



RETIREMENT PLANNING  
RESOURCES

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## RETIREMENT INCOME

### Retired Household - Household Plan

04/29/2024

Prepared by:

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# Balance Sheet

Net worth is the difference between assets and liabilities. Assets are things you own, such as a home, a business, or investment accounts. Liabilities are things you owe, such as the balance on a mortgage and other debt. The information below reflects your inputs.

Total Assets \$3,270,000	Total Liabilities \$150,000	Net Worth \$3,120,000
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<b>Investment Accounts</b>	<b>\$2,750,000</b>
Joint Taxable - John and Mary	\$900,000
John's IRA - John	\$1,100,000
Mary's 401(k) - Mary	\$750,000
<b>Banking Accounts</b>	<b>\$20,000</b>
CD - John and Mary	\$20,000
<b>Other Assets</b>	<b>\$500,000</b>
Primary residence - John and Mary	\$500,000
<b>Liabilities</b>	<b>\$150,000</b>
Mortgage - John and Mary	\$150,000

# Income Policy Statement

This document lays out a plan for producing retirement income within evolving financial, economic, and market contexts. Following this plan will involve ongoing plan monitoring.

## Household Detail

John Smith

Date of Birth: Jan 1959

Mary Smith

Date of Birth: May 1961

## Short Term Income Plan

Based on your inputs and chosen assumptions, including an investment portfolio balance of \$2,750,000, your planned spending capacity is \$17,951 (\$7,315 after taxes). These amounts may change over time. The plan reported on here includes a plan for income adjustments. The Adjustment Plan below shows estimates of when this plan would call for a change in income.

### Spending Capacity



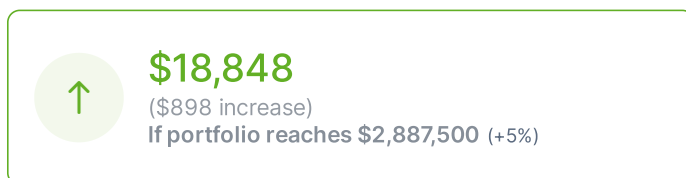
### Balance



### Other expenses:

Mortgage pmt	\$2,000
Term premium	\$100

### Adjustment Plan



If your portfolio balance were at or above \$2,887,500 (5% more than your current balance), your plan would call for a \$898 increase in income to \$18,848.



If your portfolio balance were at or below \$2,058,709 (25.1% less than your current balance), your plan would call for a \$898 decrease in income to \$17,053.

IMPORTANT: The projections or other information generated by Income Lab regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results.

## Income Settings

Choosing a level of retirement income involves a trade-off between current income and the future possibility of unplanned increases or decreases to this income. Taking less income now will result in a higher possibility of future income increases and a lower risk of future income decreases. Taking more income now will result in a lower possibility of future income increases and a higher risk of future income reductions.

### Target Income Level

This plan targets an income that has an estimated 20% chance of a future reduction and an estimated 80% chance of a future increase.

### Income Adjustment Plan

The risk level of any income amount will change over time as circumstances change. We plan to adjust retirement income up or down according to the following policies.

**Income Increase Plan:** If the estimated chance of a future income decrease is 10% or lower, increase income 100% of the way toward the Target Income Level (20%).

**Income Decrease Plan:** If the estimated chance of a future income decrease is 75% or higher, decrease income 10% of the way toward the Target Income Level (20%).

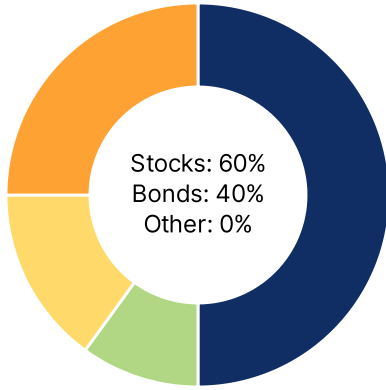
## Other Inputs

**Income Path:** This plan's income needs follow an age-based path (also called the "retirement smile"), where future income changes in line with generally observed patterns found across the population for people of the same age and income level. This income path is based on expected future needs; however, we recognize that these expectations may not accurately match actual future income needs.





**Investments:** We plan to invest the investment accounts used to fund retirement according to the aggregate asset allocation shown below. We acknowledge that the returns of any particular security or investment may differ from the overall returns of the asset classes shown here and that our investment strategy may be governed by a separate policy not defined here.

# Asset Allocation

The following specifies the target asset allocation of the plan reported on here, based on your inputs. This is not a report of your current investment allocation or a substitute for the information contained in the official account statements provided by custodian(s). The assumed average portfolio return and standard deviation shown below are net of inflation.

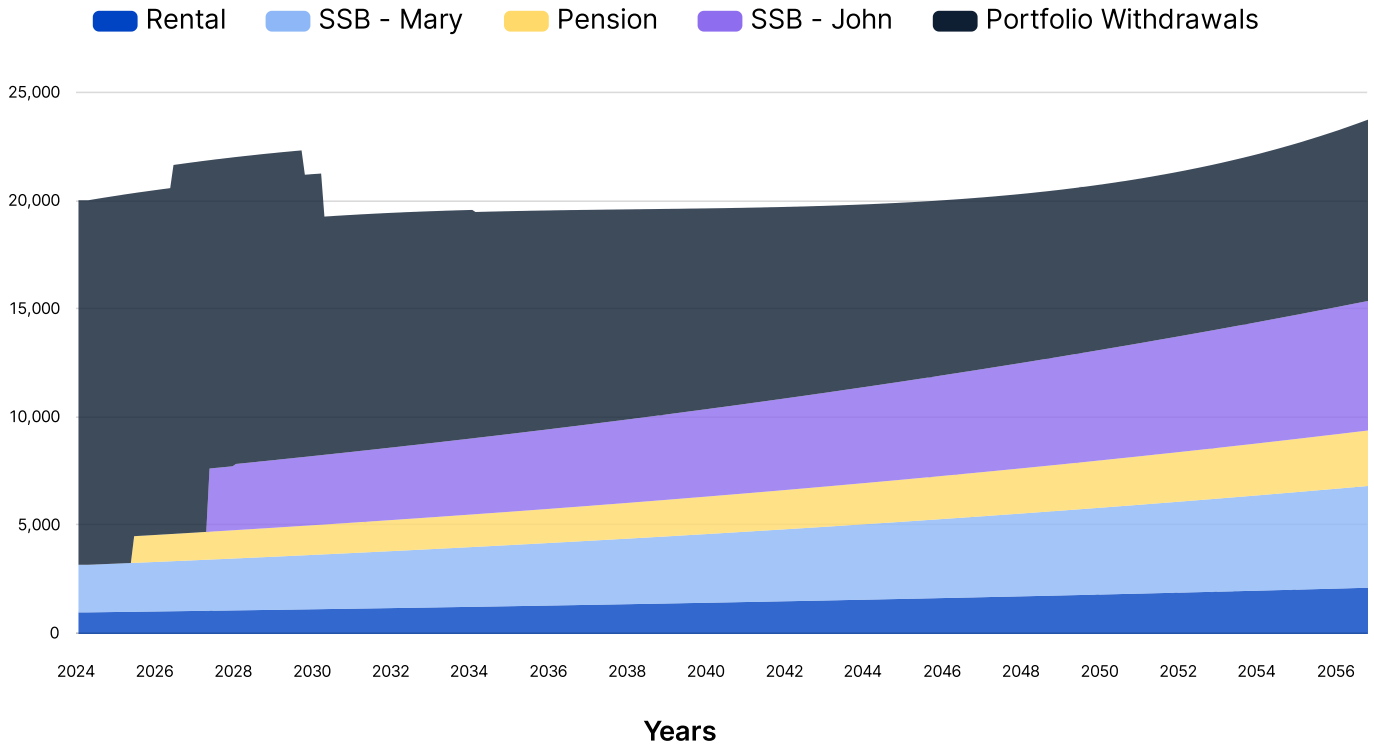


Annual Return: 5.7%  
Standard deviation: 10.6%

	<b>Asset Class</b>	<b>Balance</b>	<b>%</b>
	US All Cap	\$1,375,000	50%
	International	\$275,000	10%
	Long-Term US Govt	\$412,500	15%
	Intermediate-Term US Govt	\$687,500	25%

# Cash Flow Plan

Along with any portfolio withdrawals, this plan includes 4 non-portfolio income sources. The timing and inflation-adjusted amounts of these income sources are shown in the chart below.



# Long Term Income Outlook

In order to estimate the possible outcomes of a dynamic plan – one that adjusts and adapts to changing circumstances – we have simulated the experiences of hypothetical households that increased and decreased income according to the plan reported on here. The information below summarizes the results of these plan tests.

## Lifetime Income Experience

This section reports on total simulated overall income, including income adjustments, compared to the income plan without adjustments.

### 98% Scenarios Above Plan

↑ Average: **27% above planned**

↑ Best case: **138% above planned**

98% of simulated scenarios had more total income over time than planned. On average, total lifetime income was 27% higher than planned. In the best case, total lifetime income was 138% higher than planned.

### 2% Scenarios Below Plan

↓ Average: **1% below planned**

↓ Worst case: **2% below planned**

2% of simulated scenarios had less total income over time than planned. On average, total lifetime income was 1% lower than planned. In the worst case, total lifetime income was 2% lower than planned.

