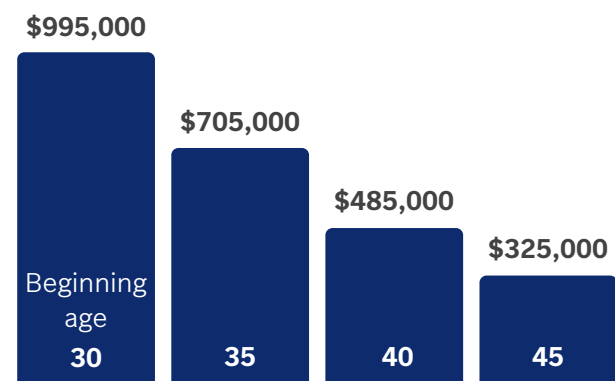
Early and mid-career investors

Take advantage of your biggest asset: Time

Early on, your financial assets may look modest. However, you're wealthier than you might think — you have time. Many people save for near-term goals first and delay saving for retirement, since it may be 30 years away. Don't delay!

Cost of waiting

Portfolio at age 65



Source: Edward Jones estimates. Assumes investing \$700 per month with a 6% annual return. This hypothetical example is for illustrative purposes only and does not reflect the performance of a specific investment. Values rounded to the nearest \$5,000.

Your employer can help — Many companies match retirement plan contributions. Even if you're trying to balance other goals and pay down some debt, we recommend you try to at least contribute enough to earn the full employer match — don't leave "free money" on the table.

Investors closer to retirement

You can still get there

As we review your progress, we may determine you're on track to reach your goals. If not, you still have time to make adjustments — and the power of three can work for you.

Time (and money): Determine your flexibility — You may be surprised where you're spending your money; you may have more flexibility than you think to save more. And if you have flexibility on when to retire, delaying retirement a few more years could have a dramatic effect, as shown in the chart on Page 4.

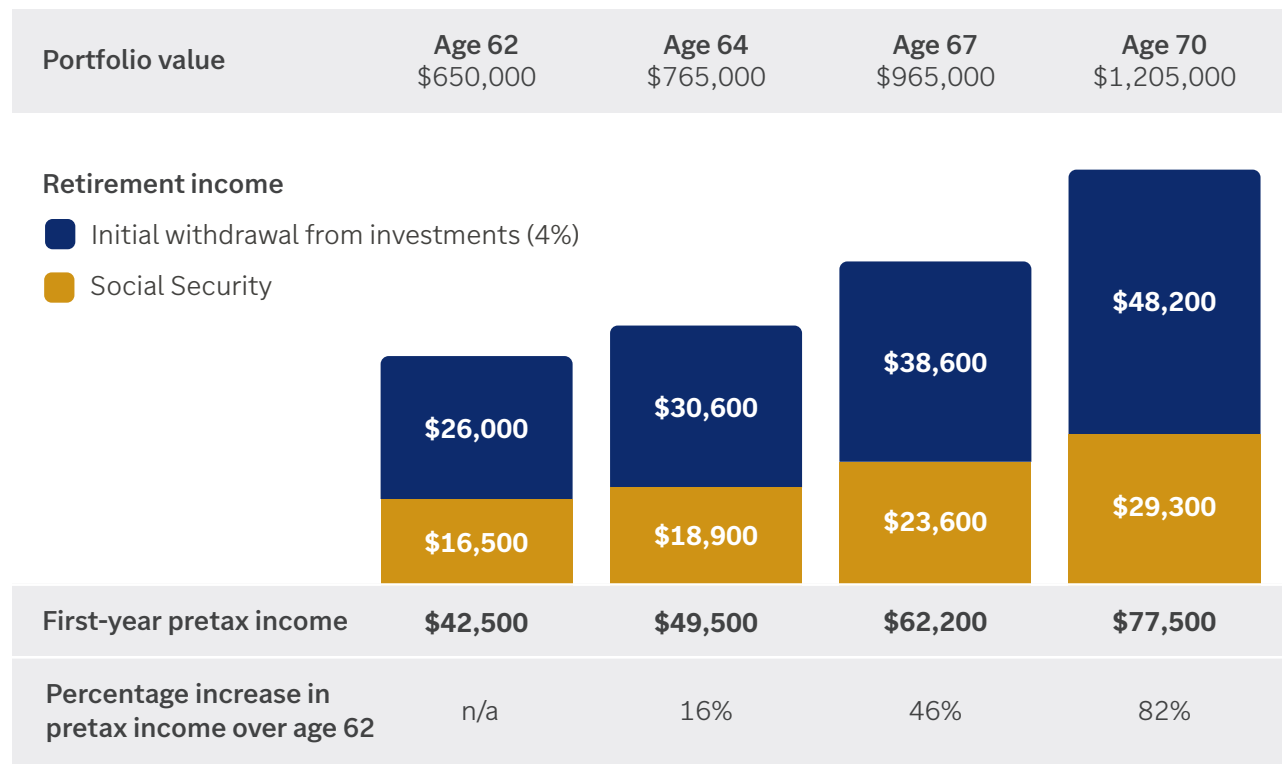
Money: Take advantage of catch-up provisions — Once you reach age 50, you can contribute more to your retirement accounts, including 401(k)s and IRAs.

