

Estimate your needs

This worksheet is designed to help you estimate your income needs for retirement, where the money will come from, and how much you need to begin saving today. All you need is a pencil, a simple calculator, and a few minutes. It could turn out to be among the most valuable few minutes you will ever invest. An example answer is provided in the right column.

	Your information	An example of a 30-year-old
<h3>Annual retirement income needed</h3> <p>Use a percentage of your current household income. Many professionals recommend using 70 percent of your current income as a starting point. For example, if your annual household income is \$50,000, 70 percent would be \$35,000.</p>	_____ line 1	\$35,000
<h3>Estimated Social Security benefit at retirement</h3> <p>A calculator is available at the Social Security Administration's website www.ssa.gov. Don't forget to add your spouse's benefit, if employed. If your spouse does not work, add half of your own estimated benefit.</p>	_____ line 2	\$21,750
<h3>Pensions you will receive</h3> <p>This refers to any guaranteed lifetime monthly or annual payments you or your spouse will receive through an employer's retirement plan. If you have such a plan, you should receive regular statements listing a benefit amount, just like Social Security. It does not include IRAs, 401(k) and 403(b) plans, or other similar plans that do not have guaranteed lifetime benefits.</p>	_____ line 3	0
<h3>Income from employment in retirement</h3> <p>Many people plan to work at least part time after they retire. If you anticipate working just a few years, you may wish to put in a relatively low estimate on this line. Or to be conservative, simply enter zero.</p>	_____ line 4	0
<h3>Annual income needed from retirement savings</h3> <p>Subtract lines 2, 3, and 4 from line 1. This is the income you will need to generate from your retirement savings. [Line 1 – (line 2 + line 3 + line 4) = line 5]</p>	_____ line 5	\$13,250



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Your information **An example of a 30-year-old**

Inflation factor

Obtain this number from Table 1. Write it on line 6.

x _____ line 6 2.81

Table 1 Inflation factor							
Choose the number below the number of years you have until retirement.							
Years to retirement							
40	35	30	25	20	15	10	5
3.26	2.81	2.43	2.09	1.81	1.56	1.34	1.16
Results assume an average inflation rate of 3 percent annually.							

Annual income needed from savings at retirement

Multiply line 5 by line 6. Enter the answer on line 7 (line 5 x line 6 = line 7).

This is the amount of income you will need from your savings on the day you retire, adjusted for the effects of inflation.

_____ line 7 \$37,233

Retirement savings withdrawal rate

This is the percentage of your retirement savings you plan to withdraw each year to meet your income needs. Three to 4 percent is a conservative choice, 5 to 6 percent is a moderate choice, and 7 to 8 percent is an aggressive choice. Express the percentage as a decimal, e.g., 5 percent is .05. Write it on line 8.

(Hint: As long as this percentage is equal to or smaller than the percentage you choose on line 11 below, it is likely you will not run out of savings.)

_____ line 8 .05

Total savings needed at retirement

Divide line 7 by line 8. Write the answer on line 9 (line 7 ÷ line 8 = line 9).

This is the total amount of savings you will need on the day you retire, adjusted for inflation. Don't panic if this seems like a large number. We're not done yet.

_____ line 9 \$744,650

Current value of all retirement savings accounts

Add together the current values of all accounts you and your spouse have that are part of your retirement savings. This could be regular savings accounts, certificates of deposit, or special retirement plans like 401(k) accounts and IRAs.

_____ line 10 \$4,000

Your information

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of a 30-year-old

Current retirement savings growth factor

Obtain this number from Table 2. Write the answer on line 11. Five to 6 percent is a conservative choice, 7 to 8 percent is a moderate choice, and 9 to 10 percent is an aggressive choice.

(Hint: As long as this number is equal to or larger than the percentage you chose on line 8 above, it is likely you will never run out of savings.)

x _____ line 11 14.79

Table 2 Current savings growth factor								
Choose the number closest to the number of years you have until retirement and the investment return you expect on your current retirement savings accounts to find your growth factor.								
Years to retirement								
	40	35	30	25	20	15	10	5
Annual investment return								
5%	7.04	5.52	4.32	3.39	2.65	2.08	1.63	1.28
6%	10.29	7.69	5.74	4.29	3.21	2.40	1.79	1.34
7%	14.97	10.68	7.61	5.43	3.87	2.76	1.97	1.40
8%	21.72	14.79	10.06	6.85	4.66	3.17	2.16	1.47
9%	31.41	20.41	13.27	8.62	5.60	3.64	2.37	1.54
10%	45.26	28.10	17.45	10.83	6.73	4.18	2.59	1.61

Current savings value at retirement

Multiply line 10 by line 11. Write the answer on line 12 (line 10 x line 11 = line 12). This is what your current retirement savings will be worth on the day you retire if it grows at the percentage you chose in Line 11.

_____ line 12 \$59,160

Net new retirement savings needed

Subtract line 12 from line 9. Write the answer on this line (line 9 – line 12 = line 13).

(Hint: This shows how much additional savings you will need. If this is a negative number, you may have already saved enough to meet your estimated needs.)

_____ line 13 \$685,490

Your information

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of a 30-year-old

New retirement savings factor

Obtain this number from Table 3. Write it on line 14.

x _____ line 14 .0058

Table 3

Future savings growth factor

Choose the number closest to the number of years you have until retirement and the investment return you expect on your current retirement savings accounts to find your growth factor.

		Years to retirement							
		40	35	30	25	20	15	10	5
Annual investment return	5%	.0083	.0111	.0151	.0210	.0302	.0463	.0795	.1810
	6%	.0065	.0090	.0126	.0182	.0272	.0430	.0759	.1774
	7%	.0050	.0072	.0106	.0158	.0244	.0398	.0724	.1739
	8%	.0039	.0058	.0088	.0137	.0219	.0368	.0690	.1705
	9%	.0030	.0046	.0073	.0118	.0195	.0341	.0658	.1671
	10%	.0023	.0037	.0061	.0102	.0175	.0315	.0627	.1638

Estimated annual new retirement savings needed

Multiply line 13 by line 14. Write the answer on line 15 (line 13 x line 14 = line 15).

This is the amount you need to save each year to reach **your** retirement income goal.

_____ line 15 \$3,976

Estimated monthly new retirement savings needed

Divide line 15 by 12. Write the answer on line 16 (line 15 ÷ 12 = line 16). This is

the amount you need to save each **month** to reach your retirement income goal.

_____ line 16 \$331

This worksheet is intended to give you a rough estimate of your retirement income and savings needs. Actual inflation and investment returns may be more or less than these estimates.