## Income Adjustments

Dynamic plans involve adjustments to income due to inflation and changes in other financial and economic circumstances. The results below report on the size and frequency of these adjustments in the plan tests.

### Average Increase

**5.6%** every 1.7 years

Largest increase: **39.1%**

90% of increases: **5% - 10.3%**

On average, simulated scenarios had a 5.6% increase in income every 1.7 years. The largest single increase in any simulated scenario was 39.1%, but 90% of increases were between 5% and 10.3%.

### Average Decrease\*

**-5.6%** every 34.1 years

Largest decrease: **16.8%**

90% of decreases: **0.5% - 8%**

On average, simulated scenarios had a 5.6% decrease in income every 34.1 years. The largest single decrease in any simulated scenario was 16.8% but 90% of decreases were between 0.5% and 8%.\*

\* Note that reductions in income from an above-plan level to another above-plan level are not included in these statistics since they do not result in income below plan.

## Plan Updates

Once implemented, this income plan will be revised periodically as needed. This process will refresh all plan data and parameters, including:

**Investment Account Balances:** Values will be calculated from approximate actual account balances, where this data is available via electronic data feed. If no data feed is available, balances will be estimated from asset class returns and/or reflect last known balances and asset allocations.

**Longevity Estimates:** As age and longevity expectations change, expected longevity for this household will change. Monthly recalculation of longevity estimates will take into account then-current ages and any significant changes to actuarial assumptions.

**Income Changes:** Monthly analyses will test the then-current risk level of income against this plan's Income Change Policies. No change to current income will be indicated unless the new analysis meets one of these established policies.

## Income Policy Statement Acceptance

We have reviewed and discussed the Income Policy documented here and elsewhere with our financial professional(s) and other tax and legal advisors, as appropriate, and agree that it includes accurate information and represents our current choices and desires. We recognize that if anything changes in our financial situation we should notify our financial professional and update this Policy.

We acknowledge that this plan will be revisited periodically as needed and that our financial professional will notify us if any part of this plan indicates that a change may be needed and that, at that point, we may follow the changes outlined in this plan or choose to adopt a new plan.

We recognize that any financial analysis makes estimates, assumptions, and projections regarding uncertain future events and that it is impossible to accurately and precisely predict future longevity, investment returns, and income needs. It is reasonable to expect that actual longevity, investment returns, and return volatility will vary from expected levels and that these variances will affect available retirement income. We also acknowledge and understand that past performance does not guarantee future results.

By signature below, we acknowledge both receipt of this document and acceptance of its content.

**John Smith**

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Mary Smith**

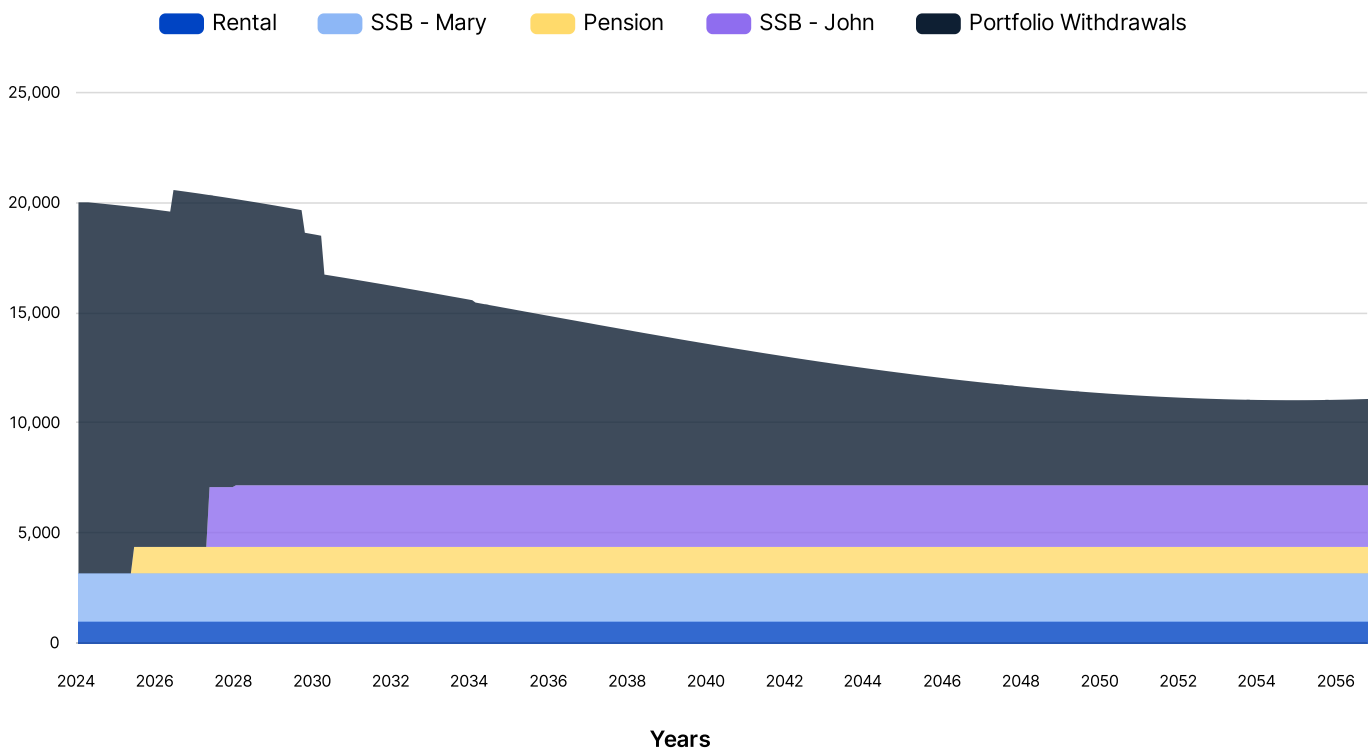
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# Income Sources - Real

Household income may be derived from many different sources, including withdrawals from investment accounts and income received from non-portfolio sources like Social Security or pensions. Using your inputs and chosen inflation assumptions, the chart below shows how different income sources come together to produce income for the plan reported on here. Values are displayed in today's dollars.



Year	Age - John	Age - Mary	SSB - John	SSB - Mary	Pension	Rental	Withdrawals	WDs for Reinvestment
2024	65	63	\$0	\$26,400	\$0	\$12,000	\$202,210	\$475,527
2025	66	64	\$0	\$26,400	\$8,400	\$12,000	\$192,209	\$466,795
2026	67	65	\$0	\$26,400	\$14,400	\$12,000	\$190,701	\$465,802
2027	68	66	\$21,736	\$26,400	\$14,400	\$12,000	\$171,071	\$450,557
2028	69	67	\$33,600	\$26,400	\$14,400	\$12,000	\$155,974	\$145,102
2029	70	68	\$33,600	\$26,400	\$14,400	\$12,000	\$149,447	\$0
2030	71	69	\$33,600	\$26,400	\$14,400	\$12,000	\$120,939	\$0
2031	72	70	\$33,600	\$26,400	\$14,400	\$12,000	\$112,204	\$0
2032	73	71	\$33,600	\$26,400	\$14,400	\$12,000	\$108,546	\$0
2033	74	72	\$33,600	\$26,400	\$14,400	\$12,000	\$104,761	\$0
2034	75	73	\$33,600	\$26,400	\$14,400	\$12,000	\$100,014	\$0
2035	76	74	\$33,600	\$26,400	\$14,400	\$12,000	\$96,037	\$0
2036	77	75	\$33,600	\$26,400	\$14,400	\$12,000	\$92,126	\$0
2037	78	76	\$33,600	\$26,400	\$14,400	\$12,000	\$88,235	\$0
2038	79	77	\$33,600	\$26,400	\$14,400	\$12,000	\$84,393	\$0
2039	80	78	\$33,600	\$26,400	\$14,400	\$12,000	\$80,630	\$0
2040	81	79	\$33,600	\$26,400	\$14,400	\$12,000	\$76,969	\$0
2041	82	80	\$33,600	\$26,400	\$14,400	\$12,000	\$73,434	\$0
2042	83	81	\$33,600	\$26,400	\$14,400	\$12,000	\$70,046	\$0
2043	84	82	\$33,600	\$26,400	\$14,400	\$12,000	\$66,824	\$0
2044	85	83	\$33,600	\$26,400	\$14,400	\$12,000	\$63,785	\$0
2045	86	84	\$33,600	\$26,400	\$14,400	\$12,000	\$60,944	\$0
2046	87	85	\$33,600	\$26,400	\$14,400	\$12,000	\$58,316	\$0
2047	88	86	\$33,600	\$26,400	\$14,400	\$12,000	\$55,914	\$0
2048	89	87	\$33,600	\$26,400	\$14,400	\$12,000	\$53,751	\$0
2049	90	88	\$33,600	\$26,400	\$14,400	\$12,000	\$51,840	\$0
2050	91	89	\$33,600	\$26,400	\$14,400	\$12,000	\$50,193	\$0
2051	92	90	\$33,600	\$26,400	\$14,400	\$12,000	\$48,822	\$0
2052	93	91	\$33,600	\$26,400	\$14,400	\$12,000	\$47,740	\$0