Return: Ensure your investments align with your goals — It's important you're taking the proper amount of risk to achieve your desired return, so review your investment strategy. But don't invest too aggressively to try to make up for lost time — this could actually increase the risk that you don't meet your goals.

Consider the benefits of waiting

Delaying retirement a few years could dramatically improve your retirement lifestyle. Not only could it provide time to save more and grow your investments, but it could also increase your Social Security benefits.

The potential benefits of waiting



Source: Edward Jones estimates. Assumes portfolio value of \$650,000 at age 62. If retiring after age 62, assumes portfolio receives monthly contribution of \$1,250 and grows at a 6% return until retirement. Social Security benefits calculated assuming a \$23,600 benefit at Full Retirement Age (FRA) of 67. This hypothetical example is for illustrative purposes only and does not reflect the performance of a specific investment. Portfolio values rounded to the nearest \$5,000.

A longer retirement means saving more

Advances in medicine and healthier lifestyles will allow Americans to live longer and better than ever in retirement. While that's certainly good news, it also means your investments may need to last 25 to 30 years or more. Consider this: At age 65, American men can, on average, expect about 20 more years of life and women almost 22 years. This means that half of individuals age 65 can expect to live beyond these averages, with almost 30% of men and 40% of women expected to reach age 90.*

*Society of Actuaries RP-2006 Mortality Table Projected to 2021 using Society of Actuaries Mortality Improvement Scale MP-2021.

2 Prepare for the unexpected

You can't predict, but you can prepare

Life can be unpredictable, and you'll likely face unforeseen challenges along the way. While we work to address these in your "Plan for the expected," the unexpected can occur. To prepare, consider ways you can incorporate risk into your retirement strategy or insure against it.

Key risks/ expenses	Plan for the expected	Prepare for the unexpected
Job loss/change in employment	<ul style="list-style-type: none"> Emergency fund of at least 3–6 months' worth of total expenses 	Incorporate <ul style="list-style-type: none"> Access to line of credit for additional liquidity
Premature death/ disability	<ul style="list-style-type: none"> Current will and beneficiary information Ensure spouse understands financial picture and actions to take in event of emergency/death Emergency fund to cover at least 3–6 months' worth of total expenses to bridge gap until insurance payments are received 	Insure <ul style="list-style-type: none"> Life and disability insurance through employer and/or outside coverage
Unexpected events/expenses	<ul style="list-style-type: none"> Emergency fund of at least 3–6 months' worth of total expenses 	Insure <ul style="list-style-type: none"> Property and casualty insurance Homeowners/renters insurance
Health care	<ul style="list-style-type: none"> Up-to-date health care directives Emergency fund of at least 3–6 months' worth of total expenses 	Insure <ul style="list-style-type: none"> Health insurance through employer or outside coverage As retirement gets closer, long-term care insurance or life insurance with long-term care benefit

Market declines	<ul style="list-style-type: none"> • Diversified portfolio appropriate for your comfort with risk¹ • Long-term investment focus to help keep emotions from driving investment decisions • Disciplined portfolio rebalancing strategy • Systematic investing¹ 	Incorporate <ul style="list-style-type: none"> • Increase savings to provide flexibility in case markets underperform • Short-term CD/fixed-income ladder when transitioning into retirement Insure <ul style="list-style-type: none"> • Annuities with guaranteed income when approaching retirement²
Inflation	<ul style="list-style-type: none"> • Adjust retirement income needs for inflation • Diversified portfolio appropriate for your comfort with risk¹ • Appropriate allocation to equities to provide the opportunity for long-term growth and rising dividend potential to help combat inflation 	Incorporate <ul style="list-style-type: none"> • Automatic increase in savings rate each year and/or save a greater portion of raises

¹ Systematic investing and diversification do not guarantee a profit or protect against loss.

