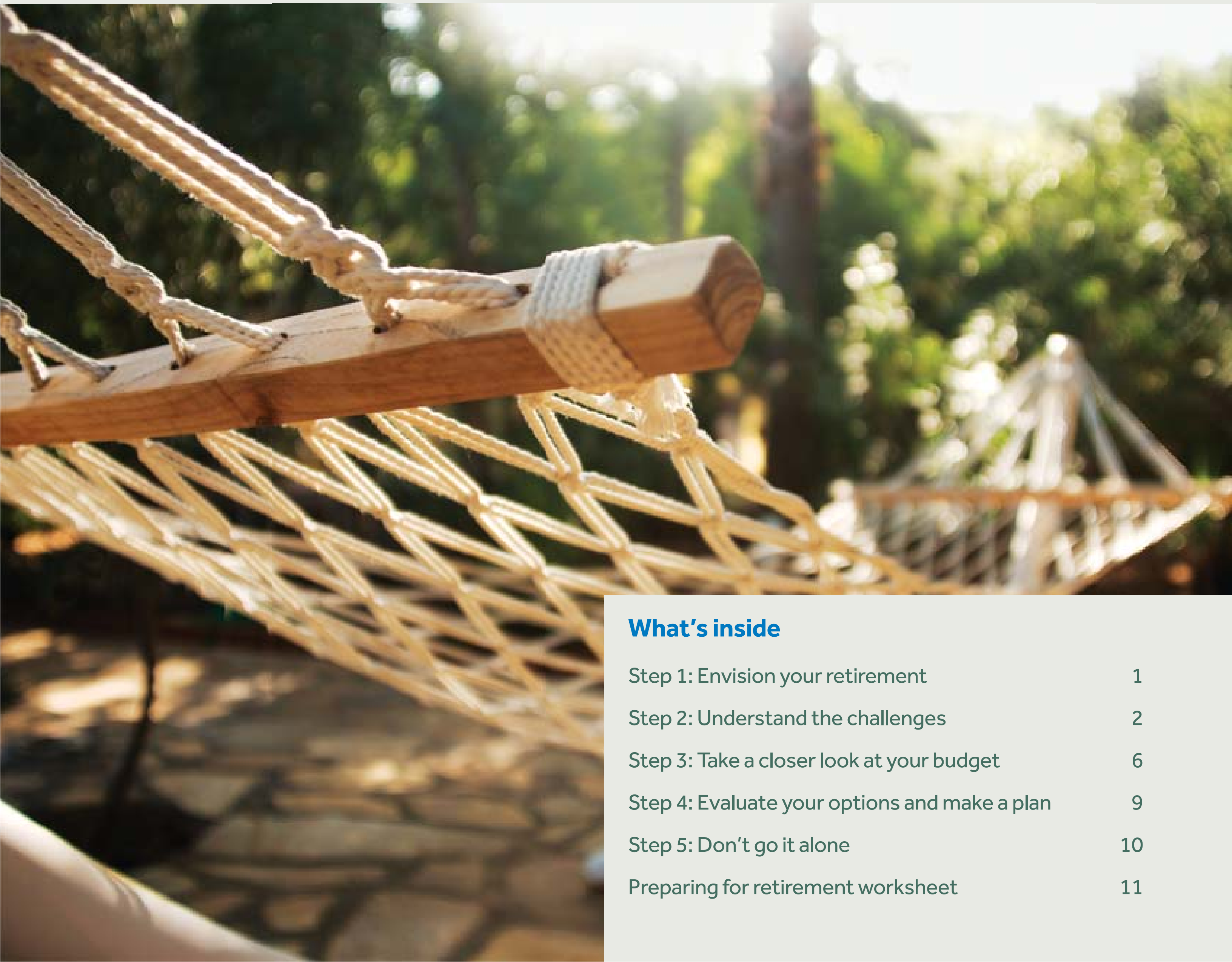
Transitioning into retirement

Five steps today for a smoother tomorrow

New York Life MainStay Investments®

We all dream of retiring.

For some, it will mean rest, travel, or spending more time with loved ones. For others, it could mean volunteering or continuing to work in some capacity. Whatever your plans may be, patience and preparation are the keys for a smooth transition to the next phase of your life. This guide can help you get organized and plan for tomorrow's retirement by outlining the steps that you need to take today.