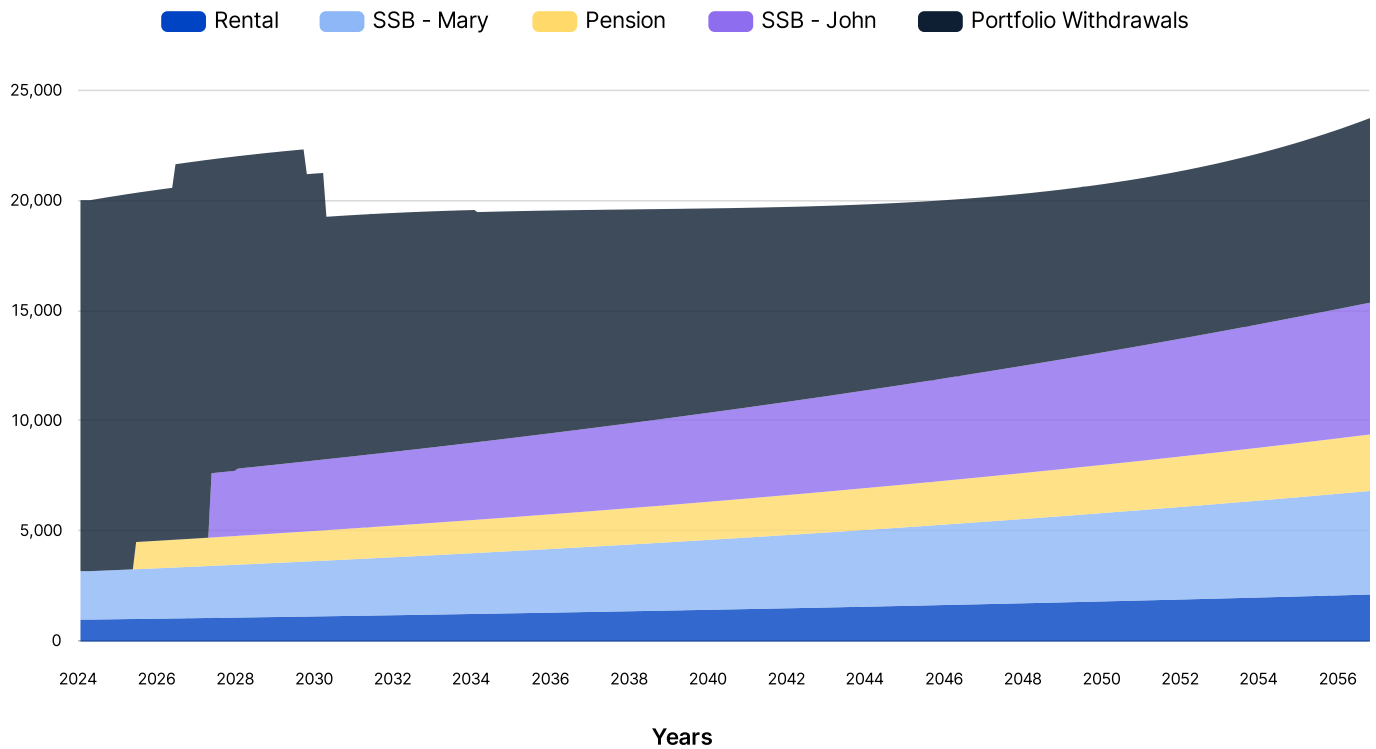
Year	Age - John	Age - Mary	Total	Additions	Net of Additions
2024	65	63	\$716,137	\$475,527	\$240,610
2025	66	64	\$705,804	\$466,795	\$239,009
2026	67	65	\$709,302	\$465,802	\$243,501
2027	68	66	\$696,164	\$450,557	\$245,607
2028	69	67	\$387,475	\$145,102	\$242,374
2029	70	68	\$235,847	\$0	\$235,847
2030	71	69	\$207,339	\$0	\$207,339
2031	72	70	\$198,604	\$0	\$198,604
2032	73	71	\$194,946	\$0	\$194,946
2033	74	72	\$191,161	\$0	\$191,161
2034	75	73	\$186,414	\$0	\$186,414
2035	76	74	\$182,437	\$0	\$182,437
2036	77	75	\$178,526	\$0	\$178,526
2037	78	76	\$174,635	\$0	\$174,635
2038	79	77	\$170,793	\$0	\$170,793
2039	80	78	\$167,030	\$0	\$167,030
2040	81	79	\$163,369	\$0	\$163,369
2041	82	80	\$159,834	\$0	\$159,834
2042	83	81	\$156,446	\$0	\$156,446
2043	84	82	\$153,224	\$0	\$153,224
2044	85	83	\$150,185	\$0	\$150,185
2045	86	84	\$147,344	\$0	\$147,344
2046	87	85	\$144,716	\$0	\$144,716
2047	88	86	\$142,314	\$0	\$142,314
2048	89	87	\$140,151	\$0	\$140,151
2049	90	88	\$138,240	\$0	\$138,240
2050	91	89	\$136,593	\$0	\$136,593
2051	92	90	\$135,222	\$0	\$135,222
2052	93	91	\$134,140	\$0	\$134,140

Year	Age - John	Age - Mary	SSB - John	SSB - Mary	Pension	Rental	Withdrawals	WDs for Reinvestment
2053	94	92	\$33,600	\$26,400	\$14,400	\$12,000	\$46,963	\$0
2054	95	93	\$33,600	\$26,400	\$14,400	\$12,000	\$46,504	\$0
2055	96	94	\$33,600	\$26,400	\$14,400	\$12,000	\$46,382	\$0

Year	Age - John	Age - Mary	Total	Additions	Net of Additions
2053	94	92	\$133,363	\$0	\$133,363
2054	95	93	\$132,904	\$0	\$132,904
2055	96	94	\$132,782	\$0	\$132,782

# Income Sources - Nominal

Household income may be derived from many different sources, including withdrawals from investment accounts and income received from non-portfolio sources like Social Security or pensions. Using your inputs and chosen inflation assumptions, the chart below shows how different income sources come together to produce income for the plan reported on here. Values are displayed in future dollars. See Assumptions for information on assumed inflation rates.



Year	Age - John	Age - Mary	SSB - John	SSB - Mary	Pension	Rental	Withdrawals	WDs for Reinvestment
2024	65	63	\$0	\$26,400	\$0	\$12,000	\$202,210	\$475,527
2025	66	64	\$0	\$26,867	\$8,549	\$12,212	\$195,610	\$475,054
2026	67	65	\$0	\$27,503	\$15,002	\$12,501	\$198,667	\$485,260
2027	68	66	\$23,179	\$28,153	\$15,356	\$12,797	\$182,434	\$480,484
2028	69	67	\$36,679	\$28,819	\$15,720	\$13,100	\$170,269	\$158,401
2029	70	68	\$37,547	\$29,501	\$16,092	\$13,410	\$167,005	\$0
2030	71	69	\$38,435	\$30,199	\$16,473	\$13,727	\$138,346	\$0
2031	72	70	\$39,344	\$30,913	\$16,862	\$14,052	\$131,391	\$0
2032	73	71	\$40,276	\$31,645	\$17,261	\$14,384	\$130,114	\$0
2033	74	72	\$41,228	\$32,394	\$17,670	\$14,725	\$128,548	\$0
2034	75	73	\$42,204	\$33,161	\$18,088	\$15,073	\$125,627	\$0
2035	76	74	\$43,202	\$33,944	\$18,516	\$15,430	\$123,486	\$0
2036	77	75	\$44,225	\$34,748	\$18,954	\$15,795	\$121,260	\$0
2037	78	76	\$45,271	\$35,570	\$19,402	\$16,169	\$118,886	\$0
2038	79	77	\$46,343	\$36,412	\$19,861	\$16,551	\$116,401	\$0
2039	80	78	\$47,440	\$37,273	\$20,331	\$16,943	\$113,841	\$0
2040	81	79	\$48,562	\$38,155	\$20,812	\$17,344	\$111,244	\$0
2041	82	80	\$49,711	\$39,059	\$21,305	\$17,754	\$108,646	\$0
2042	83	81	\$50,887	\$39,983	\$21,809	\$18,174	\$106,086	\$0
2043	84	82	\$52,091	\$40,928	\$22,325	\$18,604	\$103,601	\$0
2044	85	83	\$53,323	\$41,897	\$22,853	\$19,044	\$101,228	\$0
2045	86	84	\$54,586	\$42,888	\$23,394	\$19,495	\$99,008	\$0
2046	87	85	\$55,877	\$43,903	\$23,947	\$19,956	\$96,980	\$0
2047	88	86	\$57,199	\$44,942	\$24,514	\$20,428	\$95,186	\$0
2048	89	87	\$58,553	\$46,006	\$25,094	\$20,912	\$93,669	\$0
2049	90	88	\$59,938	\$47,094	\$25,688	\$21,407	\$92,476	\$0
2050	91	89	\$61,356	\$48,208	\$26,296	\$21,913	\$91,656	\$0
2051	92	90	\$62,808	\$49,349	\$26,918	\$22,432	\$91,262	\$0
2052	93	91	\$64,294	\$50,516	\$27,555	\$22,962	\$91,352	\$0

