
Preparing for Retirement

Financial You: Personal Financial Education from LPL

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Agenda

1. Where to Start?
2. Income and Expenses
3. Social Security
4. How Much Money Will You Need?
5. Are you Ready?

1. Where to Start?

Where to Start?

- Where will I live?
- What will I do?
- How much money will I need?
- How much money do I have?
- What are likely health-related issues?



A Budget: What does it do?

- It is a spending plan
- Identifies where money goes
- Can limit amounts spent on certain categories of expenses
- Helps you pursue financial goals



Why Budget?

- Control
- Organization
- Opportunities
- Extra time
- More money



2. Income & Expenses

Categories of Expenses

- Fixed
- Variable



Fixed Expenses

- Taxes
- Mortgage or Rent
- Utilities
- Insurance
- Automobiles



Variable Expenses

- Fixed
- Food
- Clothing
- Furniture, appliances
- Gas, oil
- Entertainment
- Medical Care
- Gifts
- Vacation
- Personal Items



Categories of Income

- Wages/Salary
- Income from Self-Employment
- Pension, IRA Distributions
- Interest and Dividends
- Social Security



Moment of Truth:

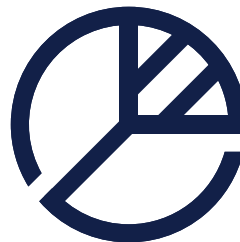
Income
-EXPENSES

?



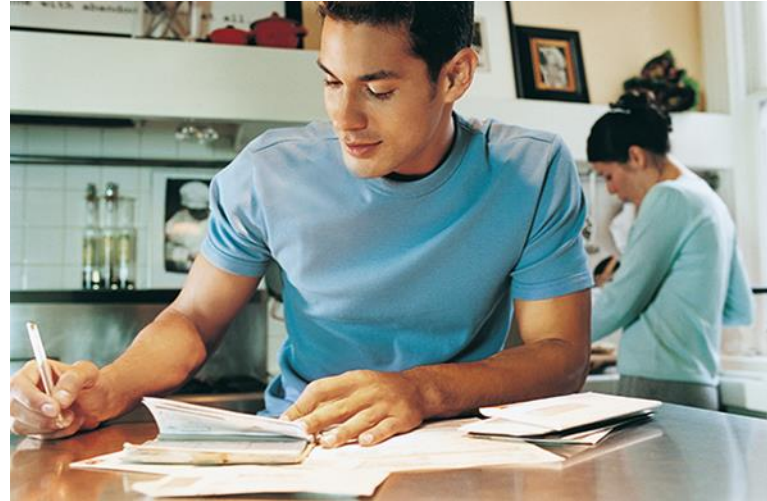
Assets

- Cash
- Stock, Bonds, Mutual Funds
- Home
- Car, Truck, Boat
- Furnishings, Antiques, Jewelry, Coins



Liabilities

- Mortgage
- Car and other Loans
- Credit Card Debt
- Taxes Due
- Major Unpaid Bills
- Other



Net Worth

$$\begin{array}{c} \text{Assets} \\ - \text{Liabilities} \\ \hline \text{Net Worth} \end{array}$$



Why Calculate Net Worth?

- Applying for a loan
- Preparing a will
- Determine insurance needs
- Measure progress toward financial goals



3. Social Security

Full Retirement Age

Year of Birth	Full Retirement Age
1937 or earlier	65
1938	65 + 2 months
1939	65 + 4 months
1940	65 + 6 months
1941	65 + 8 months
1942	65 + 10 months
1943-1954	66
1955	66 + 2 months
1956	66 + 4 months
1957	66 + 6 months
1958	66 + 8 months
1959	66+ 10 months
1960 or later	67

Social Security Administration

Reduction Factors

Reduction Factors at Age 62

Year of Birth	Total Percent Reduction
1937 or earlier	20.00
1938–1942	20.83 – 24.17
1943–1954	25.00
1955–1959	25.83 – 29.17
1960 and later	30.00

