

How to Calculate

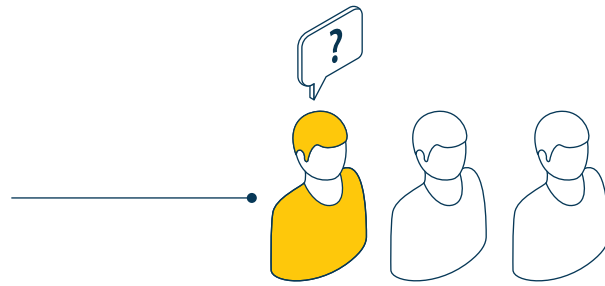
If You're on Track
for Retirement



INVESTMENTS

Retirement planning can be overwhelming. In fact, **1 in 3** Americans have no idea what they need to save to retire at their target age.

Source: Finance Buzz (Aug 2021)



Luckily, we can use a retirement calculator to help outline what you need to consider. We'll also share how the U.S. population measures up at each step.

Step 1 Your Age

A calculator will typically start by asking for your current age and your target retirement age. This is to determine how long you have left to build up your investments.

The average age of retirement in the U.S. has remained relatively stable and is currently 62.



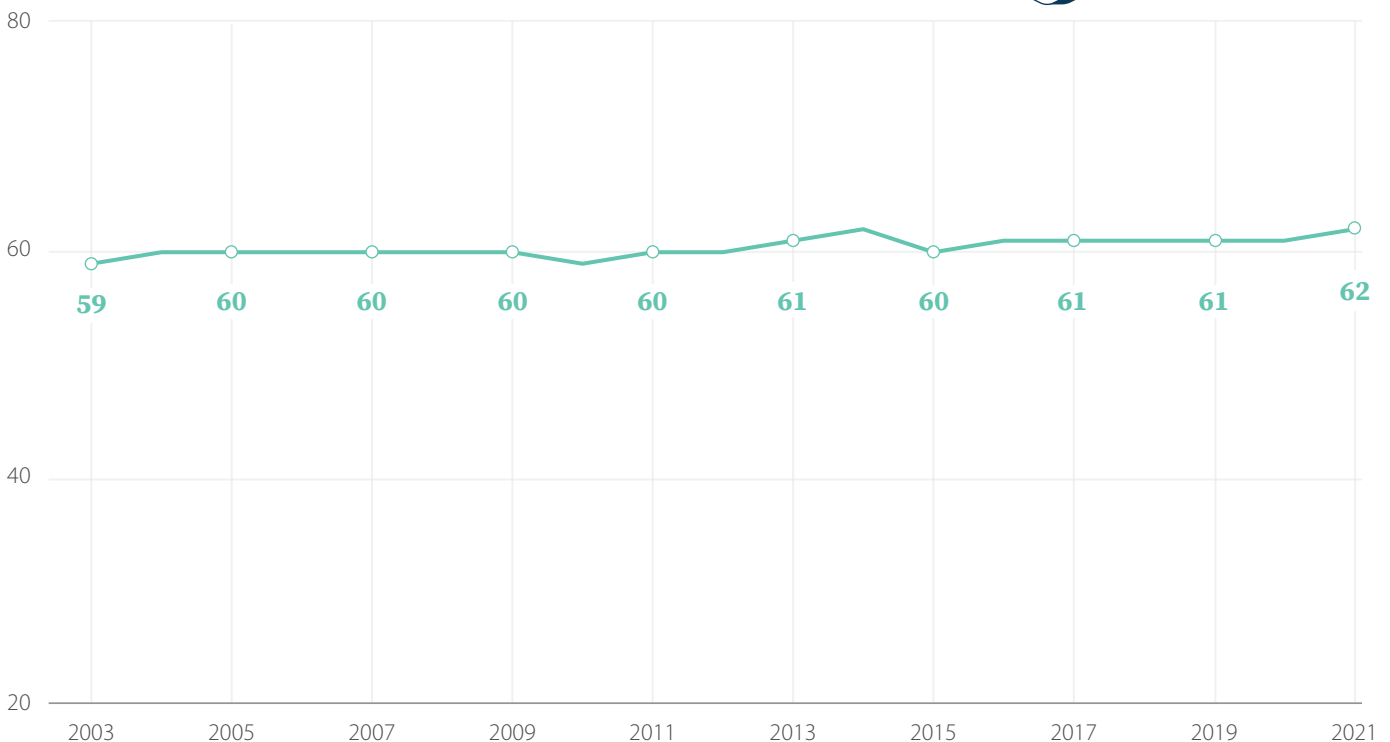
YOUR CURRENT AGE:



YOUR RETIREMENT AGE:



Average Retirement Age Over Time



Source: Gallup (May 2021)

Keep in mind that your retirement age can depend on many factors:



Your cost of living



Your job satisfaction



Your debts



Your spouse's retirement plan



Your health



LENGTH OF RETIREMENT:



After you have your retirement age figured out, you'll also need to estimate the length of your retirement.

The life expectancy for Americans at birth is 77 years. Once you've lived to age 65, that number is higher. This is because you've survived many untimely causes of death, including the higher mortality associated with childhood.

Expected Age of Death in the United States

● At Birth ● At Age 65



Source: U.S. Centers for Disease Control and Prevention (Dec 2021, data as of 2020)

To estimate your particular lifespan, you'll also need to consider things like your genetics and your lifestyle.

Step 2

Your Savings

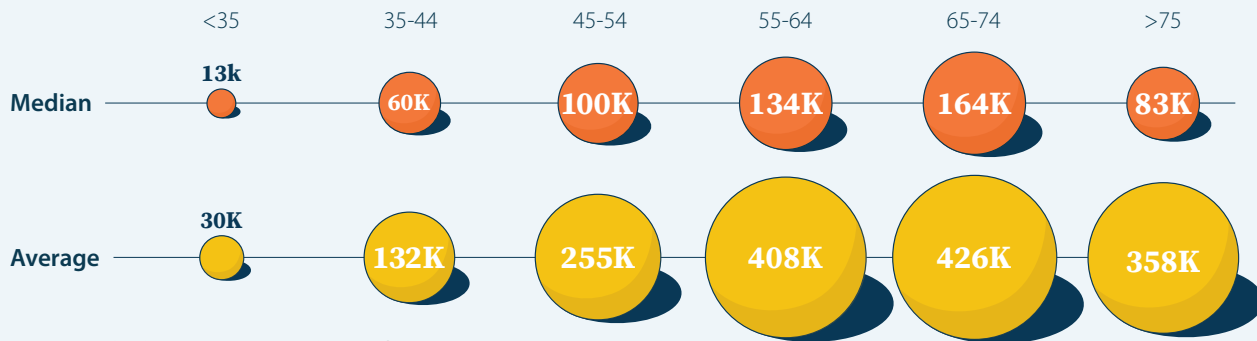
The next step is to take stock of how much you've already saved.

For context, here is how much Americans have saved for retirement by age group.



YOUR CURRENT SAVINGS:

Retirement Account Balance



Source: U.S. Federal Reserve (Sep 2020, data as of 2019). Account balances are based on families who have retirement accounts.

You'll also need to decide how much you'll be putting towards your retirement each year.



YOUR CONTRIBUTION AMOUNT:



When you're planning how much to save, your expected investment earnings will play a big role as well.



YOUR ANNUAL RATE OF RETURN:



15%

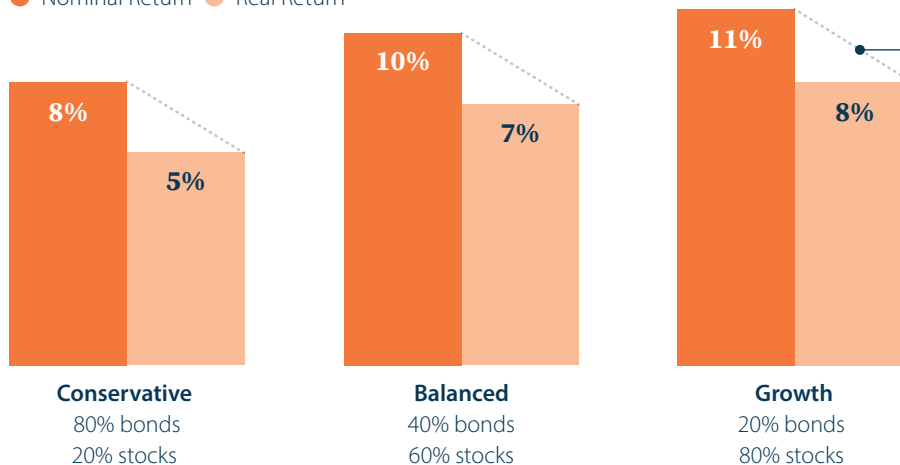
of your pre-tax income can be saved for retirement, according to experts. This can include any contributions from your employer.

Source: Yahoo Finance (Oct 2021), Forbes Advisor (May 2021), Boston College Center for Retirement Research (Jul 2014)

Historically, here is what average returns have been for different types of portfolios.

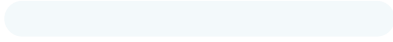
Average Annual Rate of Return, 1928-2021

● Nominal Return ● Real Return



Inflation has averaged about 3% each year. Remember to include inflation in your calculations so you can maintain purchasing power in retirement.

Source: Aswath Damodaran, NYU Stern School of Business (Jan 2022), author's calculations. Bonds are represented by Moody's Aaa and Baa corporate bond yields. Stocks are represented by the S&P 500 from 1957 onwards. Prior to 1957, data was based on large cap stock indexes created by Robert Shiller and Ibbotson Associates. Return includes both price appreciation and dividends. Past performance is no guarantee of future results. An investment cannot be made directly into an index. Index and return definitions can be found at the end of this piece.


**PERCENTAGE OF CURRENT
INCOME NEEDED IN RETIREMENT:**


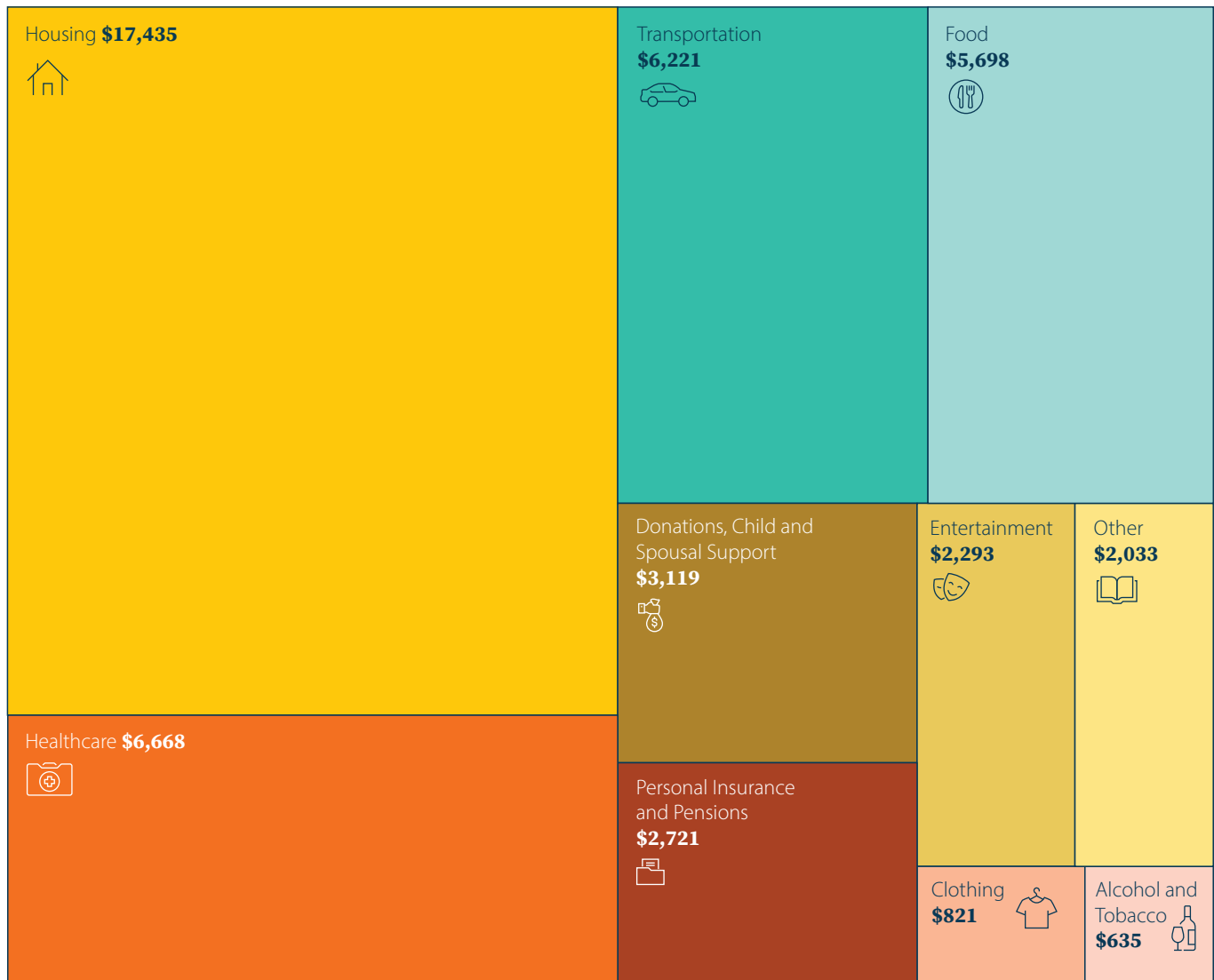
Finally, you'll need to decide how much of your current household income you will use in retirement.

