



GENERATE AN APPROPRIATE STREAM OF INCOME IN RETIREMENT

Q&A

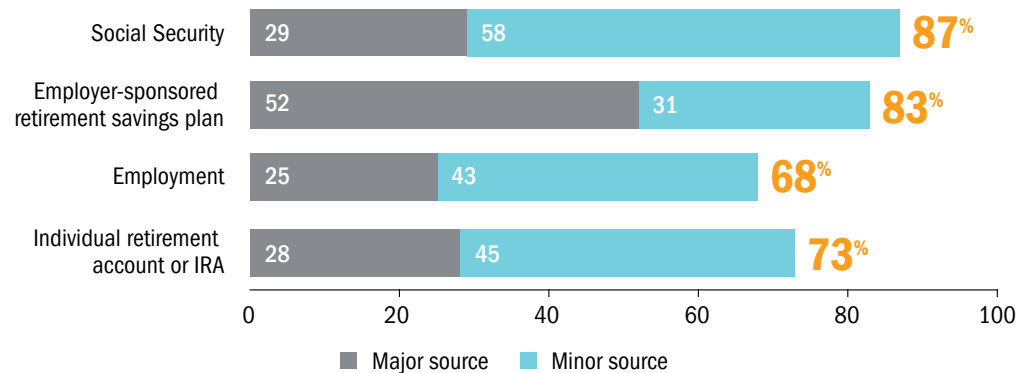
- What sources of income can I draw on to live comfortably in retirement?
- When using various sources to fund my retirement, does the order of withdrawal matter?
- How do I balance my retirement withdrawals with the continued growth of my remaining assets?
- Is there anything else I need to consider when funding my retirement?
- Are there other strategies I can use to ensure that I will have enough money to live comfortably in retirement?

Q: What sources of income can I draw on to live comfortably in retirement?

To keep up with routine expenses and comfortably cover unforeseen expenses, most people in retirement need to draw income from several sources. Even if you receive guaranteed income from both Social Security and a pension, it may not be enough to cover all your bills and support your lifestyle. You may need to draw on your savings, investments and supplemental retirement income sources.

Expected sources of income in retirement

Of the following sources of income, which do you expect will be a major source, a minor source or not a source of income in your retirement?



Source: Employee Benefit Research Institute and Greenwald & Associates, 2021 Retirement Confidence Survey

Q: When using various sources to fund my retirement, does the order of withdrawal matter?

Yes. When withdrawing money to fund your retirement, it is essential that you have a solid strategy in place. Social Security and pensions may provide a fixed amount every month, but you'll need a plan to make the most of your other assets. A financial advisor can help you develop a strategy that makes sense given your time horizon, income needs, financial goals and other factors specific to you. The timing of your withdrawals, and the order in which you take them from different sources, can have a significant impact on the taxes you pay. While everyone's needs are different, the general guideline for tax-efficient withdrawals is:

- Taxable accounts first
- Tax-deferred accounts next
- Tax-free accounts last

This order may vary based on your individual goals and tax bracket, so it's wise to consult a financial advisor and/or tax professional.

Q: How do I balance my retirement withdrawals with the continued growth of my remaining assets?

Once you have the timing and order of withdrawals down, you'll need a plan for generating cash flow while keeping some assets growing. Your financial advisor can explain how to provide income using three basic elements:

A cash account for day-to-day expenses. This provides a convenient way to manage your income and regular bills. Typically, a cash account may be a checking, savings or money market account. Most assets in this category are liquid, so you can draw from them at any time without loss or penalty.

A short-term reserve to cover emergencies and generate consistent income. This will serve as a cash reserve and create consistent and predictable income. Short-term assets are investments that generally have guaranteed principal, such as:

- Certificates of deposit (CDs)
- Treasury bills
- Money market accounts

Long-term assets to provide growth that will help meet your financial needs throughout retirement, as well as help build assets for your legacy. With medical advances and people living much longer these days, retirements can last up to 30 years or more, making long-term assets that much more important in your portfolio. You may also draw from long-term assets to create income, which can be transferred as needed to your short-term reserves or directly to your cash account. Long-term assets may include:

- Stocks and bonds held individually or in mutual funds
- Fixed and variable annuities
- Real estate and real estate investment trusts (REITs)
- Hedge funds and commodity investments
- Life insurance cash value

Q: Is there anything else I need to consider when funding my retirement?