Source: Social Security Administration

Benefit: Increase Factors

Year of Birth	Yearly Rate of Increase
1937–1938	6.5%
1939–1940	7.0%
1941–1942	7.5%
1943 or later	8.0%

Source: Social Security Administration



Income Tax on Benefits

Total Income	Portion Taxable
<u>Individual</u>	
< \$25,000	None
\$25,000 – \$34,000	50%
> \$34,000	85%
<u>Joint</u>	
< \$32,000	None
\$32,000 – \$44,000	50%
> \$44,000	85%

Source: Social Security Administration

Earnings Limit: Annual

\$23,400 for 2025



Social Security Benefits While Working:

<https://www.ssa.gov/benefits/retirement/planner/whileworking.html#:~:text=In%20the%20year%20you%20reach,earnings%20for%20the%20entire%20year.>

Social Security – What to Bring to Apply for Benefits

1. Your Social Security card or proof of your Social Security number
2. Information about the home where you live, such as the mortgage, lease, and landlord's name
3. Tax return or W-2 forms, payroll slips, insurance policies and other information about your income and the things you own
4. Proof of U.S. Citizenship or eligible non-citizen status
5. Your checkbook or other papers that show your bank, credit union or financial institution account number so you can have your payments deposited directly into your account.

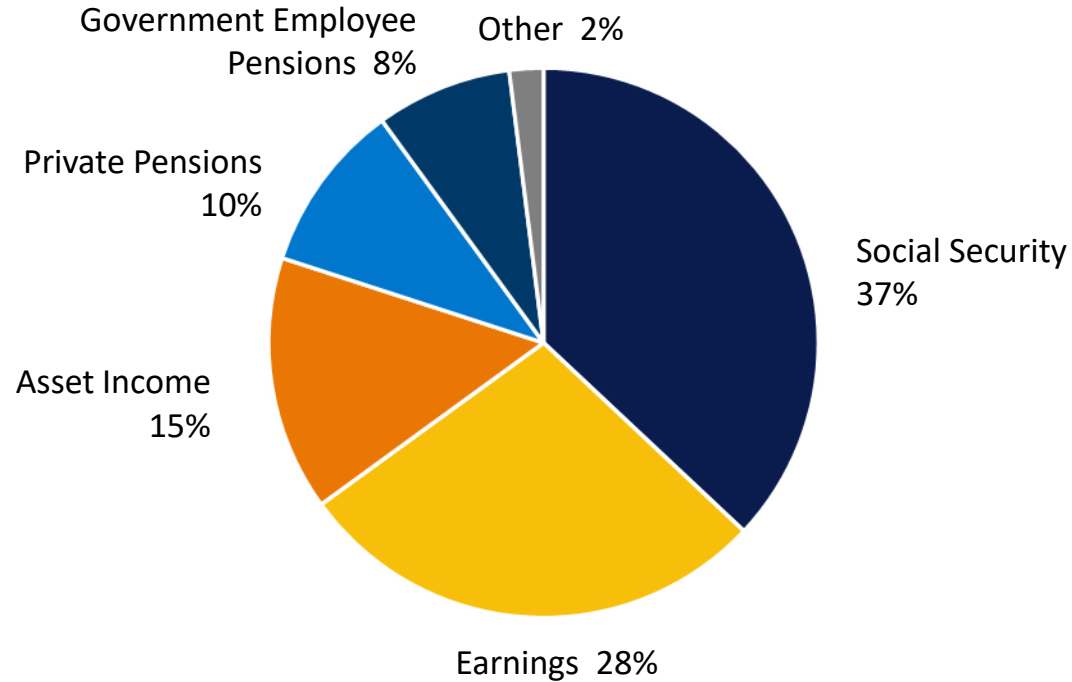
4. How Much Money Will You Need?

How much will you need?

Just How Much Will You Need in Retirement?

Your Current Income: \$_____ x .75
= Amount needed each year in retirement

Income during Retirement



Don't ignore inflation

Retired life will likely cost more in the future than it does today.

