

WIN MAKE GIVE



WEALTH SERIES

2.0

PART SEVEN

Flipping the Triangle & Retirement Planning

Part Seven - Planning for Retirement

In the previous “Wealth Series 2.0” lessons, you’ve learned the importance of becoming a wealth builder, given yourself a financial reality check, calculated your assets and net worth, discovered ways to increase your income, learned about savings models that work for any budget, and discovered how to understand the power of compound interest.

Now that you’re equipped with this knowledge and have committed to becoming a student of wealth, the next step is to figure out your financial goals for retirement. No matter what stage in life you are at, this is an essential step, as it helps you understand how to create a wealth plan that fits your desired lifestyle at retirement.

This lesson begins with flipping the triangle, an essential step to understanding active and passive income. We also provide you with the tools to figure out exactly how much you need to retire, help you make a plan to earn that amount of money, and reduce expenses if you aren’t on track yet.

If you are struggling with any of this emotionally, have questions, or are looking for assistance with the spreadsheets or tools, please join our [Facebook Community!](#)

Let’s dive in!



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RETIREMENT PLANNING

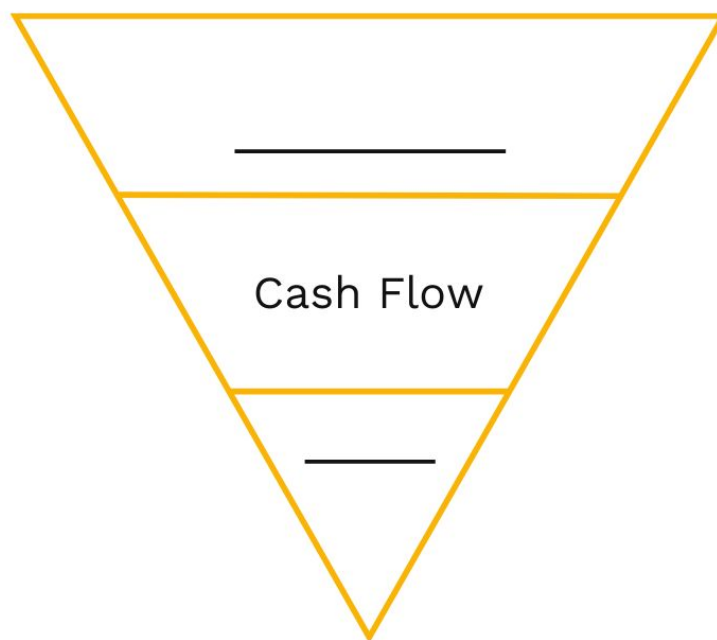
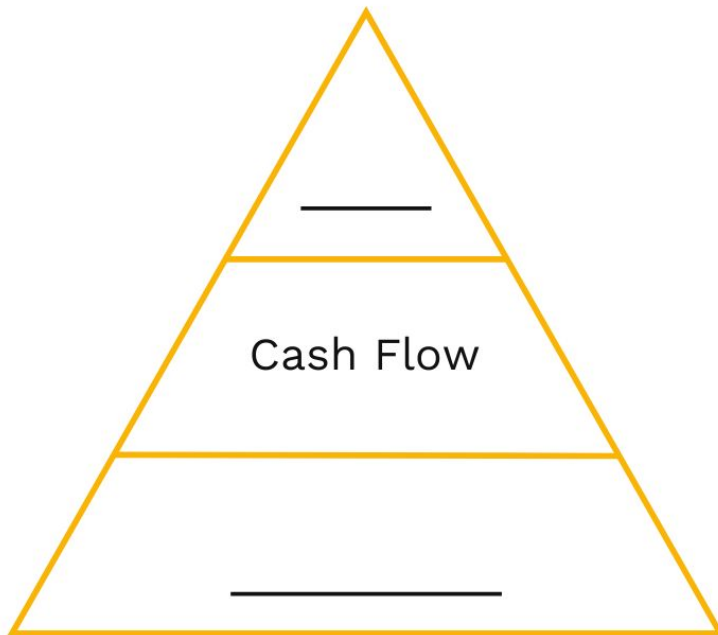
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“Money is something
you got to make in
case you don't die.”

- Max Asnas -

Flipping the Triangle

Financial freedom comes not from just having assets and an income, but specifically from having assets that can create income.



How Much Will You Need to Retire?

