

How Much do You Need for Retirement?

To figure out how big your retirement nest egg needs to be, you first need to figure out how much you'll spend each year during your retirement.

Most people say they expect their spending to drop after they enter retirement according to a survey by the Employee Research Benefit Institute (EBRI). But, in reality, about half of retirees say they end up spending the same amount or even more. This means people may not be saving enough to pay for their retirement.

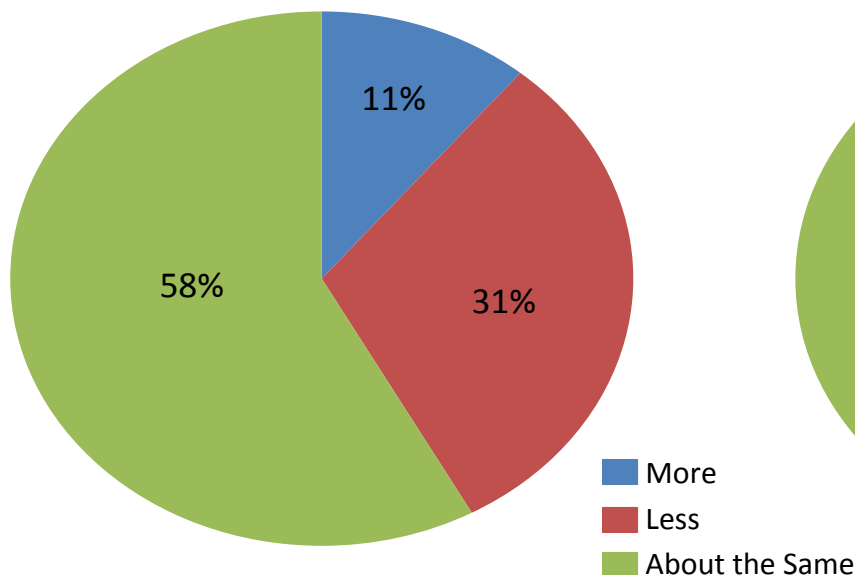


Some costs will be reduced and may even be eliminated when you stop working, such as those for commuting, work clothes, or other employment-related responsibilities. But other costs may rise, such as health care, retirees told EBRI. If you want to finally travel and see the world, that add costs as well.

One rule of thumb says retirees can withdraw 4% of their nest egg during the first year of their retirement. That means someone who hopes to withdraw \$40,000 a year would need a \$1 million nest egg, assuming no social security, pension, or other benefits.

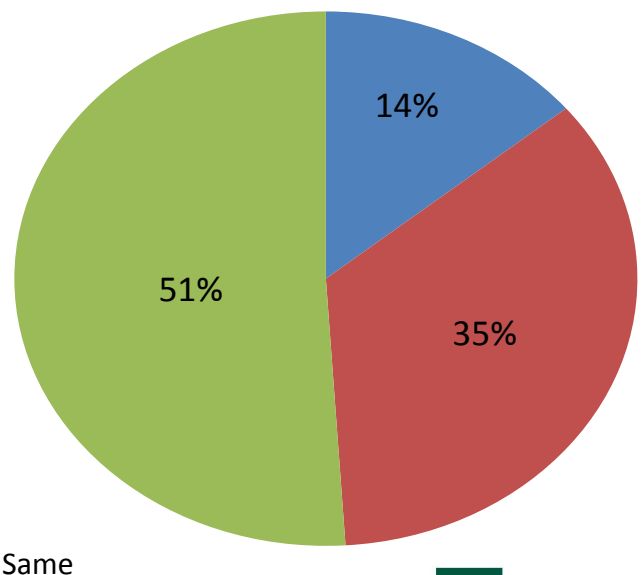
EXPECTATION

Here's how much the average person thinks they will spend in the first 5 years of retirement, compared to their working days.



REALITY

Here's how much the average retiree spends, compared with before they retired.



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