Item	Average Cost Today	Average Cost in 5 Years	Average Cost in 10 Years
House Cost in Florida (South)	\$361,000	\$418,498	\$485,154
Recreational Vehicle (RV)	\$73,350	\$85,033	\$98,576
10 Day Caribbean Cruise	\$1,499	\$1,738	\$2,015
Round of Golf at Your Local Club	\$75	\$87	\$101
Source: Kmotion Research 2023, This is a hypothetical example for illustration purposes only. Actual inflation rates may be more or less than the illustrated rate.			

Life expectancy

- 65-year-old male can expect to live to 83.0
- The average 65-year-old female can expect to live to 86



Medical expenses

Plan for Rising Medical Expenses

A 65-year-old American couple retiring in 2022 will need \$315,000 to pay for medical expenses throughout retirement, not including nursing home care.



This figure is projected to some needing as much as \$413,000 by 2023 standards and as you can see, the needed expense continues to rise.

Healthcare coverage

- Medicare
- Eligibility: Age 65
- Four Parts



Healthcare coverage

Medicare

Part A – Hospital Insurance

Part B – Medical Insurance

Part C – Medicare Advantage Plan

Part D – Prescription Drug Coverage



Healthcare coverage

Medicare Premiums for 2024

Part A – Usually \$0

Part B – \$185 for most people

Part C – varies by plan

Part D – varies by plan



Healthcare coverage

MediGap (Supplemental Insurance) Policies

MediGap Resources:

www.medicare.gov/medigap

www.aarp.org/health/medicare/insurance

1. These sources provide background information on MediGap insurance plans that supplement Medicare and the benefits those plans cover

Long Term Care Insurance

Q: Who needs long term care insurance?

A: Anyone concerned about providing for potential future needs and looking to protect life savings and assets for themselves, their family and heirs.

Long Term Care Insurance

Long Term Care Resources

www.longtermcare.gov

National clearinghouse for long-term care information

5. Are You Ready?

Thank You.

For more info, please contact

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Are You Ready?

GETTING PREPARED

RETIREMENT READINESS WORKSHEETS

As you think about this new adventure called retirement, make certain that you are as prepared as possible. Reviewing, completing and adding to this checklist may go a long way toward ensuring a pleasant and secure retirement.

TIMELINE FOR RETIREMENT

AGE	50	59½	62	65	66	73
Begin making catch-up contributions, an extra amount that those over 50 can add to certain retirement accounts						
No more tax penalties on early withdrawals from retirement accounts, but leaving your money in means more potential for it to grow						
The minimum age to receive Social Security benefits, but delaying means a bigger monthly benefit						
Eligible for Medicare						
Eligible for full Social Security benefits if born between 1943 and 1954						
Start taking retirement withdrawals from most retirement accounts by this age; otherwise, you may be charged heavy tax penalties in the future						

☐ Estimate expenses in retirement
☐ Estimate income from all sources
☐ Social Security
☐ Pension plan
☐ Retirement plan
☐ IRAs
☐ Savings
☐ Other investments
☐ Consider distribution options
☐ Follow to IRA
☐ Full or partial withdrawals
☐ Leave account balance in plan
☐ Consider annuities
☐ Prepare a realistic retirement budget
☐ Watch for income tax implications
☐ Estimate how long savings will last
☐ Review options for Social Security
☐ Work longer?
☐ Start benefits before full retirement age?
☐ Delay benefits?

☐ Verify healthcare coverage
☐ Learn about Medicare choices
☐ Consider long-term care insurance
☐ Monitor retirement account asset allocation
☐ Be an asset portfolio shaper
☐ Consider estate planning
☐ _____
☐ _____
☐ _____

Now get to the workbooks in this booklet. It will help you put this information to use as you get ready to retire.

1 RETIREMENT READINESS WORKSHEETS

LPL Financial
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A: TODAY'S MONEY

Recent amounts for yourself and for your spouse in columns 1 and 2. Add up the money across each row for spouses, and write the total in column 3. Then add up the numbers down column 1 and write the total in column 4.