What's inside

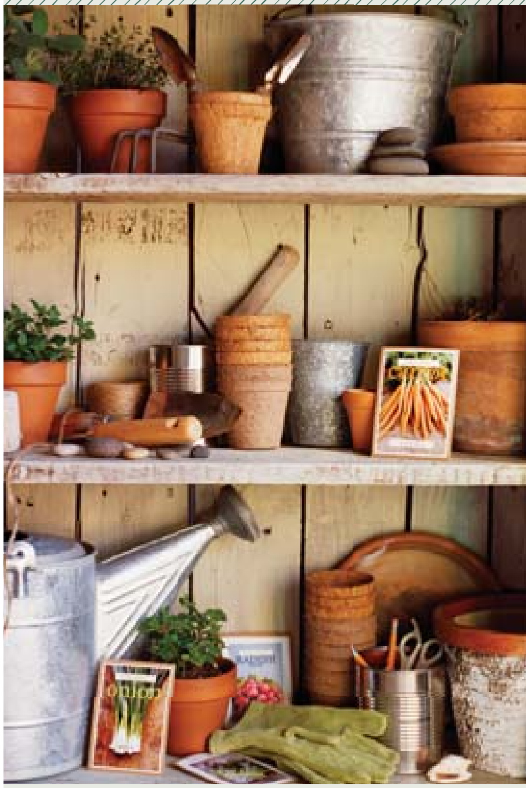
Step 1: Envision your retirement

Take a moment to step back and envision your typical day in retirement. If you're married, have a discussion with your spouse to make sure your thoughts align. Will it include pursuing your hobbies, spending time with family and friends, volunteer work, or travel? Maybe you want to further your education or explore a new career. Now think about the money you've put aside for retirement. Do you have a plan to cover your day-to-day must-haves, as well as your discretionary nice-to-haves? Most important, are you confident that your retirement nest egg will last as long as your retirement? Consider the following:

- **Where will you live?** Do you want to downsize, but remain in the same area? Will you move to a less expensive area that's "retiree friendly?" Do you want to make your favorite vacation spot your home? Maybe you hope to have one home near your children and another in a location you have always dreamed about.
- **Will you need to work?** Will you need to work in retirement in order to maintain your standard of living? Maybe you simply want to work to stay busy or explore a new career.
- **Do you plan to travel?** Travel seems to rank as one of the top retirement goals for many. Where do you see yourself journeying during retirement? Is it an extravagant cruise through Europe, renting an RV and going cross country, or is it taking simple day trips and hiking in the mountains?

Put your vision on paper

Where do you start? There are so many variables to consider that planning the transition to retirement may seem overwhelming. Putting your plans, dreams, and worries on paper will help you take that critical first step. Whatever your ideal retirement may be, it's important to lay out a plan that will allow you to achieve these dreams. Your financial professional can help you incorporate your retirement plans into your overall retirement income strategy.



Keeping yourself active can help make the retirement transition easier. Consider tackling home improvement projects or cultivating new interests and hobbies with your new-found time.

Step 2: Understand the challenges

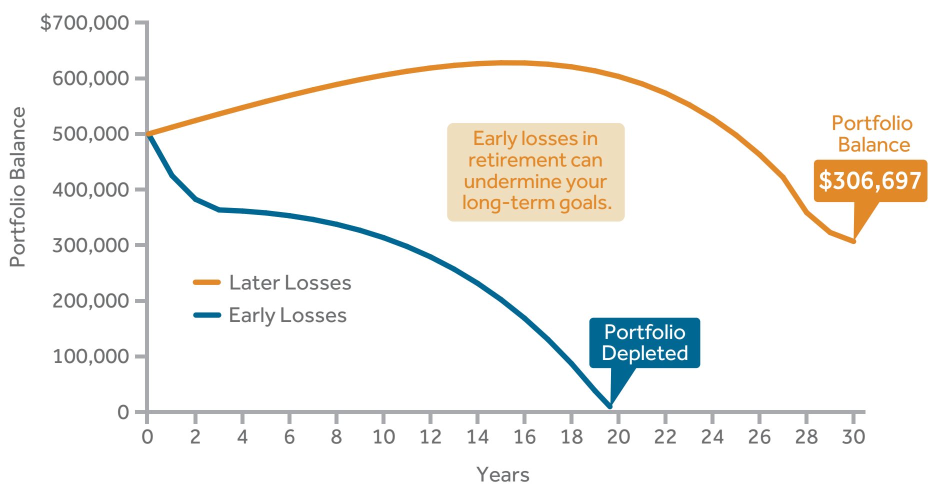
We all face certain challenges when saving and investing for our future, regardless of our age. In addition to the financial considerations associated with retirement planning, there are a number of other factors that you should take into account. When preparing for retirement, it is important to consider all risks that can impact your lifestyle after you leave the workforce, including when you decide to leave.

