

Question: As a follow up to your last column, can you tell me how much money I'll need to retire?

Answer: It depends upon your desired lifestyle but let me try to give you some food for thought. Here are four general rules you can use as a starting point in your retirement planning.

The 100% Rule: You may have heard that once you retire you'll be able to live on 70-80% of your pre-retirement income. However, considering medical costs are rising and life spans are increasing, I'd rather plan that you're likely to need 100% of your pre-retirement income in retirement just to be on the safe side.

The 2/3 Rule: The typical Social Security payment provides one-third of a retiree's income needs, according to the U.S. Social Security Administration. That means that two-thirds of your post-retirement income must come from sources other than Social Security.

The 13 Times Rule: If you'd like to receive guaranteed income payments for life from an annuity, you will need to invest about 13 times the annual income you want to have in retirement into the annuity. For example, if you want \$25,000 a year in lifetime income payments, you'll need \$325,000. Generating \$25,000 in lifetime income per year without an annuity would require approximately \$500,000 in capital.

The 110 Rule: Since it's likely you'll live a long life you may need to keep a higher percentage of your assets in equity investments. Consider subtracting your current age from 110. The result could be considered a starting point for your equity allocation. For example, if you are 65 consider allocating 45% of your portfolio to equity investments ($110 - 65 = 45$) and allocate 55% to fixed income investments.

Bill's Bottom-line: Please note that these rules are approximate figures and might not be applicable to your situation. There are multiple factors that are taken into account for each individual's situation. Use these rules as a starting point in your planning and consider working with a professional advisor to gain better clarity.



Bill Losey, CFP®, CSA, America's Retirement Strategist®, has nearly 20 years experience in the financial planning industry and has been interviewed on the CBS Radio Network, CNNfn, FOX's "Hannity & Colmes", and Bloomberg Business Radio. Bill publishes *Retirement Intelligence*, a free award-winning weekly newsletter that reaches over 5,000 subscribers worldwide. He is the Author of *Retire in a Weekend!* and can be reached online at www.MyRetirementSuccess.com or by calling 1-866-786-2521.