

What is my number?

In preparing for retirement, the most often asked question I hear is “What is my number?” What really is being asked is “How much money do I need to accumulate to be able to fund my retirement in the lifestyle I desire?” Each person’s “number” is different for reasons such as lifestyle desired in retirement, age they’d like to retire and so on.

The best way to tackle this question is to estimate your annual expenses when you enter retirement and find sources of income that will pay for them. Annual expenses are items such as housing, travel, entertainment and health care to name a few. Examples of sources of income are items like Social Security, pension, rents and annuities.

If your annual income is greater than or equal to your annual expenses, congratulations! You have reached your number because you will be able to pay for your desired lifestyle in retirement with the income you are able to generate.

However, if your estimated income is less than your estimated expenses, you have an *income gap* that needs to be filled. For example, if your estimated annual expenses are \$96,000 (\$8,000 per month) and your estimated annual income is \$36,000 (\$3,000 per month), you have an annual income gap of \$60,000 (\$5,000 per month.) This needs to be filled by some new source of income. Otherwise, this income gap will be filled by your savings.

To determine your number to fill an income gap of \$60,000 per year from your savings, you should take the age you want to retire at and subtract it from your upper-end life expectancy. For example, if you’re age 60 and want to retire at age 65 and your upper-end life expectancy is 95, you have 30 years of taking \$60,000 each year not taking into account inflation and any earnings your savings will generate. In this case, your number is \$1,800,000.

Are there better alternatives? A 60 year old who wished to start an income payout of \$60,000 per year at age 65 can do so with a Fixed Index Annuity (FIA). One FIA will guarantee* them a minimum of 7.79% on their investment each year for the rest of their life. To calculate the amount of investment needed to generate that \$60,000, we divide it by 7.79% and get \$770,218, our new “number”. This is less than half of the \$1,800,000 required in the previous example and will leave them with over \$1,000,000 to invest as they please without fear of affecting their ability to fund their retirement.

If you’re looking to lower your “number”, take a look at Fixed Index Annuities to fill your income gap. To learn more about FIAs, please call me for a no-cost, no-obligation review so you can make an informed decision on whether you can benefit from this investment.

*Guarantee provided by a life insurance company



Elliot Goldberg is an independent Registered Investment Advisor specializing in helping clients generate dependable lifetime income for retirement. Please contact him for more information at (610) 999-3599 or eg@goldata.com.

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