² You could annuitize an existing annuity, purchase a deferred or immediate annuity, or purchase a fixed or variable annuity with optional guaranteed income benefits. Income payments are backed by the claims-paying ability of the issuing insurance company. The principal value of a variable annuity can decline with the market and lose principal, but the income stream can be insured by the insurance company for life.

The role of insurance

While you are still working, your ability to earn income into the future is incredibly valuable. Life insurance can help you protect this asset by helping ensure your family will have the financial resources they need should you pass away at an early age. We recommend having enough to cover your family's expenses — to replace your lost income and pay expenses such as college or a mortgage. For most people, term life insurance may be the most appropriate and cost-effective solution to do this, since it typically costs about 1%–2% of your annual salary.* Your financial advisor can walk you through your options and help you decide what will work for you and your family.

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3

Position your portfolio for both

Start with a solid foundation

A solid investment strategy is based on the investment principles of quality, diversification and a long-term focus. Our goal is to help you adhere to these principles and build a portfolio with the investments, insurance and banking solutions needed to help achieve your goals and address risks.

Risk and your goals

While you don't control your investment return, you do control your return potential. Generally, the greater the percentage of stocks you own, the more your return potential increases — but so does the risk of market fluctuations.

But risk has many definitions. Some investors may hold more in cash and short-term investments in an effort to avoid short-term market declines and be conservative. But this approach may be risky as well — it reduces your return and growth potential. As shown on Page 8, the difference between a 6% and 3% return is not just 3% — it could be nearly \$500,000. The biggest risk you face is not reaching your goals, and it is difficult to reach long-term goals with only short-term investments.

Keep emotions in check

Market declines themselves usually don't keep people from achieving their goals — their emotional reactions to the declines do. By understanding your level of comfort with risk, you can better control your emotions and stick to your long-term strategy during the inevitable bumps along the way.

Building your portfolio

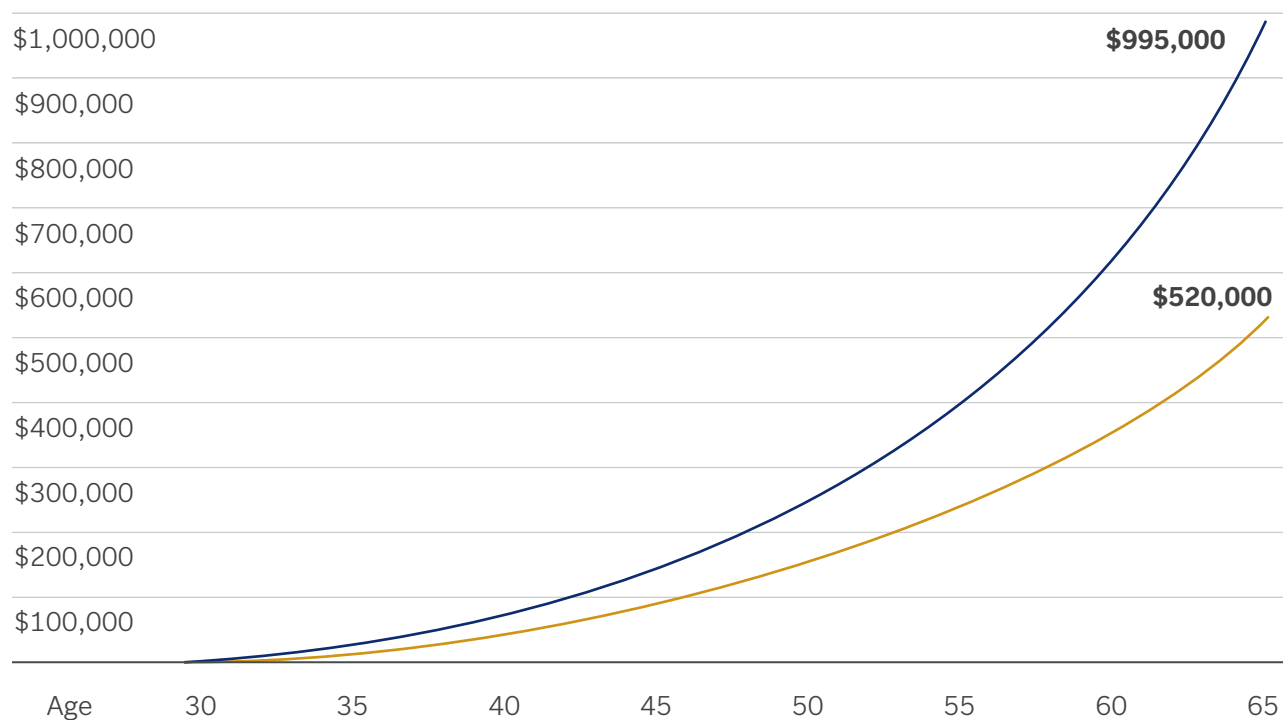
Growth in the early years — In general, if you're many years away from retiring, more of your investments should be geared toward those that provide the opportunity for growth, such as stocks and/or stock mutual funds. You generally have more time to weather short-term declines and pursue higher long-term returns.