Early losses can set you back

When you're young, your investments can generally handle market volatility since time is on your side, but once you enter retirement, it's difficult to bounce back from sharp declines. This is especially true in the beginning of your retirement years because after a loss, you have fewer assets to work with so the remaining assets have to work harder for the duration of your retirement to compensate.

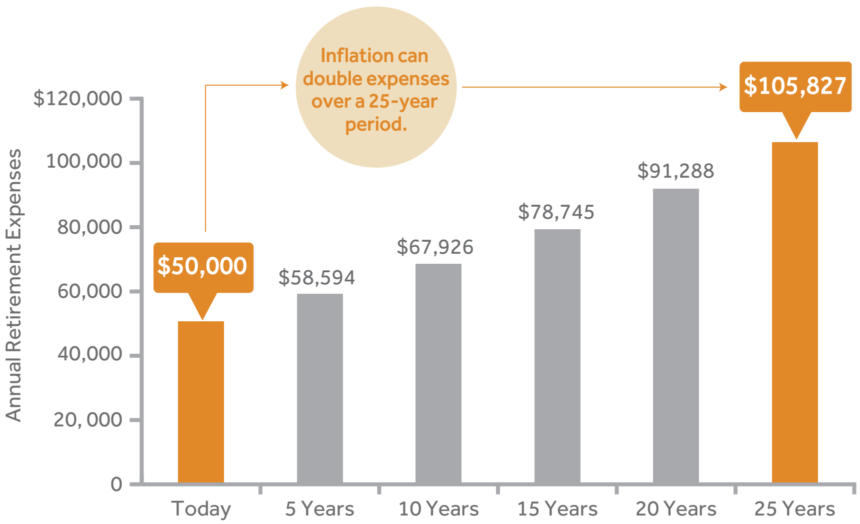
Losses or gains in the early stages of retirement can influence your long-term plans. This is why it's important that you have a diversified portfolio. Stocks can be volatile. Adding more conservative investments such as cash and fixed income to your portfolio can help provide stability and offset downside risk.

Entering Retirement During a Declining Market Can Negatively Impact Your Portfolio[1]



1. Source: Morningstar, 2015. This chart shows the results of early losses of 15% in year 1, 10% in year 2, and 5% in year 3 versus losses of 15% in year 28, 10% in year 29, and 5% in year 30. This hypothetical example assumes a $500,000 initial balance and $25,000 withdrawal. Withdrawals are adjusted each year by 4.12% inflation. The 4.12% inflation is derived from the IA SBBI U.S. Inflation Index, 1/1/70 to 12/31/15. This hypothetical investment assumes an annual 7.82% rate of return. The 7.82% annual rate of return is derived from the S&P 500 TR USD Index, 1/1/70 to 12/31/15. This example is for illustrative purposes only and does not represent the performance of an actual investment. There is no assurance that similar returns will be achieved.

Inflation Can Increase Your Cost of Living[2]