Year	Age - John	Age - Mary	Total	Additions	Net of Additions
2024	65	63	\$716,137	\$475,527	\$240,610
2025	66	64	\$718,292	\$475,054	\$243,238
2026	67	65	\$738,932	\$485,260	\$253,672
2027	68	66	\$742,404	\$480,484	\$261,920
2028	69	67	\$422,989	\$158,401	\$264,588
2029	70	68	\$263,555	\$0	\$263,555
2030	71	69	\$237,179	\$0	\$237,179
2031	72	70	\$232,563	\$0	\$232,563
2032	73	71	\$233,681	\$0	\$233,681
2033	74	72	\$234,565	\$0	\$234,565
2034	75	73	\$234,153	\$0	\$234,153
2035	76	74	\$234,578	\$0	\$234,578
2036	77	75	\$234,982	\$0	\$234,982
2037	78	76	\$235,299	\$0	\$235,299
2038	79	77	\$235,568	\$0	\$235,568
2039	80	78	\$235,828	\$0	\$235,828
2040	81	79	\$236,117	\$0	\$236,117
2041	82	80	\$236,475	\$0	\$236,475
2042	83	81	\$236,939	\$0	\$236,939
2043	84	82	\$237,549	\$0	\$237,549
2044	85	83	\$238,346	\$0	\$238,346
2045	86	84	\$239,370	\$0	\$239,370
2046	87	85	\$240,664	\$0	\$240,664
2047	88	86	\$242,270	\$0	\$242,270
2048	89	87	\$244,234	\$0	\$244,234
2049	90	88	\$246,602	\$0	\$246,602
2050	91	89	\$249,428	\$0	\$249,428
2051	92	90	\$252,768	\$0	\$252,768
2052	93	91	\$256,679	\$0	\$256,679

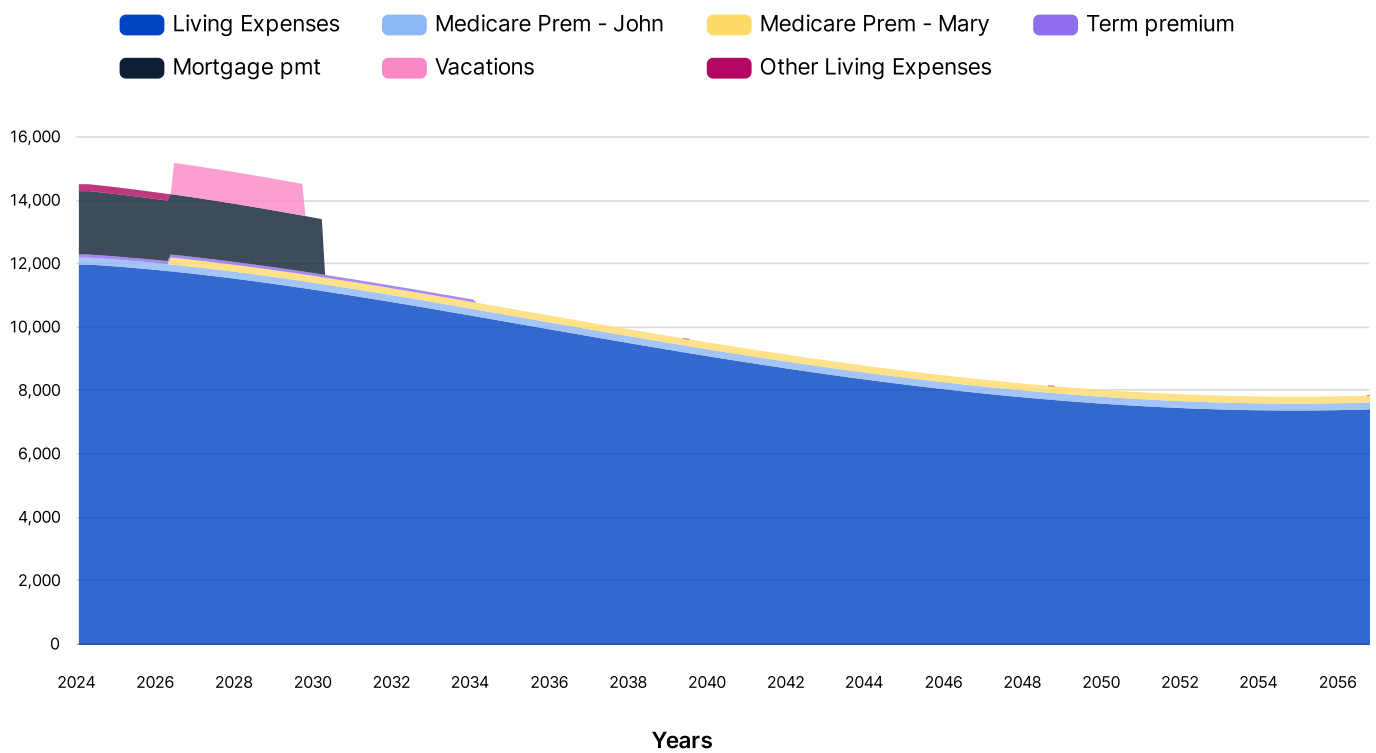


Year	Age - John	Age - Mary	SSB - John	SSB - Mary	Pension	Rental	Withdrawals	WDs for Reinvestment
2053	94	92	\$65,815	\$51,712	\$28,207	\$23,506	\$91,991	\$0
2054	95	93	\$67,373	\$52,936	\$28,874	\$24,062	\$93,248	\$0
2055	96	94	\$68,966	\$54,188	\$29,557	\$24,631	\$95,204	\$0

Year	Age - John	Age - Mary	Total	Additions	Net of Additions
2053	94	92	\$261,230	\$0	\$261,230
2054	95	93	\$266,493	\$0	\$266,493
2055	96	94	\$272,548	\$0	\$272,548

# Budget - Real

A budget can help you estimate and plan future spending. Based on your inputs and chosen inflation assumptions, your planned budget is shown below, in today's dollars..



Year	Age - John	Age - Mary	Living Expenses	Medicare Prem - John	Medicare Prem - Mary	Other Living Expenses	Vacations	Mortgage pmt
2024	65	63	\$144,000	\$2,612	\$0	\$2,612	\$0	\$24,000
2025	66	64	\$143,222	\$2,612	\$0	\$2,584	\$0	\$23,583
2026	67	65	\$141,928	\$2,612	\$1,742	\$846	\$7,000	\$23,038
2027	68	66	\$140,367	\$2,612	\$2,612	\$0	\$12,000	\$22,505
2028	69	67	\$138,571	\$2,612	\$2,612	\$0	\$12,000	\$21,985
2029	70	68	\$136,571	\$2,612	\$2,612	\$0	\$9,000	\$21,477
2030	71	69	\$134,397	\$2,612	\$2,612	\$0	\$0	\$5,245
2031	72	70	\$132,080	\$2,612	\$2,612	\$0	\$0	\$0
2032	73	71	\$129,651	\$2,612	\$2,612	\$0	\$0	\$0
2033	74	72	\$127,136	\$2,612	\$2,612	\$0	\$0	\$0
2034	75	73	\$124,563	\$2,612	\$2,612	\$0	\$0	\$0
2035	76	74	\$121,958	\$2,612	\$2,612	\$0	\$0	\$0
2036	77	75	\$119,343	\$2,612	\$2,612	\$0	\$0	\$0
2037	78	76	\$116,742	\$2,612	\$2,612	\$0	\$0	\$0
2038	79	77	\$114,174	\$2,612	\$2,612	\$0	\$0	\$0
2039	80	78	\$111,658	\$2,612	\$2,612	\$0	\$0	\$0
2040	81	79	\$109,211	\$2,612	\$2,612	\$0	\$0	\$0
2041	82	80	\$106,848	\$2,612	\$2,612	\$0	\$0	\$0
2042	83	81	\$104,583	\$2,612	\$2,612	\$0	\$0	\$0
2043	84	82	\$102,429	\$2,612	\$2,612	\$0	\$0	\$0
2044	85	83	\$100,397	\$2,612	\$2,612	\$0	\$0	\$0
2045	86	84	\$98,498	\$2,612	\$2,612	\$0	\$0	\$0
2046	87	85	\$96,741	\$2,612	\$2,612	\$0	\$0	\$0
2047	88	86	\$95,136	\$2,612	\$2,612	\$0	\$0	\$0
2048	89	87	\$93,690	\$2,612	\$2,612	\$0	\$0	\$0
2049	90	88	\$92,412	\$2,612	\$2,612	\$0	\$0	\$0
2050	91	89	\$91,311	\$2,612	\$2,612	\$0	\$0	\$0
2051	92	90	\$90,394	\$2,612	\$2,612	\$0	\$0	\$0
2052	93	91	\$89,672	\$2,612	\$2,612	\$0	\$0	\$0