Most financial advisers estimate that you will need about 70 percent of pre-retirement income to live comfortably in retirement, including your Social Security benefits, investments, and personal savings. In other words, if you make \$100,000 pre-retirement, you may want to plan to live off \$70,000 per year in retirement.

Keep in mind, there are other factors that might influence your ideal retirement calculation, like intended quality of life, reduced expenses, and additional streams of income.

How much do you think you will need annually to live on when you retire?

\$

Many of us were raised thinking we should invest in traditional retirement accounts like a 401(k), IRA, pensions, etc. However, no one teaches us how much we need and how long a certain amount of money will last us through retirement. There are a few critical variables to consider when making this calculation:

1. The total balance in your investment accounts at retirement.
2. The number of years you plan to be retired before dying (I know, a morbid thought).
3. The estimated annual rate of return in your investment accounts.
4. The amount you plan to withdraw annually throughout retirement.
5. The amount of money needed to cover the cost of inflation.

The rest of this lesson helps you determine how much you'll need and how to generate necessary income for retirement.

**Get our free Retirement Calculator at
WinMakeGive.com/wealth-part-7**

The 4% Rule

The fixed withdrawal strategy, also called “**the 4% rule,**” states that you can withdraw 4% per year from your investment accounts safely, and it would sustain you for 30 years or more. There are two ways of using it:

1. Since you’ve already determined your desired annual income from the previous exercise, put that number in the first box below and divide it by 4% (.04) to see the total amount of money you need to save to retire.

$$\begin{array}{ccc} \$ \boxed{} & / .04 = & \$ \boxed{} \\ \text{In annual income} & & \text{In my retirement} \end{array}$$

If you need \$100,000 a year in annual income when you retire, divide 100,000 by .04 to find out the total you’ll need to save for retirement ($\$100,000 / .04 = \$2,500,000$).

2. You can also start with the amount you have in your retirement and multiply it by .04 to figure out how much you could safely withdraw annually as income. How do you feel about that amount?

$$\begin{array}{ccc} \$ \boxed{} & \times .04 = & \$ \boxed{} \\ \text{In my retirement} & & \text{In annual income} \end{array}$$

If you know you will have \$1 million in your retirement account, then multiply that number by 4% ($\$1,000,000 \times .04 = \$40,000$).

Like me, you’re probably feeling a little discouraged about how much money is needed in your retirement account to last 30 years. **DON’T WORRY.** This is why you need a multi-pronged approach to your wealth plan for retirement income.

4% Rule Retirement Example

This chart starts with the desired annual income needed for retirement divided and then is divided by .04 to establish how much you'd need in your retirement account to sustain that income for at least 30 years.

Desired Annual Retirement Income			Total Needed For Retirement
\$25,000	/ .04	=	\$625,000
\$50,000	/ .04	=	\$1,250,000
\$100,000	/ .04	=	\$2,500,000
\$200,000	/ .04	=	\$5,000,000
\$250,000	/ .04	=	\$6,250,000
\$500,000	/ .04	=	\$12,500,000

Here are more examples of the 4% rule. This chart starts with the known balance of your retirement account multiplied by .04 in order to establish how much income would be available over a 30-year period of withdrawals.

Total Needed For Retirement			Desired Annual Retirement Income
\$625,000	X .04	=	\$25,000
\$1,250,000	X .04	=	\$50,000
\$2,500,000	X .04	=	\$100,000
\$5,000,000	X .04	=	\$200,000
\$6,250,000	X .04	=	\$250,000
\$12,500,000	X .04	=	\$500,000

Understanding Social Security

Social Security is a benefit program that helps older Americans, workers who become disabled, and families of a deceased spouse or parent. When you work, you pay taxes into Social Security which go into a trust fund that first pays people who are receiving benefits right now.

Social Security was never meant to be the only source of income for people when they retire. You pay Social Security taxes up to a certain amount based on your earnings, and in return, you receive a percentage of those earnings as income based on your lifetime contributions.

The Social Security amount you receive depends on your contributed lifetime earnings. It also depends on when you choose to start receiving benefits. If you start benefits at “full retirement age,” this percentage ranges from as much as 75 percent for very low earners, to about 40 percent for medium earners, to about 27 percent for high earners. These percentages are higher if you decide to begin benefits after full retirement age. If you choose to collect Social Security benefits earlier, these percentages will be lower.

There is a maximum amount available to be paid for 2023 of \$54,708. Use the link below for an estimate of your available social security benefits.