	1 You	2 Spouse	3 Total
Spending (checklist value)			
Spending and investments (collections, etc.)			
TOTAL ASSETS			

B: MONEY - 10 YEARS FROM NOW

Factors for Three Selected Rates of Return*

	1 Current \$ value (see Worksheet A, column 1)	2 Asset growth factor (see column 1)	3 Asset value in 10 years (Column 1 x Column 2)
Spending			
Spending and investments (collections, etc.)			
TOTAL ASSETS			

RETIREDNESS WORKSHEETS

C: NEW SAVINGS BETWEEN NOW AND RETIREMENT

Savings Growth Factors for Three Selected Rates of Return*

	1 Estimated monthly savings amount	2 Savings growth factor	3 Value of savings in 10 years (Column 1 x Column 2)
Retirement savings			
Net home equity (checklist value)			
Personal savings and investments			
Other assets (collections, etc.)			
TOTAL ASSETS			

D: MONTHLY INCOME OVER A 30-YEAR RETIREMENT

Income Conversion Factors for Assumed Rates of Interest*

	1 Accumulated assets (Column 1 from Worksheet C, plus savings from Worksheet C)	2 Income conversion factor	3 Monthly income beginning at retirement (Column 1 x Column 2)
Social Security (estimate based on your retirement year)			
Retirement savings			
Net home equity (checklist value)			
Personal savings and investments			
Other assets (collections, etc.)			
TOTAL ASSETS			

3 RETIREMENT READINESS WORKSHEETS

Retirement Timeline

- Age 50** Begin making catch-up contributions, an extra amount that those over 50 can add to 401(k) and other accounts
- Age 59½** No more tax penalties on early withdrawals from retirement accounts, but leaving it in means more time for your money to potentially grow
- Age 62** The minimum age to receive Social Security benefits, but delaying means a bigger monthly benefit
- Age 65** Eligible for Medicare
- Age 66** Eligible for Full Social Security benefits if born between 1943 and 1954
- Age 73** Start taking minimum withdrawals from most retirement accounts by this age; otherwise, you may be charged heavy tax penalties in the future



Worksheet A

A: TODAY'S MONEY

Instructions: Record amounts for yourself and for your spouse in columns 1 and 2. Add up the money across each row for you and your spouse, and write the total in column 3. Then add all the numbers down column 3 and write the total in column 3 at the bottom.

	1 You	2 Spouse	3 Total
Retirement savings			
Net home equity (market value)			
Personal savings and investments			
Other assets (collections, etc.)			
TOTAL ASSETS			

Worksheet B

B: YOUR MONEY - 10 YEARS FROM NOW

Asset Growth Factors for Three Selected Rates of Return*

1.344 for 3% 1.629 for 5% 1.967 for 7%

	1 Current \$ value (from Worksheet A, Column 3)	2 Asset growth factor (rate of return)	3 Asset value in 10 years (Column 1 x Column 2)
Retirement savings			
Net home equity (market value)			
Personal savings and investments			
Other assets (collections, etc.)			
TOTAL ASSETS			

Worksheet C

C: NEW SAVINGS BETWEEN NOW AND RETIREMENT

Savings Growth Factors for Three Selected Rates of Return*

139.741 for 3% 166.292 for 5% 173.086 for 7%

	1 Estimated monthly savings amount	2 Savings growth factor	3 Value of savings in 10 years (Column 1 x Column 2)
Retirement savings			
Net home equity (market value)			
Personal savings and investments			
Other assets (collections, etc.)			
TOTAL ASSETS			

Worksheet D

D: MONTHLY INCOME OVER A 30-YEAR RETIREMENT

Income Conversion Factors for Assumed Rates of Interest*

0.004216 for 3%

0.006368 for 5%

0.006653 for 7%

	1 Accumulated assets (Column 3 from Worksheet B plus Column 3 from Worksheet C)	2 Income conversion factor	3 Monthly income beginning at retirement (Column 1 x Column 2)
Social Security (estimate based on your retirement year)			
Retirement savings			
Net home equity (market value)			
Personal savings and investments			
Other assets (collections, etc.)			
TOTAL ASSETS			