Inflation impacts retirement expenses

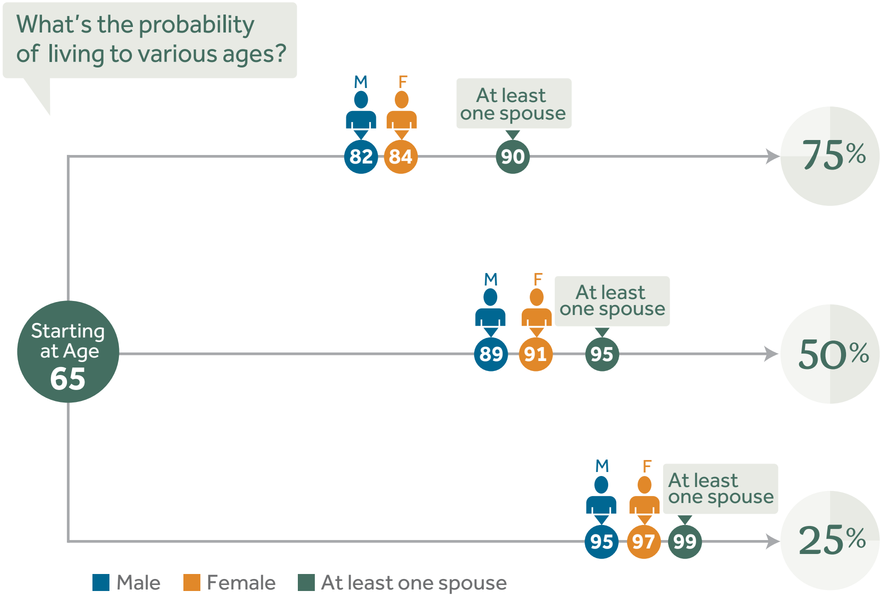
Inflation makes goods and services more expensive by decreasing the value of money, which can erode both your purchasing power and return on investments. Most working people adjust to increasing inflation levels because their earnings tend to keep pace with inflation. But when faced with the decision of consuming retirement assets, near and new retirees will need to reassess their ability to maintain their desired lifestyle. When developing a retirement income plan, it's important to take into account inflation and the impact it may have on your retirement income. The chart above shows that a 4.12% annual rate of inflation can double expenses over a 25-year period.

2. Source: MainStay Investments, 2015.

Healthier lifestyles may result in longer lasting retirement

Thanks to medical advances and healthier lifestyles, more Americans are living longer today than ever before. Once, a retirement of 10 or 15 years was considered normal. Now you may spend 20 or 30 years in retirement, if not longer. If you only plan financially to cover your average life expectancy, you could ultimately outlive your assets. The chart below illustrates this point. At least one spouse who is 65 years old today has a 50% chance of living to age 95.

Plan for the Longest Possible Retirement[3]



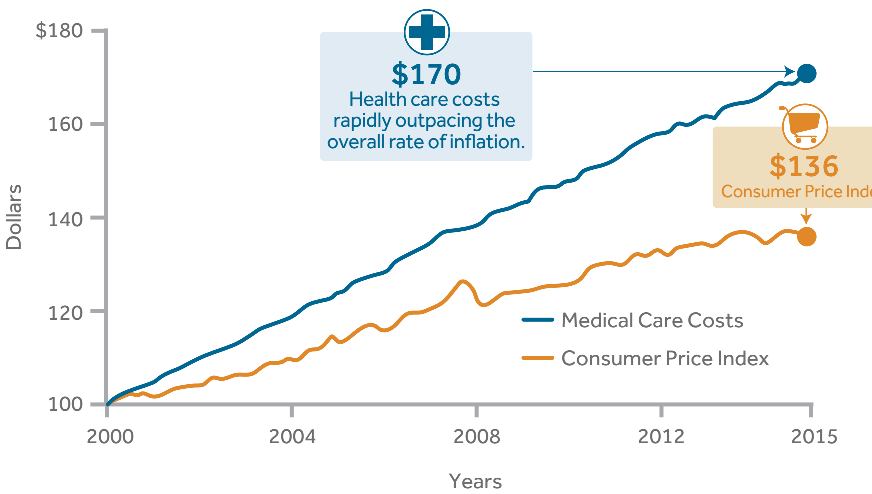
3. 2012 IAR Mortality Table. This chart shows the probabilities of a 65-year old living to various ages.

Health care can be a major expense in retirement

Health care costs have been rapidly outpacing the overall rate of inflation. The number of employers offering health care coverage to their employees during retirement is on the decline and affording health care is a top concern for many baby boomers. As a matter of fact, the average lifetime retirement health care costs for a 65-year old couple retiring in 2015 are estimated to be $394,954.[4] Over time, health care expenses can slowly drain retirement savings, and a significant health event can quickly derail your retirement plans.

Without proper preparation, the only available source to pay those expenses will be your retirement assets. Health care is one of many considerations that need to be included in your overall retirement income plan. Your financial professional can help you calculate these expected costs and identify potential income sources to help cover them.