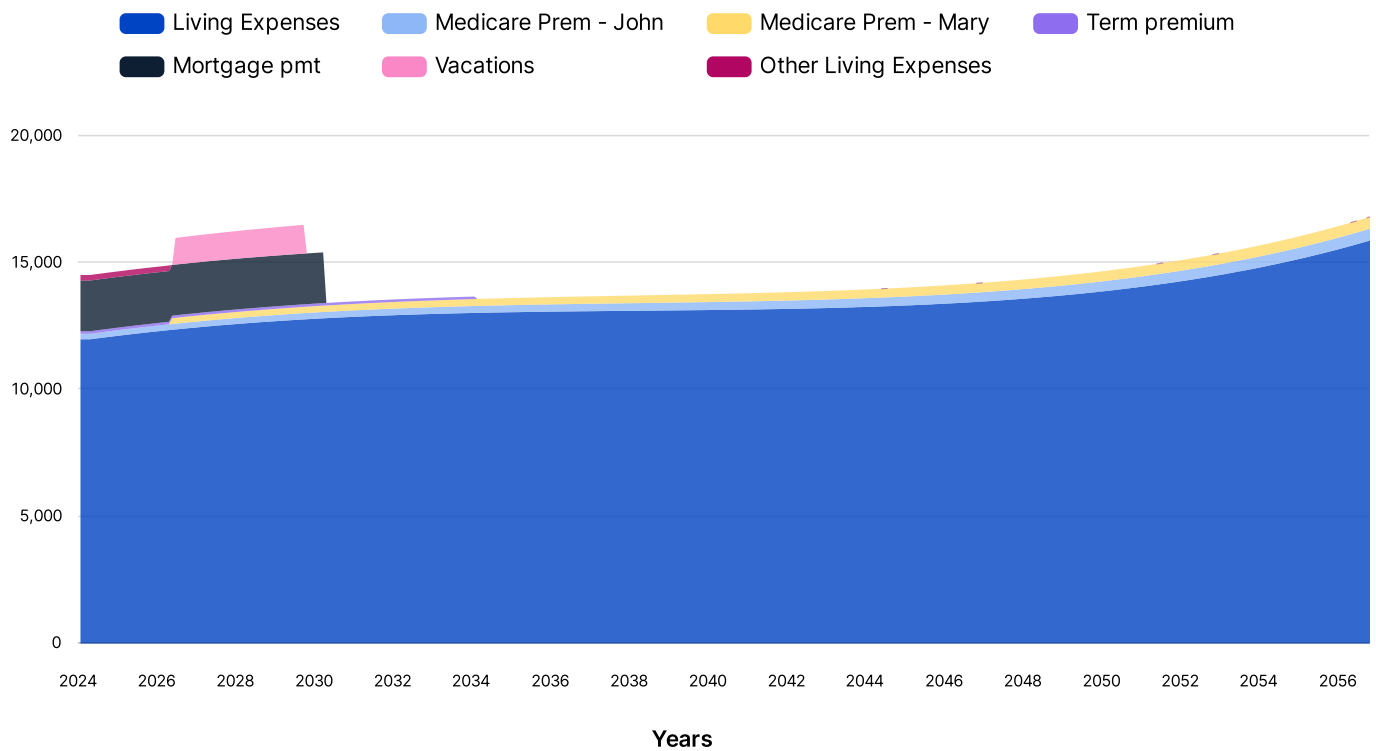
Year	Age - John	Age - Mary	Term premium	Total
2024	65	63	\$1,200	\$174,425
2025	66	64	\$1,179	\$173,181
2026	67	65	\$1,152	\$178,317
2027	68	66	\$1,125	\$181,223
2028	69	67	\$1,099	\$178,880
2029	70	68	\$1,074	\$173,346
2030	71	69	\$1,049	\$145,916
2031	72	70	\$1,025	\$138,330
2032	73	71	\$1,001	\$135,876
2033	74	72	\$978	\$133,338
2034	75	73	\$80	\$129,867
2035	76	74	\$0	\$127,182
2036	77	75	\$0	\$124,568
2037	78	76	\$0	\$121,967
2038	79	77	\$0	\$119,399
2039	80	78	\$0	\$116,883
2040	81	79	\$0	\$114,436
2041	82	80	\$0	\$112,073
2042	83	81	\$0	\$109,808
2043	84	82	\$0	\$107,654
2044	85	83	\$0	\$105,622
2045	86	84	\$0	\$103,723
2046	87	85	\$0	\$101,966
2047	88	86	\$0	\$100,360
2048	89	87	\$0	\$98,915
2049	90	88	\$0	\$97,637
2050	91	89	\$0	\$96,536
2051	92	90	\$0	\$95,619
2052	93	91	\$0	\$94,896

Year	Age - John	Age - Mary	Living Expenses	Medicare Prem - John	Medicare Prem - Mary	Other Living Expenses	Vacations	Mortgage pmt
2053	94	92	\$89,152	\$2,612	\$2,612	\$0	\$0	\$0
2054	95	93	\$88,845	\$2,612	\$2,612	\$0	\$0	\$0
2055	96	94	\$88,764	\$2,612	\$2,612	\$0	\$0	\$0

<b>Year</b>	<b>Age - John</b>	<b>Age - Mary</b>	<b>Term premium</b>	<b>Total</b>
2053	94	92	\$0	\$94,377
2054	95	93	\$0	\$94,070
2055	96	94	\$0	\$93,989

# Budget - Nominal

A budget can help you estimate and plan future spending. Based on your inputs and chosen inflation assumptions, your planned budget is shown below, in future dollars. See Assumptions for information on assumed inflation rates..



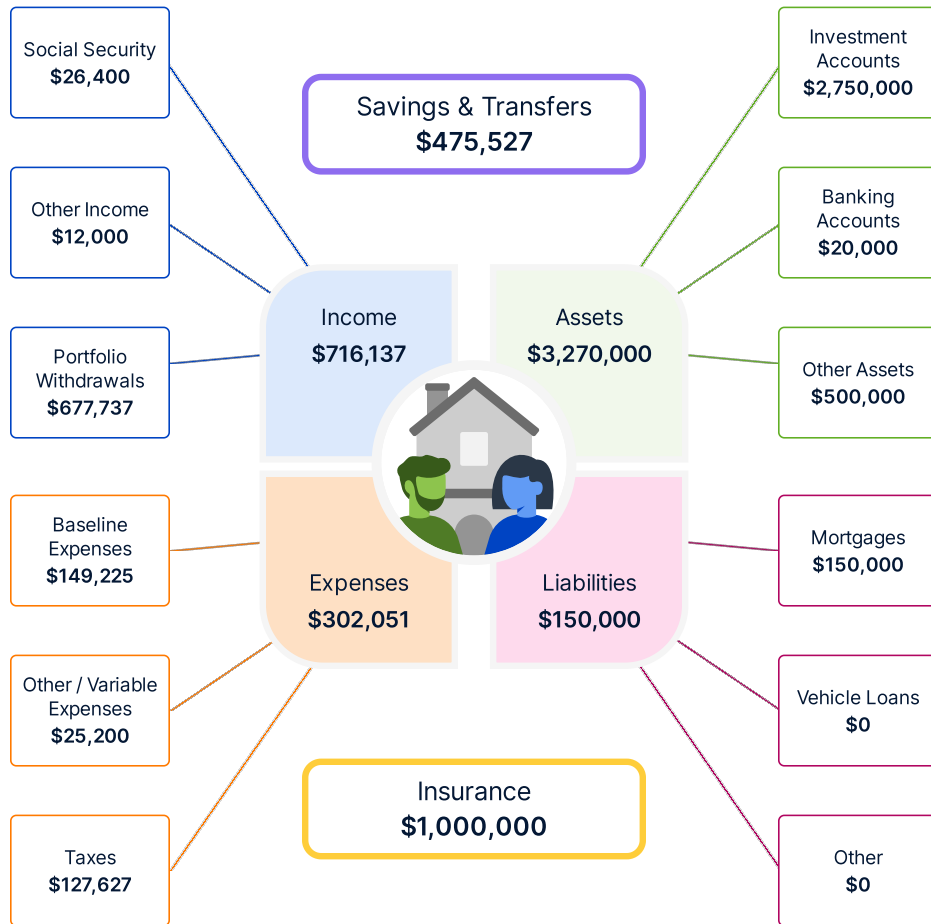


Year	Age - John	Age - Mary	Living Expenses	Medicare Prem - John	Medicare Prem - Mary	Other Living Expenses	Vacations	Mortgage pmt
2024	65	63	\$144,000	\$2,612	\$0	\$2,612	\$0	\$24,000
2025	66	64	\$145,757	\$2,659	\$0	\$2,630	\$0	\$24,000
2026	67	65	\$147,857	\$2,722	\$1,814	\$881	\$7,292	\$24,000
2027	68	66	\$149,691	\$2,786	\$2,786	\$0	\$12,797	\$24,000
2028	69	67	\$151,272	\$2,852	\$2,852	\$0	\$13,100	\$24,000
2029	70	68	\$152,616	\$2,919	\$2,919	\$0	\$10,057	\$24,000
2030	71	69	\$153,740	\$2,988	\$2,988	\$0	\$0	\$6,000
2031	72	70	\$154,665	\$3,059	\$3,059	\$0	\$0	\$0
2032	73	71	\$155,412	\$3,131	\$3,131	\$0	\$0	\$0
2033	74	72	\$156,004	\$3,206	\$3,206	\$0	\$0	\$0
2034	75	73	\$156,463	\$3,281	\$3,281	\$0	\$0	\$0
2035	76	74	\$156,815	\$3,359	\$3,359	\$0	\$0	\$0
2036	77	75	\$157,084	\$3,439	\$3,439	\$0	\$0	\$0
2037	78	76	\$157,296	\$3,520	\$3,520	\$0	\$0	\$0
2038	79	77	\$157,476	\$3,603	\$3,603	\$0	\$0	\$0
2039	80	78	\$157,650	\$3,688	\$3,688	\$0	\$0	\$0
2040	81	79	\$157,843	\$3,776	\$3,776	\$0	\$0	\$0
2041	82	80	\$158,082	\$3,865	\$3,865	\$0	\$0	\$0
2042	83	81	\$158,392	\$3,957	\$3,957	\$0	\$0	\$0
2043	84	82	\$158,800	\$4,050	\$4,050	\$0	\$0	\$0
2044	85	83	\$159,333	\$4,146	\$4,146	\$0	\$0	\$0
2045	86	84	\$160,018	\$4,244	\$4,244	\$0	\$0	\$0
2046	87	85	\$160,882	\$4,344	\$4,344	\$0	\$0	\$0
2047	88	86	\$161,956	\$4,447	\$4,447	\$0	\$0	\$0
2048	89	87	\$163,268	\$4,552	\$4,552	\$0	\$0	\$0
2049	90	88	\$164,852	\$4,660	\$4,660	\$0	\$0	\$0
2050	91	89	\$166,742	\$4,770	\$4,770	\$0	\$0	\$0
2051	92	90	\$168,974	\$4,883	\$4,883	\$0	\$0	\$0
2052	93	91	\$171,589	\$4,999	\$4,999	\$0	\$0	\$0