Worksheet E

E: MONTHLY EXPENSES TODAY

	Monthly amount
Housing	
Mortgage (including HOA fees)	
Rent	
Maintenance	
Food (at home)	
Utilities	
Electricity	
Heat	
Internet/cable	
Phones	
Water/sewer	
Gas	
Clothing	
Taxes	
Real estate	
Income (state and federal)	
Other property taxes	
Insurance	
House	
Life	
Car	
Disability	
Long-term care	

Worksheet F

F: MONTHLY EXPENSES IN 10 YEARS

(First year of retirement)

	1 Total monthly expenses now (from monthly expenses column in Worksheet E)	2 10-year inflation factor of 1.4106 (3.5%)* (except for healthcare - see below)	3 Total expenses in 10 years adjusted for inflation (Column 1 x Column 2)
Housing			
Mortgage (including HOA fees)			
Rent			
Maintenance			
Food (at home)			
Utilities			
Electricity			
Heat			
Internet/cable			
Phones			
Water/sewer			
Gas			
Clothing			
Taxes			
Real estate			
Income (state and federal)			
Other property taxes			
Insurance			
House			
Life			
Car			
Disability			
Long-term care			
Loans			
Car			
Credit card			
Other			
Retirement savings			

Worksheet F

	1 Total monthly expenses now (from monthly expenses column in Worksheet E)	2 10-year inflation factor of 1.4106 (3.5%) (except for healthcare)	3 Total expenses in 10 years adjusted for inflation (Column 1 x Column 2)
Personal care			
Hair cut			
Dry cleaning			
Gym			
Other			
Transportation			
Car repairs and maintenance			
Gas			
Parking			
Public transportation			
Travel/vacations			
Entertainment			
Eating out			
Hobbies			
Movies/theatre			
Charitable contributions			
Other			
Gifts			
Membership dues			
Pet-related expenses			
TOTAL MONTHLY EXPENSES ADJUSTED FOR 10 YEARS INFLATION (other than health)			
Healthcare (for a 7% inflation factor use 1.9672)			
Health insurance			
Medicare Part B			
Medigap			
Doctor visits			
Hospital			
Medicine			
Over-the-counter medicine			
Dental			
Vision			
Noncovered items			
TOTAL MONTHLY EXPENSES ADJUSTED FOR 10 YEARS INFLATION (health)			

Worksheet G

G: COMPARING PROJECTED INCOME AND EXPENSES

Value Adjustment Factors	
Inflation rate	5% assumed rate of return
0%	0.5174
3%	0.7520
4%	0.8640
7%	1.3691

	1 At retirement	2 Inflation adjusted value factor (See chart above)	3 Value in \$ at retirement for one month (Column 1 x Column 2)	4 Total value in \$ at retirement (Column 3 x 360 months)
Total projected income Worksheet D, Column 3 total				
Total projected expenses: Worksheet F, Column 3 total Health Other than health				
Projected value of income less expenses Subtract Line 2 from Line 1				

Worksheet H

H: ADDITIONAL SAVINGS NEEDED BEFORE RETIREMENT (IN 10 YEARS)

Additional Savings Factors*

0.00716 for 3%

0.00644 for 5%

0.00678 for 7%

Gap between projected total value of expenses and projected total value of income (from Worksheet G)	
Additional savings factor*	
Additional monthly savings needed (Multiply Line 1 x Line 2)	

Source: U.S. Dept. of Labor, Employment Benefits Security Administration; www.dol.gov/ebsa

Useful Resources

www.aarp.org – American Association of Retired Persons
(informational articles and interactive tools)

www.dinkytown.net – variety of financial calculators and tools

www.ssa.gov – official Social Security website

www.medicare.gov – official Medicare website

www.irs.gov – Internal Revenue Service official site

www.psca.org – Profit Sharing Council of America
(retirement planning and calculation tools)

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