



PLANNING FOR RETIREMENT BUDGETS AND EXPENSES

Establishing a Retirement Budget

Before you know how to fund your expenses in retirement, you need to know what they are today. Understanding where your money is going will help you and your financial advisor create a plan to reach your retirement goals.

How Much Do You Spend Today?

Start with your monthly take home pay as a starting point. From there, consider your spending habits and then ask the following questions:

- What expenses currently coming out of your paycheck will you have to cover in retirement (health insurance, life insurance, etc.)?
- What extra expenses do you want to budget for in retirement? Think about things such as: travel, medical expenses, grandchildren, etc.
- Have you included larger one-time items that may need to be replaced (things in your home, automobiles, etc.)?
- Will any of your expenses decrease in retirement (paid off mortgage, 401(k) contributions, etc.)?
- What do you estimate your taxes to be when you are retired?

Keep in Mind...

1 in 2

workers retires earlier than expected due to reasons such as downsizing, health problems and caring for a spouse or family member.*



\$265k

is needed to have a 90% chance of covering all of a married couple's medical costs with median prescription expenses.**



*<http://www.cbsnews.com/news/why-do-half-of-all-workers-retire-earlier-than-planned/>
**https://www.ebri.org/pdf/notespdf/EBRI_Notes_Hlth-Svgs.v38no1_31Jan17.pdf

TYPES OF EXPENSES

Essential

These are items that are necessary; things for which you simply must pay. Examples include housing, utilities, food, clothing and healthcare.

70%
Essential
Spending

Discretionary

This type of expense covers items that are "nice to haves" and can be eliminated or reduced if necessary. Examples of discretionary spending are things like travel, entertainment, gifts and luxury items.

30%
Discretionary
Spending

One-Time Purchases

One-time expenses are things like children's weddings, grandchildren's college tuition, home-improvement projects and new automobiles. Most of these expenses are, well, expensive. These are very important to consider when budgeting for retirement, as they can make a huge impact on your retirement lifestyle if not taken into account in the retirement planning stages.

DON'T FORGET ABOUT...

Commonly Missed Expenses

It will be hard to think of all the expenses you will need in retirement, but it is important to try to cover all of them.

The top commonly missed items are:



Real Estate
Taxes



Insurance
Premiums



Medical
Expenses



Large, One-time
Expenses

Have Questions? Talk to your financial advisor today.

September 2018

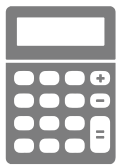




PLANNING FOR RETIREMENT BUDGETS AND EXPENSES

Monthly Living Expense Worksheet

Use this worksheet to calculate your monthly living expenses in retirement. Once complete, work with your financial advisor to create a plan for yourself to be prepared come retirement.



59%

of workers haven't tried to calculate how much money they will need to save for retirement.*

*https://www.ebri.org/pdf/briefspdf/EBRI_IB_431_RCS.21Mar17.pdf

Essential Expenses



HOME/UTILITIES

- Mortgages. \$ _____
- Property/Real Estate Taxes \$ _____
- Home Owner's Insurance \$ _____
- Principal + Interest Payment \$ _____
- Rent \$ _____
- Home Security \$ _____
- Home Maintenance, Repair & Improvements \$ _____
- Utilities
(*ex: water, electric, gas*). \$ _____
- Connectivity
(*ex: phone, internet*). \$ _____
- Household Supplies
(*ex: cleaning, maintenance*). \$ _____

Home/Utilities Monthly Subtotal \$ _____



FAMILY CARE

- Food/Groceries \$ _____
- Clothing. \$ _____
- Education \$ _____
- Health Insurance \$ _____
- Other \$ _____

Family Care Monthly Subtotal \$ _____



TRANSPORTATION

- Auto Payments
(*ex: premiums or leases*). \$ _____
- Auto Insurance. \$ _____
- Auto Maintenance
(*ex: oil changes, repairs, etc.*). \$ _____
- License/Registration \$ _____
- Other \$ _____

Transportation Monthly Subtotal \$ _____



OTHER ESSENTIALS

(*credit card payments, personal debts, etc.*)

- _____ \$ _____
- _____ \$ _____
- _____ \$ _____
- _____ \$ _____

Other Essentials Monthly Subtotal \$ _____

Have Questions? Talk to your financial advisor today.





PLANNING FOR RETIREMENT BUDGETS AND EXPENSES

Discretionary Expenses

HOBBIES



- Recreation (ex: gym membership, golf) \$ _____
- Grandchildren Activities \$ _____
- Subscriptions (ex: cable, magazines, newspapers, Netflix) \$ _____
- Other \$ _____

Hobbies Monthly Subtotal \$ _____

ENTERTAINMENT



- Tickets (ex: music, movies, events) \$ _____
- Dining Out \$ _____
- Social Club Dues \$ _____
- Other \$ _____

Entertainment Monthly Subtotal \$ _____

TRAVEL



- Airline Tickets \$ _____
- Hotels \$ _____
- Spending Money \$ _____
- Other \$ _____

Travel Monthly Subtotal \$ _____



GIFTING

- Holidays & Birthdays \$ _____
- Charity \$ _____
- Other \$ _____

Gifting Monthly Subtotal \$ _____



OTHER DISCRETIONARY

(pet expenses, professional services, etc.)

- \$ _____
- \$ _____
- \$ _____
- \$ _____

Other Discretionary Monthly Subtotal .. \$ _____

Putting It All Together

Total Monthly Essential Expenses \$ _____

Total Monthly Discretionary Expenses .. \$ _____

Total Monthly Expenses \$ _____

Once you've tallied all your expenses, take a good look at the number. How do you feel about it? Is it a number you can live with in retirement, and more importantly, live *happily* in retirement?

At PAi, we want you to own retirement readiness and live the life in retirement that you envision. Plan for your retirement.

Looking for more tools like this? Check out PAi's Retirement Calculator at PAi.com/retirement-calculator.

Have Questions? Talk to your financial advisor today.