Year	Age - John	Age - Mary	Term premium	Total
2024	65	63	\$1,200	\$174,425
2025	66	64	\$1,200	\$176,245
2026	67	65	\$1,200	\$185,766
2027	68	66	\$1,200	\$193,260
2028	69	67	\$1,200	\$195,276
2029	70	68	\$1,200	\$193,712
2030	71	69	\$1,200	\$166,917
2031	72	70	\$1,200	\$161,983
2032	73	71	\$1,200	\$162,875
2033	74	72	\$1,200	\$163,615
2034	75	73	\$100	\$163,126
2035	76	74	\$0	\$163,533
2036	77	75	\$0	\$163,961
2037	78	76	\$0	\$164,336
2038	79	77	\$0	\$164,683
2039	80	78	\$0	\$165,027
2040	81	79	\$0	\$165,395
2041	82	80	\$0	\$165,812
2042	83	81	\$0	\$166,305
2043	84	82	\$0	\$166,901
2044	85	83	\$0	\$167,625
2045	86	84	\$0	\$168,506
2046	87	85	\$0	\$169,571
2047	88	86	\$0	\$170,850
2048	89	87	\$0	\$172,373
2049	90	88	\$0	\$174,173
2050	91	89	\$0	\$176,283
2051	92	90	\$0	\$178,741
2052	93	91	\$0	\$181,587

Year	Age - John	Age - Mary	Living Expenses	Medicare Prem - John	Medicare Prem - Mary	Other Living Expenses	Vacations	Mortgage pmt
2053	94	92	\$174,631	\$5,117	\$5,117	\$0	\$0	\$0
2054	95	93	\$178,148	\$5,238	\$5,238	\$0	\$0	\$0
2055	96	94	\$182,196	\$5,362	\$5,362	\$0	\$0	\$0

Year	Age - John	Age - Mary	Term premium	Total
2053	94	92	\$0	\$184,865
2054	95	93	\$0	\$188,625
2055	96	94	\$0	\$192,921



This report reflects plan inputs and estimates based on chosen plan assumptions, such as portfolio growth and inflation rates. Actual values may differ from the values displayed here. Income, Expenses, and Savings & Transfers are calendar year totals. Beginning-of-year values are shown for Assets, Liabilities, and Insurance. All values are displayed in future dollars and are rounded. See Assumptions for more information.

Income		\$716,137
Social Security	\$26,400	<ul style="list-style-type: none"> <li>SSB - John \$0</li> <li>SSB - Mary \$26,400</li> </ul>
Other Income	\$12,000	<ul style="list-style-type: none"> <li>Pension \$0</li> <li>Rental \$12,000</li> </ul>
Portfolio Withdrawals	\$677,737	<ul style="list-style-type: none"> <li>From Joint Taxable \$202,210</li> <li>From Roth - John \$0</li> <li>From Roth - Mary \$0</li> <li>From John's IRA \$475,527</li> <li>From Mary's 401(k) \$0</li> </ul>
Expenses		\$302,051
Baseline Expenses	\$149,225	<ul style="list-style-type: none"> <li>Living Expenses \$144,000</li> <li>Medicare Prem - John \$2,612</li> <li>Medicare Prem - Mary \$0</li> <li>Other Living Expenses \$2,612</li> </ul>
Other / Variable Expenses	\$25,200	<ul style="list-style-type: none"> <li>Vacations \$0</li> <li>Mortgage pmt \$24,000</li> <li>Term premium \$1,200</li> </ul>
Taxes	\$127,627	<ul style="list-style-type: none"> <li>Ordinary Tax \$111,357</li> <li>LTCG Tax \$10,768</li> <li>Medicare IRMAA \$5,502</li> </ul>
Assets		\$3,270,000
Investment Accounts	\$2,750,000	<ul style="list-style-type: none"> <li>Joint Taxable \$900,000</li> <li>Roth - John \$0</li> <li>Roth - Mary \$0</li> <li>John's IRA \$1,100,000</li> <li>Mary's 401(k) \$750,000</li> </ul>
Banking Accounts	\$20,000	<ul style="list-style-type: none"> <li>CD \$20,000</li> </ul>
Other Assets	\$500,000	<ul style="list-style-type: none"> <li>Primary residence \$500,000</li> </ul>

**Liabilities** **\$150,000**

Mortgage **\$150,000**

 Mortgage **\$150,000** 

**Insurances** **\$1,000,000**

 Term **\$1,000,000** 

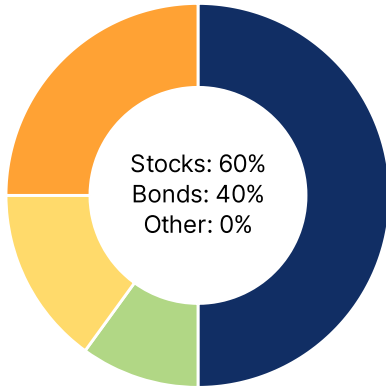
**Savings** **\$475,527**

 Roth Conversions **\$475,527**





 Reinvested Withdrawals **\$0**

# Asset Allocation

The following specifies the target asset allocation of the plan reported on here, based on your inputs. This is not a report of your current investment allocation or a substitute for the information contained in the official account statements provided by custodian(s). The assumed average portfolio return and standard deviation shown below are net of inflation.



Annual Return: 5.7%  
Standard deviation: 10.6%

	Asset Class	Balance	%
	US All Cap	\$1,375,000	50%
	International	\$275,000	10%
	Long-Term US Govt	\$412,500	15%
	Intermediate-Term US Govt	\$687,500	25%



# Long Term Income Outlook

In order to estimate the possible outcomes of a dynamic plan – one that adjusts and adapts to changing circumstances – we have simulated the experiences of hypothetical households that increased and decreased income according to the plan reported on here. The information below summarizes the results of these plan tests.

## Lifetime Income Experience

This section reports on total simulated overall income, including income adjustments, compared to the income plan without adjustments.

### 98% Scenarios Above Plan

↑ Average: **27% above planned**  
↑ Best case: **138% above planned**

98% of simulated scenarios had more total income over time than planned. On average, total lifetime income was 27% higher than planned. In the best case, total lifetime income was 138% higher than planned.

### 2% Scenarios Below Plan

↓ Average: **1% below planned**  
↓ Worst case: **2% below planned**

2% of simulated scenarios had less total income over time than planned. On average, total lifetime income was 1% lower than planned. In the worst case, total lifetime income was 2% lower than planned.

## Income Adjustments

Dynamic plans involve adjustments to income due to inflation and changes in other financial and economic circumstances. The results below report on the size and frequency of these adjustments in the plan tests.

### Average Increase

**5.6%** every 1.7 years

Largest increase: **39.1%**  
90% of increases: **5% - 10.3%**

On average, simulated scenarios had a 5.6% increase in income every 1.7 years. The largest single increase in any simulated scenario was 39.1%, but 90% of increases were between 5% and 10.3%.

### Average Decrease\*

**-5.6%** every 34.1 years

Largest decrease: **16.8%**  
90% of decreases: **0.5% - 8%**

On average, simulated scenarios had a 5.6% decrease in income every 34.1 years. The largest single decrease in any simulated scenario was 16.8% but 90% of decreases were between 0.5% and 8%.\*

\* Note that reductions in income from an above-plan level to another above-plan level are not included in these statistics since they do not result in income below plan.

# Inputs

The calculations for the plan reported on here were produced using the following user inputs. Amounts are in today's dollars unless otherwise specified.

## Household Information

Client 1: **John Smith, born Jan 1959; Currently retired**

Client 2: **Mary Smith, born May 1961; Plans to retire in June 2025**

The retirement income portion of this plan began in or before January 2024.

## Investment Portfolio

Your inputs included an investment portfolio with a balance of **\$2,750,000** and the following overall asset allocation.

### Asset Allocation



Asset	Balance	%
US All Cap	\$1,375,000	50%
International	\$275,000	10%
Long-Term US Govt	\$412,500	15%
Intermediate-Term US Govt	\$687,500	25%

According to your inputs, this portfolio is made up of the following accounts.

Name	Type	Balance
Joint Taxable	Taxable	\$900,000
John's IRA	Traditional IRA	\$1,100,000
Mary's 401(k)	Traditional 401(k)	\$750,000

## Cash Flows

### Account Contributions

Your inputs do not include any account contributions.