Rising Health Care Costs Have Been Outpacing Inflation[5]



When preparing for retirement, it is important to consider all risks that can impact your lifestyle after you leave the workforce.

4. HealthView Insight Services: 2015 Retirement Health Care Costs Data Report. This calculation assumes a 65-year-old healthy couple retiring this year and covered by Medicare Parts B, D, and a supplemental insurance policy. It also assumes that Medicare subscribers paid Medicare taxes while employed, and therefore will not be responsible for Medicare Part A premiums. It takes into consideration couples' total health care costs and includes dental, vision, co-pays, and all out-of-pocket expenses.

5. Source: Bureau of Labor Statistics. The chart shows the difference in the rise of consumer prices and medical care costs based on the Consumer Price Index (CPI). The CPI is the index used by the Bureau of Labor Statistics as a measure of the average change over time to the price of consumer goods and services. The chart shows the increase in the cost of consumer and medical goods and services from December 2000 through December 2015.

Step 3: Take a closer look at your budget

At retirement, you will probably trade in your regular paycheck for other sources of income, like Social Security, a corporate pension, or proceeds from your assets. For some, your new "paycheck" will be less than what you were used to. This makes it important to manage your spending habits in retirement to ensure that you don't run out of money. Your financial professional can help you work through this budgeting process.

Taking inventory of your cash inflows and outflows, including your basic and discretionary expenses, can help you monitor and better manage these costs as they may change over time. Should you find that the bottom line of your budget is a negative number, you'll want to develop a strategy with your financial professional to handle the discrepancy and make any necessary adjustments to help balance your expenses.

The earlier you start preparing and planning for retirement, the more comfortable and secure you'll feel as you budget for your golden years.

Organize your assets and liabilities

It is likely that by the time you reach retirement, you may have accumulated multiple financial accounts with multiple institutions. To help keep a clear inventory of everything that will make up your retirement income, it may help you to keep all your assets organized and in one place.

Maintaining an inventory of your important financial information, such as retirement accounts, key financial and professional contacts, and policy/account numbers, can help make managing and accessing this information an easier process. Here are some tips to help you organize your retirement assets and liabilities:

- **Consolidate your assets.** Maintaining accounts with different institutions can be costly and cumbersome. You may save money by consolidating all accounts with one financial professional. Also, having your assets in one place may simplify the eventual process of settling your estate.
- **Review account types.** You may have a number of different account types, such as bank accounts, personal retirement accounts, annuities, a pension, and taxable investment accounts. Your financial professional and accountant can help determine which assets should be liquidated at any point in time since tax consequences vary by asset and account type. Also, for some types of accounts you're required to take required minimum distributions (RMDs) after age 70. You'll need to plan to meet these requirements.

Develop a retirement income withdrawal strategy

You've worked hard and saved for years, now you face the balancing act of withdrawing from your retirement savings while making sure your assets last. The amount you withdraw should be carefully evaluated. By withdrawing too much too soon, you run the risk of outliving your savings. By withdrawing too little, you can miss out on living a more comfortable lifestyle during your golden years.

There are many things to consider when determining how much to withdraw, and simply setting a standard withdrawal rate per year isn't practical. It's important to review your retirement portfolio and how it's performing on an annual basis. Consider the current market environment, your RMDs, your expenses, and your anticipated life expectancy. Incorporating all of these considerations into your withdrawal plan will help make your retirement income last as long as your retirement.

It's important to develop a tax-efficient withdrawal strategy, which can help you reserve more of your retirement income. The most common withdrawal sequence in retirement is to first start with any RMDs, followed by taxable accounts, tax-deferred retirement accounts, and last tax-exempt retirement accounts.