Yes, when you begin drawing on your assets, it's critical to remain aware of the effects of market volatility and inflation. Thoughtfully diversifying your portfolio with respect to asset classes and market risk can help protect the value of your investments against inflation and stock market downturns. Considering these important steps may help you make your vision of retirement a reality.

Q: Are there other strategies I can use to ensure that I will have enough money to live comfortably in retirement?

There are some strategies that may offer additional help in retirement. Be sure to discuss them with your financial advisor to determine if they are appropriate for your specific situation.

- Consider shifting money from low-interest savings accounts into investments such as mutual funds that invest in bonds, which may pay higher interest rates — if you are comfortable with the additional risk.

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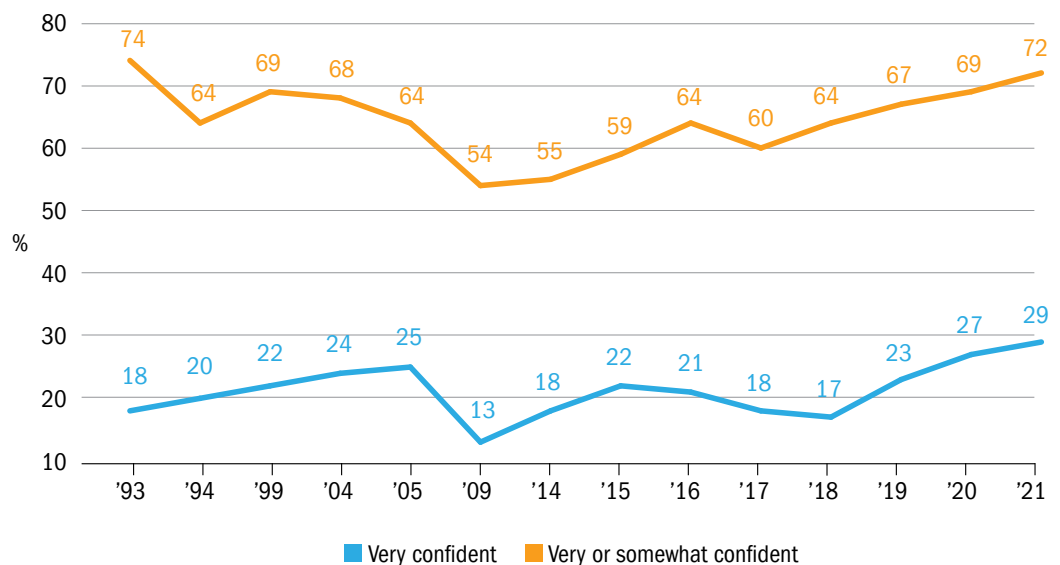
- Reduce your mortgage and living expenses. Downsizing to a less expensive home or area can help you save on taxes, maintenance and other costs.
- Go back to work, at least part time, to earn extra income and enjoy the benefits of remaining social and active.
- If you are 62 or older, consider a reverse mortgage, which allows you to borrow against the value (equity) built up in your home. For more information about evaluating a reverse mortgage, read [Reverse Mortgages: Avoiding a Reversal of Fortune, published by the Financial Industry Regulatory Authority \(FINRA\)](#).
- Find lifestyle expenses that you can cut — maybe getting by without a second car or that expensive premium cable package, for example. Keeping an expense diary can help you evaluate your current expenses.

Consider these steps today to begin increasing your confidence that you will enjoy the retirement you deserve.

- Understand the impact the timing and sources of your withdrawals has on your retirement strategy.
- Ensure that your portfolio is sufficiently diversified to weather potential market downturns.
- Work with your financial advisor to explore all available sources of retirement income.

Worker confidence in having enough money to live comfortably throughout retirement

Overall, how confident are you that you will have enough money to live comfortably throughout your retirement years?



Source: Employee Benefit Research Institute and Greenwald & Associates, 1994-2021 Retirement Confidence Surveys.

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* Source: Columbia Threadneedle and BMO GAM (EMEA) as of December 31, 2021.

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