## Social Security

Recipient	Begin Date	Monthly Benefit
John	May 2027	\$2,800
Mary	Jan 2024	\$2,200

## Other Income

Name	Amount	Frequency	Begin	End
Pension	\$1,200	Every 1 month	Jun 2025	Mary's death
Rental	\$1,000	Every 1 month	Jan 2024	Second spouse's death

## Expenses

### Baseline Expenses

Name	Amount	% Essential	Frequency
Living Expenses	\$12,000	67%	Monthly
Medicare Prem - John	\$218	100%	Monthly
Medicare Prem - Mary (future)	\$218	100%	Monthly

### Other/Variable Expenses

Name	Amount	Frequency	Begin	End
Vacations	\$1,000	Every 1 month	Jun 2026	Sep 2029

# Retirement

Planning for retirement income involves making choices regarding the trade-offs between legacy goals, income level (standard of living), and income risk. The following user inputs regarding retirement income and legacy were used in the plan reported on here. See the Glossary for more information on these terms.

- Longevity Settings:
  - Plan for 60th percentile longevity\*
  - Joint Plan Length:\* 32.6 years
- Income Settings:
  - Target an income with an estimated **20%** chance of future reduction
  - Increase income if the estimated chance that a future reduction will be needed reaches **10%**
  - Decrease income if the estimated chance that a future reduction will be needed reaches **75%**
- Desired monthly income: **\$0**
- Income Path: **Age-Based**
- Minimum Income Change: **5%**
- Legacy Goal: **\$200,000, adjusted for inflation.**
- Analysis Method: **Historical**

\* Longevity percentiles and plan lengths are calculated from Society of Actuaries (SOA) RP-2014 mortality tables with MP-2017 improvement scales.

# Taxes

Distribution Strategy: <sup>†</sup> **Bracket Mgmt (Roth Conv)32%**

Local Tax Rate: **0%**

<sup>†</sup> When used in this report, the term "Tax-Free" refers exclusively to Roth accounts. Distributions from Roth accounts may be subject to tax and/or tax penalties if the owner is below age 59.5 and the account has been open for less than five years, or if funds deposited through a Roth conversion are withdrawn within five years. Contributions to Roth accounts that exceed certain limits may be subject to tax penalties. See the glossary for more information on distribution strategies and account types.

# Fees & Expenses

The plan reported on here reflects the following inputs regarding fees and expenses. All values are annual.

Fee on investment assets: **0.0%**

Flat fee: **\$0**

Fees and expenses applied to individual asset classes:

Asset Class	Fee	Asset Class	Fee
US All Cap Stock	0.0%	US Aggregate Bonds	0.0%
US All Cap Gr Stock	0.0%	US LT Gov't Bonds	0.0%
US All Cap Val Stock	0.0%	US IT Gov't Bonds	0.0%
US Lg Cap Stock	0.0%	US ST Gov't Bonds	0.0%
US Lg Cap Gr Stock	0.0%	US Municipal	0.0%
US Lg Cap Val Stock	0.0%	US Corp Bonds	0.0%
US Md Cap Stock	0.0%	US HY Bonds	0.0%
US Md Cap Gr Stock	0.0%	US REITs	0.0%
US Md Cap Val Stock	0.0%	Cash Equivalents	0.0%
US Sm Cap Stock	0.0%	Commodities	0.0%
US Sm Cap Gr Stock	0.0%		
US Sm Cap Val Stock	0.0%		
Int'l Dev Stock	0.0%		
Emerging Mkts Stock	0.0%		

# Assumptions

## Investment Return & Inflation Assumptions

This report may include results Monte Carlo or historical simulations. **IMPORTANT:** The projections or other information generated by Income Lab regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Assumed arithmetic mean inflation-adjusted returns and standard deviations for Traditional and Regime-Based (Near-Term and Long-Term) Monte Carlo analyses are shown in the table below. These assumptions are used to produce 1000 scenarios for analysis. Historical simulations are based on the past performance of asset-class and inflation indices. Average returns and standard deviations for these indices over the 30 years from 1992 to 2021 (inclusive) are shown below. Indices are not available for direct investment.

The plan reported on here uses the Historical analysis method.

	Asset Class	Index	Historical (1994-2023)			Monte Carlo						
			Return	Std Dev	Return	Std Dev	Traditional		Near-term (Regime-Based)		Long-term (Regime-Based)	
					Return	Std Dev	Return	Std Dev	Return	Std Dev	Return	Std Dev
Stocks	US All Cap Stock	Wilshire 5000	8.67%	15.53%	8.76%	15.87%	3.87%	18.70%	10.35%	19.73%		
	US All Cap Gr Stock	Russell 3000 Gr	9.22%	17.42%	8.50%	17.73%	3.62%	19.73%	10.27%	20.48%		
	US All Cap Val Stock	Russell 3000 Val	7.88%	15.20%	8.75%	15.11%	3.70%	18.49%	10.26%	19.44%		
	US Lg Cap Stock	S&P 500	8.68%	15.17%	8.60%	15.46%	3.74%	18.90%	10.15%	19.84%		
	US Lg Cap Gr Stock	Russell 1000 Gr	9.50%	17.30%	8.36%	17.58%	3.66%	20.10%	10.12%	20.63%		
	US Lg Cap Val Stock	Russell 1000 Val	7.81%	15.12%	8.45%	14.94%	3.55%	18.83%	9.94%	19.65%		
	US Mid Cap Stock	Russell Mid Cap	9.43%	17.02%	10.32%	17.39%	4.86%	20.28%	11.44%	20.35%		
	US Mid Cap Gr Stock	Russell Mid Cap Gr	9.38%	20.32%	9.77%	20.00%	4.15%	21.51%	11.45%	21.40%		
	US Mid Cap Val Stock	Russell Mid Cap Val	9.30%	16.57%	10.79%	16.78%	5.46%	19.99%	11.44%	20.11%		
	US Sm Cap Stock	Russell 2000	8.01%	19.84%	10.23%	20.59%	4.92%	22.34%	11.11%	21.89%		
	US Sm Cap Gr Stock	Russell 2000 Gr	7.37%	22.44%	9.35%	22.32%	4.24%	23.05%	10.70%	22.75%		
	US Sm Cap Val Stock	Russell 2000 Val	8.51%	18.57%	11.36%	18.78%	5.79%	21.58%	11.64%	21.00%		
	Int'l Dev Stock	MSCI EAFE	4.42%	16.22%	6.65%	16.95%	2.55%	13.95%	6.76%	13.39%		
	Emerging Mkts Stock	MSCI Em Mkts	4.75%	21.84%	9.23%	22.05%	5.03%	18.15%	9.34%	17.43%		
Bonds	US Aggregate Bonds	Bloomberg Agg	1.94%	4.34%	2.84%	5.44%	0.51%	5.01%	2.86%	5.08%		
	US LT Gov't Bonds	Blmbrg US Govt Long	3.39%	10.99%	3.92%	10.98%	0.54%	9.49%	3.49%	9.36%		
	US IT Gov't Bonds	Blmbrg US Govt Int	1.52%	4.34%	2.52%	5.28%	0.47%	4.89%	2.66%	4.81%		
	US ST Gov't Bonds	Blmbrg US Govt Short	0.62%	1.86%	1.65%	2.64%	0.32%	2.88%	1.61%	2.87%		
	US Municipal Bonds	Blmbrg Muni	2.21%	4.98%	2.35%	6.79%	0.52%	5.65%	2.65%	5.94%		
	US Corp Bonds	iBoxx US Corp	2.79%	6.42%	3.57%	8.18%	0.74%	7.08%	3.91%	7.16%		
	US HY Bonds	Blmbrg US HY	4.47%	8.74%	4.88%	8.96%	1.29%	10.88%	5.16%	10.72%		
Other	Cash Equiv	Haver 1-Mth T-Bill	-0.23%	1.10%	0.47%	1.12%	0.01%	2.44%	0.58%	2.16%		
	US REITs	NAREIT Comp	8.29%	18.64%	7.52%	17.75%	4.89%	27.01%	9.30%	27.14%		
	Commodities	S&P GSCI Comm	1.56%	21.99%	3.12%	20.26%	3.36%	18.74%	1.65%	14.38%		
	Inflation	CPI-U	2.53%	0.98%	2.53%	0.98%	2.63%	2.51%	2.63%	2.14%		

## Tax Assumptions

Tax estimates included in this report reflect the tax rates from the most recently completed calendar year when the report was generated, along with information you provided about your investments and cash flows. All tax calculations assume that current tax brackets will be adjusted for future inflation. See above for information on inflation assumptions.

The table below shows assumptions regarding the make-up of each asset class's annual return. See the Glossary for more information on these categories.