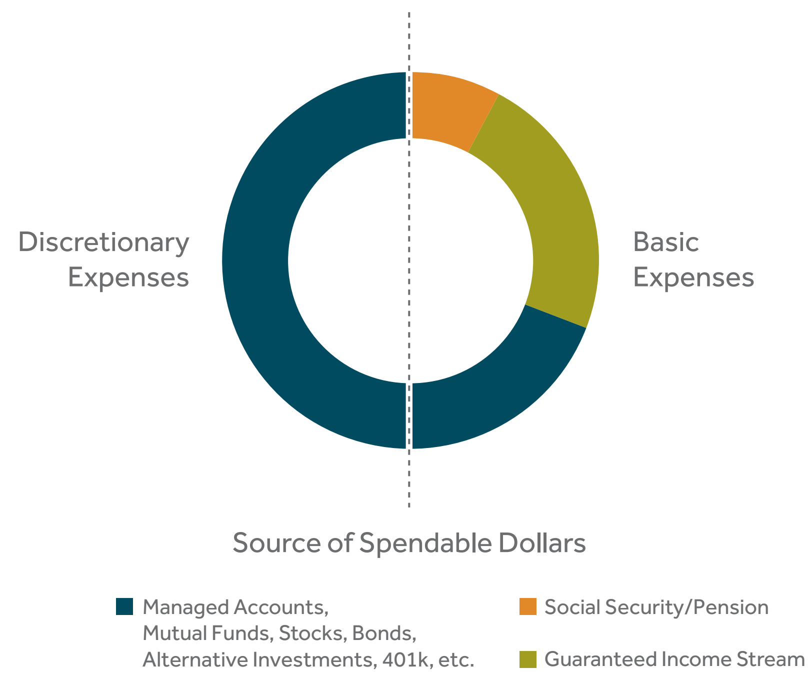
Keep in mind that it's important to avoid withdrawals bumping you into a higher tax bracket, which can also result in taxation on your Social Security benefits. If you're in a lower tax bracket, you may want to consider selling stocks that you've held longer than a year, since you may not be impacted by the long-term capital gains tax.

The importance of asset allocation

Asset allocation strategies in retirement differ from those you might have used while saving for retirement. That's because portfolio volatility becomes a greater concern due to the impact of withdrawals. Typically, you'll want to optimize income to pay for your expenses, while providing growth potential as a hedge against inflation.

As you see in the hypothetical chart below, cash inflows, such as Social Security, pension payments, and guaranteed income payments, could be thought of as supporting your day-to-day expenses. In contrast, the managed portion of your portfolio could support a smaller portion of the day-to-day expenses, as well as the lion's share of your special or discretionary expenses. This chart is offered to illustrate this point and not to recommend a specific allocation, which you should discuss with your financial professional.

Retirement Income May Largely Come from Personal Savings[6]



6. Source: MainStay Investments, April 2016.

Step 4: Evaluate your options and make a plan

Some financial experts say that you need 70%–80% of your current income to maintain your financial lifestyle during retirement. In reality, your income needs could be much lower, or depending on your lifestyle, they could be 100% or greater than what you earned before you retire. How can you figure out the ideal amount of your retirement "paycheck?" You need to analyze your monthly expenses and compare the total to your guaranteed monthly cash inflows. Next, you need to weigh your options. While not comprehensive, the following are some of the options you might consider during discussions with your financial professional.

Analyze Your Retirement Expenses Against Assets

If your current savings cover retirement expenses	
Non-Discretionary & Discretionary Spending	▪ Set up a Systematic Withdrawal Plan (SWP) from investments to receive a fixed sum on a periodic basis, while leaving your remaining assets invested. ▪ Use dividends from your retirement assets.
Investments	▪ Invest conservatively (diversified mix of fixed income, equities, and cash), then continually monitor your asset allocation and adjust your risk profile according to your comfort level.[7]
Emergency Fund	▪ Create an emergency fund to help cover unexpected, substantial expenses and reduce the need to access shorter-term investments.
If your current savings do not cover expenses	
Non-Discretionary Expenses	▪ Take distributions from your retirement plan. ▪ Consider a Systematic Withdrawal Plan (SWP) to provide long-term income, as well as maintain an investment portfolio to provide potential investment growth. ▪ Consider setting up a guaranteed source of income to help you budget.
Discretionary Spending	▪ Reduce discretionary spending. Though not easy, it's imperative to budget and cut non-essential spending when living on a fixed income.
Investments	▪ Option 1: Maintain a conservative investment allocation and continually monitor your asset allocation and adjust your risk profile according to your comfort level.[7] ▪ Option 2: Increase your risk profile and periodically reassess your portfolio's asset allocation and balance.[7] ▪ Consolidate accounts, wherever appropriate, to reduce annual expenses.
Emergency Fund	▪ When available, set aside dividends from your retirement assets for an emergency fund.