It's still important, however, to own bonds, which can help smooth out changes in your portfolio's value over time.

Transitioning to balance — As you near retirement, it's harder to weather potential larger market declines. Your portfolio should become more balanced between stocks and bonds in the years before you retire. We'll help you position your portfolio to provide income for the first few years of your retirement as well as the growth needed to supply income in the later years. Remember, if you are behind in your strategy, be aggressive with saving, not investing.

Potential benefits of growth in your portfolio

■ 6% average return ■ 3% average return



Source: Edward Jones estimates. Assumes saving \$700 per month. This hypothetical example is for illustrative purposes only and does not reflect the performance of a specific investment. Values rounded to the nearest \$5,000.

The role of Social Security

While there may be adjustments to put the program on more solid footing, Social Security will likely continue to play a key role in retirement. Since when you claim Social Security can affect both your and your spouse's lifetime payment, it's crucial to work with your financial advisor to determine what makes sense for your situation. Note that Social Security is likely to make up only a portion of your income in retirement. For example, Social Security benefits replace about 40% of pre-retirement income for a median earner who claims at full retirement age.* So, you'll still be responsible for funding the majority of your spending in retirement. A comprehensive savings and investment strategy is essential.

*Source: Social Security Administration, *Replacement Rates for Hypothetical Retired Workers*, March 2024.

Keep retirement from being taxing

Because taxes can significantly impact your portfolio's value, we recommend investing in tax-advantaged accounts as well as diversifying accounts by tax treatment — including traditional and Roth accounts — because this can provide more flexibility in retirement. Where you focus your contributions may change based on your life stage and tax situation, so it's important to discuss your strategy with your financial advisor and a tax professional.

Tax-deferred/tax-free growth is a major benefit when saving for retirement. Every dollar saved in taxes is one more you have to spend in retirement. By allowing your portfolio to grow without the impact of taxes, you can be in a much better position to achieve your goals.

Power of tax deferral



Source: Edward Jones estimates. Assumes \$750 in monthly pretax contributions from age 30 to age 65 and a 6% annual return. Traditional retirement account assumes tax-deductible contributions and is taxed at 25% at age 65. Taxable account assumes after-tax contributions, dividend and interest taxed annually at 25%, and capital gains taxed at 15% at age 65. This hypothetical example is for illustrative purposes only and does not reflect the performance of a specific investment. Values rounded to the nearest \$5,000.

Understanding your options

There are two main types of tax-advantaged individual retirement savings accounts: traditional and Roth. The key differences reside in how and when taxes are paid, with each serving an important role.

Roth or traditional?

	Roth retirement account	Traditional retirement account
Features	<ul style="list-style-type: none">Contributions are not tax deductible.Distributions are tax free when withdrawn.¹	<ul style="list-style-type: none">Contributions may be tax deductible.Distributions are taxed as ordinary income.²
Tends to be more beneficial if:	<ul style="list-style-type: none">You expect tax rates to be higher in retirement than today (or at the time of contribution).You are able to forgo the tax deduction today for the prospect of tax-free income in retirement.	<ul style="list-style-type: none">You expect tax rates to be lower in retirement than today (or at the time of contribution).You are in a high tax bracket today and would prefer the immediate tax savings of a deduction or pretax contribution.

¹ Earnings distributions from a Roth IRA may be subject to taxes if the account is less than five years old. If the owner is younger than 59½, earnings distributions may be subject to a 10% penalty and taxes. Contributions to a Roth IRA are subject to income limitations.

² Withdrawals from a traditional IRA prior to age 59½ may be subject to a 10% penalty and applicable ordinary income tax.

Review and rebalance

The review may be the most important part of the process, since inevitably there will be some surprises along the way. We'll need to review your strategy regularly, including:

- Any life events or changes to your retirement goals
- Your investment mix to help ensure it still aligns with your goals and risk tolerance
- Actual investment performance versus expected performance
- Any insurance, beneficiary designations and legal documents to help ensure they're up to date

We may need to make some adjustments to stay on track. It's also important to rebalance your investments periodically back to your stated objectives so you aren't taking too much, or too little, risk necessary to achieve your goals.

Together, we can turn your vision for retirement into a strategy to help you achieve your retirement goals.



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