Financial experts typically estimate you could need **70-80%** of your pre-retirement income.

Source: Business Insider (Dec 2021)

At this stage, it can be helpful to plan out a detailed budget. Here's a spending overview for Americans once they reach retirement age.

Average Annual Spending For Americans Age 65+



Source: U.S. Bureau of Labor Statistics (Sep 2021, data as of 2020). Other includes personal care products and services (\$505), education (\$450), reading (\$157), and miscellaneous expenses (\$921).

Now that you have an estimate of your expenses, you can factor in all sources of income you expect to receive in retirement.

This helps narrow down what you need to have set aside in your retirement savings. For instance, most people collect Social Security in addition to their own pension.



EXPECTED INCOME OUTSIDE OF PERSONAL SAVINGS:



Percent of Retirees With Income Source



Source: U.S. Federal Reserve (May 2022, data as of 2021). Respondents could select multiple answers. Sources include the income of a spouse or partner.

Based on all this information, a retirement calculator will estimate whether you are on track to sufficiently fund your retirement years.



RETIREMENT GOALS: ON TRACK?

YES NO



Turning a Strategy Into Action

It's important to note that retirement calculators are a starting point. To come up with a customized strategy, you'll likely want to consider:



**Your current
and expected
tax rate**



**Increases in
your income
and savings rate**



**A contingency plan
for unexpected events**

However, retirement calculators can make the concept of retirement more concrete—and help you take action toward your goals.



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The S&P 500 Index is widely regarded as the standard for measuring large-cap U.S. stock market performance. Moody's Aaa rated corporate bonds are judged to be of the highest quality, with minimal risk. Moody's Baa rated corporate bonds are subject to moderate credit risk. They are considered medium-grade and as such may possess speculative characteristics.

The nominal rate of return is the amount of money generated by an investment before factoring in expenses such as taxes, investment fees, and inflation. **Real return**, for the purposes of this infographic, is what is earned on an investment after accounting for inflation.

It is not possible to invest directly in an index. Past performance is not indicative of future results. Different time periods may have different results. This material represents an assessment of the market environment as of a specific date; is subject to change; and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding the funds or any particular issuer/security.

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