Asset Class	LTCCG	STCCG	Qualified Dividends	Ordinary Dividends	Taxable Interest	Tax-Exempt Interest	Deferred Growth
US All Cap Stock	10%	0%	21%	0%	0%	0%	69%
US All Cap Gr Stock	10%	0%	11%	0%	0%	0%	79%
US All Cap Val Stock	10%	0%	25%	0%	0%	0%	65%
US Lg Cap Stock	10%	0%	21%	0%	0%	0%	69%
US Lg Cap Gr Stock	10%	0%	12%	0%	0%	0%	78%
US Lg Cap Val Stock	10%	0%	25%	0%	0%	0%	65%
US Mid Cap Stock	10%	0%	15%	0%	0%	0%	75%
US Mid Cap Gr Stock	10%	0%	7%	0%	0%	0%	83%
US Mid Cap Val Stock	10%	0%	21%	0%	0%	0%	69%
US Sm Cap Stock	10%	0%	14%	0%	0%	0%	76%
US Sm Cap Gr Stock	10%	0%	6%	0%	0%	0%	84%
US Sm Cap Val Stock	10%	0%	21%	0%	0%	0%	69%
Int'l Dev Stock	10%	0%	18%	12%	0%	0%	60%
Emerging Mkts Stock	10%	0%	0%	23%	0%	0%	67%
US LT Gov't Bonds	0%	0%	0%	0%	88%	0%	12%
US IT Gov't Bonds	0%	0%	0%	0%	88%	0%	12%
US Corp Bonds	0%	0%	0%	0%	88%	0%	12%
US HY Bonds	0%	0%	0%	0%	100%	0%	0%
Cash Equiv	0%	0%	0%	0%	100%	0%	0%
US REITs	12%	0%	0%	50%	0%	0%	38%
Commodities	60%	40%	0%	0%	0%	0%	0%

Actual future tax rates and asset class behavior may differ from these assumptions. All tax calculations are based on estimates and should not be relied upon for tax and legal purposes. Please consult a tax advisor before taking tax-related actions.

Tax estimates are performed on calendar-year data, as entered by the software user. Withdrawals are applied at the beginning of the year and additions are applied at the end of the year. Required minimum distributions and planned distributions from non-qualified deferred compensation plans and inherited tax-deferred and inherited Roth accounts are applied before any other distributions are calculated and applied. No distributions are taken from accounts subject to pre-59.5 or pre-55 penalties unless no other assets are available to fund planned income. Your actual future withdrawal choices may differ from these assumptions.

# Glossary

**Assets Classes:** Groupings of investments that exhibit similar characteristics

- **Stocks:** Shares of equity, or ownership, in a company
  - **Large Cap:** Companies with the highest total market value in the overall market, typically \$10 billion or more.
  - **Mid Cap:** Companies with market values in the middle of the overall market, typically between \$2 billion and \$10 billion.
  - **Small Cap:** Companies with market values that are at the low end of the overall market, typically below \$2 billion.
  - **Growth:** Stock in a company that is expected to grow at a rate that is faster than the overall economy. These companies do not typically focus on payment of dividends.
  - **Value:** Stock whose price appears low relative to the company's financial performance.
  - **International Developed Markets:** Markets in countries with the most advanced economies and capital markets. These countries typically have high income, openness to foreign ownership, ease of capital movement, and efficiency of market institutions.
  - **Emerging Markets:** Markets in countries that have some characteristics of a developed market, but do not fully meet those standards.
- **Bonds:** Debt securities, which typically pay a fixed or variable interest rate to the holder.
  - **Government:** Debt issued by governments or governmental agencies.
  - **Corporate:** Debt issued by companies with investment grade credit ratings.
  - **High Yield:** Corporate debt whose credit rating is below investment grade.
  - **Long Term:** Debt that is due to mature in greater than 10 years.
  - **Intermediate Term:** Debt that is due to mature in 2-10 years.
  - **Short Term:** Debt that is due to mature in less than 2 years.
- **Other**
  - **Real Estate Investment Trusts (REITs):** Stock in a company that owns, operates, or finances income-generating real estate.
  - **Cash Equivalents:** assets that are cash or can be converted into cash very quickly, including debt securities with maturities of less than 90 days.

**Distribution Strategy:** A plan for how to order distributions from investment accounts to fund retirement spending needs.

- **Pro-Rata:** Taking withdrawals from investment accounts according to each account's size in comparison to the overall portfolio. Larger accounts see larger withdrawals and smaller accounts see smaller withdrawals.
- **Tax-Ordered:** Ordering portfolio withdrawals according to the tax status of accounts. This approach first withdraws funds from accounts with one tax status until funds with that tax status are exhausted before moving on to accounts with the next tax status.
- **Roth Conversions to X% Brkt:** Take portfolio withdrawals first from taxable accounts. When taxable balances are exhausted, take from tax-deferred accounts. Finally, take from tax-free accounts. (See below for important information on tax-free (Roth) accounts.) In any given year, if there is space remaining in or below the targeted X% tax bracket after all planned income has been accounted for, fill the target X% tax bracket via Roth conversions.

**Income Path:** The way in which you plan for income and spending needs to change over time.

- **Age-Based:** A "retirement smile" path where planned income will rise or stay the same early in retirement, decrease (in inflation-adjusted terms) as retirement proceeds, and then increase again toward the end of the plan. This pattern matches research findings on how age and discretionary income affect retirees' spending over time.
- **Flat:** Planned income that remains the same, in inflation-adjusted terms, throughout the plan.
- **Custom:** A "retirement smile" pattern with customized parameters for when changes in income begin, the size of these changes, and the timing and size of any planned end-of-life income increases.



**Income Settings:** Your attitude toward the trade-off between income level and the estimated chance that an unplanned reduction in income will be needed in the future.

**Income Types:**

- **Capital Gains:** Income produced from the sale of something for an amount that is higher than the purchase price.
  - **Long-Term (LTCG):** Capital gains from something held for more than a year. Typically taxed at preferential rates.
  - **Short-Term (STCG):** Capital gains from something held for a year or less. Typically taxed as ordinary income.
- **Deferred Growth:** Growth in the price of securities that is not taxed in a given year because the security has not been sold.
- **Dividends:** A distribution of cash or stock to a class of shareholders in a company.
  - **Ordinary:** Dividends taxed as ordinary income.
  - **Qualified:** Dividends taxed as long-term capital gains.
- **Interest:** Amounts paid to bondholders or holders of bank accounts.
  - **Taxable:** Interest that is taxable as ordinary income.
  - **Tax-Exempt:** Interest, typically from municipal bonds, that is not subject to Federal income tax.

**Index:** A set of securities or other methodology for tracking the performance of a particular asset class or market sector. Indices are not available for direct investment but instead serve as a proxy measurement for investment returns.

**Inflation:** Change in prices and purchasing power over time.

- **Future Dollars:** Values expressed in terms of projected future values, including the effect of inflation into the future. These values can be thought of as reflecting projected future prices.
- **Today's Dollars:** Values expressed in terms of the purchasing power of a dollar today. These values can be thought of as values converted to today's prices to undo the effects of future inflation.

**Legacy Goal:** The amount of investment assets that you would like to have at the end of the plan horizon.

**Longevity Setting:** Your attitude toward longevity risk, which is the estimated chance of living beyond the plan horizon.

**Minimum Income Change:** It can be both administratively onerous and impractical to make small and frequent adjustments to income. The minimum income change setting allows you to specify how large a potential income adjustment would need to be before you would effect such a change.

**Risk:** The chances that an outcome will differ from the expected outcome, especially if that difference would result in a loss. Planning for retirement income involves making choices regarding the trade-offs between legacy goals, income level (which determines to a large extent a household's standard of living), and income, investment, and longevity risk.

- **Investment:** The chances of loss or fluctuation in the price or value of investments.
- **Longevity:** The chances of living longer than planned.
- **Income:** The chances that planned-for income will not be achievable and that an unplanned reduction in income will be needed in the future.

**Simulation:** The exploration of hundreds or thousands of possible scenarios and their possible effect on a plan's outcome. The results of simulation analysis will vary depending on assumptions and inputs and may vary with each use and over time.

- **Monte Carlo Simulation:** A method of analysis that is used to explore possible outcomes when certain variables, like investment returns and inflation, are uncertain. For financial analysis, this involves producing many (e.g., 1000) randomized sequences of investment returns and inflation, based on assumed average rates and standard deviations, and exploring how these hypothetical scenarios would affect the outcomes of a plan. Monte Carlo simulation may produce scenarios and statistical distributions worse than or better than those that have occurred historically.

- **Historical Simulation:** A method of analysis that is used to explore possible outcomes when certain variables, like investment returns and inflation, are uncertain. For financial analysis, this typically involves examining how sequences of returns and inflation rates that have occurred historically would affect the outcomes of a plan. Past performance is not a guarantee of future results.

### **Expenses**

- **Essential:** Expenses that you consider necessary for basic life needs. Such expenses typically have low flexibility.
- **Discretionary:** Expenses that go beyond what you consider necessary for basic life needs. Such expenses are typically more flexible.

**Tax Status:** The tax treatment of income realized within an investment account or of withdrawals taken from that account.

- **Taxable:** An account whose interest, dividends, realized capital gains, and other taxable income are taxed in the year in which they are realized.
- **Tax-Deferred:** An account (e.g., a Traditional IRA or 401(k)) in which investment gains, interest, and dividends are not taxed when realized. These accounts are usually funded with pre-tax dollars and withdrawals from these accounts are taxable as ordinary income, except in the (somewhat rare) case of withdrawal of cost basis. These accounts are typically subject to tax rules and penalties regarding contribution limits, restrictions on withdrawals before age 59.5 (or, in some situations, age 55), and required distributions after age 70.5 or 72.
- **Tax-Free (Roth):** A Roth account funded with after-tax dollars that, with important exceptions, is not subject to taxation on distributions or on interest, dividends, or realized capital gains. Distributions from Roth accounts may be subject to tax and/or tax penalties if the owner is below age 59.5 and the account has been open for less than five years, or if funds deposited through a Roth conversion are withdrawn within five years. Contributions to Roth accounts that exceed certain limits may be subject to tax penalties.

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