7. Diversification does not guarantee a profit or protect against a loss.

Developing the right income strategy can be arduous and complex, but the right guidance and advice can help make your retirement assets last.

Step 5: Don't go it alone

For many people, retirement plan assets represent the largest portion of their savings. Regardless of how much money you've accumulated, how you manage your assets while retired could seriously affect your long-term financial security. While you could make your own decisions about how to deploy your retirement savings, with so much at stake, it's wise to seek the advice of a financial professional.

Share your vision

Understanding your retirement lifestyle plans and concerns will help your financial professional assess your total financial picture and set realistic expectations about your income and expenses. Collecting important financial documents that reflect the assets you have worked hard to accumulate, like investment account and retirement plan statements, can help your financial professional create an effective retirement income plan based on your specific needs.

Reassess your plan at least annually

Meet with your financial professional at least once a year to monitor your investments and rebalance or reallocate your portfolio as your needs and tolerance for risk changes. With so many variables involved in retirement asset planning, you'll want to keep a close eye on your portfolio to spot any potential problems early. One way to become more comfortable may be to conduct reviews every six months for the first two years of retirement, then cut back to once a year going forward.

Preparing for retirement worksheet

Transitioning into retirement is a process. This worksheet is an easy way to record your thoughts about retirement, get organized, and create a personal game plan. Check all items that apply to you and note whether an item is either resolved or unresolved. Then, comment on what you feel may need to be done next.

While some items relate to long-term decisions you need to make, others may require immediate, eventual, or ongoing action on your part. If you are married, please be sure to have your spouse fill out his or her own worksheet and compare notes. Then share your worksheets with your financial professional.

My typical day in retirement

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday/Sunday
Morning						
Afternoon						
Evening						

My anticipated retirement lifestyle

Preference	Resolved	Unresolved	Solution/Comments
Retire traditionally			When?
Work full-time, new career field			When? Where?
Work part-time, same career field			When? Where?
Work part-time, new career field			When? Where?
Volunteer			When? Where?
Continue education			When?
Hobbies			What?
Travel			Where?
Care for grandchildren			How much?
Relocate			Where? When?
Maintain multiple residences			Where?
Play sports, exercise			How often?
Attend sporting events			How often?
Attend cultural events			How often?
Other			

My retirement concerns			
Issue	Resolved	Unresolved	Solution/Comments
Having enough fun			
Having enough energy to do what I want to do			
Generating enough income to pay basic expenses			
Government support (Social Security, Medicare, etc.)			
Paying daily health care costs (Rx, MD visits)			
Paying long-term health care/nursing home costs			
Decrease in or complete elimination of my company retiree health benefits			
Completely running out of money			
Growing assets to keep ahead of general inflation (and medical cost inflation)			
Providing financial support for family member(s)			
Providing physical care for family member(s)			
Needing/receiving assistance from family			
Impact of my children moving back in			
Receiving a promised inheritance			
Leaving an inheritance to my heirs			
Being able to make charitable gifts			
Becoming very ill			
Feeling disconnected from people			
Sudden health change (me or my spouse)			
Being forced into nursing home/assisted care			
Outliving my assets			
The world situation (danger, instability)			
Being able to work as long as I wish			
Being forced to work or having to go back to work for some time period past retirement			
The expectation that I will contribute to my grandchild(ren)'s college expenses			
Death of loved one(s)			
Other			

My expected retirement income sources			
Sources of Income	Resolved	Unresolved	Solution/Comments
Defined benefit pension plan			
Defined contribution plan (money purchase pension, 401(k), 403(b), 457, Keogh, SEP, SIMPLE, etc.)			
Traditional IRA/Roth IRA/IRA rollover			
Social Security			
Support from family			
Inheritance			
Trust distributions			
Income (distributions) from personally owned business or partnership			
Salary (earned income from job)			
CD, cash, money market			
Consulting fees			
Sale of real estate			
Sale of other assets			
Sale of business			
Income annuity			
Deferred annuity			
Rental income			
Liquidate investment portfolio			
Investment interest and/or dividends			
Life insurance policy cash value[8]			
Reverse mortgage			
Other			

8. Policy loans and partial policy surrender will reduce the policy's cash value and death benefit, and may cause the life insurance policy to lapse.

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