The **Social Security Administration Retirement Estimator** gives you an estimated benefit amount based on your actual Social Security earnings record. Try it out at the link below:

https://www.ssa.gov/benefits/retirement/estimator.html?gclid=EAIaIQobChMI3_XLjYLY6QIV4iCtBh1laAJgEAAYASAAEgJvD_D_BwE

Retirement Income Example

In this example, a person has decided that they would like to live off of \$100,000 per year in retirement. So, while adding up \$3,000 per month from social security, \$20,000 a year from their retirement account, and \$1,000 per month in rent, we see they're coming up short by \$32,000 per year.

	MONTHLY	ANNUAL
Social Security Benefits (2020 max. is \$3,790/mo. or \$45,480/year)	\$ 3,000	\$ 36,000
Retirement Account Balance (using the 4% rule)		
Est. Balance <input type="text" value="\$ 500,000"/>	\$ 1,666	\$ 20,000
Rental Property Income	\$ 1,000	\$ 12,000
Other Income		
	TOTAL MONTHLY =	TOTAL ANNUAL =
	\$ <input type="text" value="5,666"/>	\$ <input type="text" value="67,992"/>
COMPARE TO YOUR DESIRED ANNUAL INCOME =		\$ <input type="text" value="100,000"/>

1. What could this person do now to be better prepared?

Retirement Income Worksheet

Download and use the [Win Make Give Retirement Calculator](#) to generate the desired annual income needed for your retirement. Use the 4% rule to estimate your annual income from your retirement accounts, note your Social Security benefits, and consider alternative sources of income like owning rentals or even a second retirement career.

	MONTHLY	ANNUAL
Social Security Benefits (2020 max. is \$3,790/mo. or \$45,480/year)	_____	_____
Retirement Account Balance (using the 4% rule)		
Est. Balance <input style="border: 1px solid orange; width: 100px;" type="text" value="\$"/>	_____	_____
Rental Property Income	_____	_____
Other Income	_____	_____
	TOTAL MONTHLY =	TOTAL ANNUAL =
	\$ <input style="border: 1px solid orange; width: 100px;" type="text"/>	\$ <input style="border: 1px solid orange; width: 100px;" type="text"/>
COMPARE TO YOUR DESIRED ANNUAL INCOME =		\$ <input style="border: 1px solid orange; width: 100px;" type="text"/>

2. Age you plan to retire: _____

3. Are you on track? If so, what moves can you make to protect your wealth plan? If not, what can you do right now to get back on track?

Other Sources of Income

Retirement planning is a combination of generating the right amount of income and reducing your expenses so that you can live on less. What can you do now to increase your other sources of income in preparation for retirement?

1. Rental income

2. Second career / part time work

3. Other investments / owning a business that continues to run

Reduce the Amount Needed to Retire

Retirement planning is a combination of generating the right amount of income and reducing your expenses so that you can live on less. What can you do prior to retirement to decrease your expenses (and therefore reduce the amount of income needed) in preparation for retirement?

1. Housing

2. Automobile

3. Other - Medical, Etc.

DISCUSSION QUESTIONS

What does retirement look like to you?

How close are you to Flipping the Triangle?

Is there anything you can do this year to move closer to increasing your passive income and achieve your financial plan?

RETIREMENT PLANNING



“Retirement is like a long vacation in Las Vegas. The goal is to enjoy it the fullest, but not so fully that you run out of money.”

- Jonathan Clements -

Part Seven Homework Question

Wealth is something I can _____. It's no longer something for other people. _____ is no longer something that happens to me. _____ is something that I decided was going to be a positive thing for my life, not a stressor.

Preparation for Part Eight

- If you have a particular financial goal, write it down and the amount of money you need to achieve it.
- Download and start using the [Win Make Give Retirement Calculator](#).
- Write down how much money you have to invest each month.
- If you haven't already, please join the discussion on the [Win Make Give Facebook group](#). Post your thoughts, comments, and takeaways from the first six lessons.

IMPORTANT

Nothing in this course constitutes investment advice, performance data or any recommendation that any security, portfolio of securities, investment product, transaction or investment strategy is suitable for any specific person.

We cannot assess anything about your personal circumstances, your finances, or your goals and objectives, all of which are unique to you, so any opinions or information contained on this course are just that – an opinion or information.

You should not use our advice to make financial decisions and I highly recommend you seek professional advice from someone who is authorized to provide investment advice.



Ben Kym

Win Make Give Series