



You and Your Spouse: A Retirement Planning Checklist

Fidelity Investments recently surveyed 500 married couples, born between 1937 and 1964, to find where husbands and wives agreed or disagreed on their knowledge, expectations and opinions about retirement. Results showed that one in three couples don't have the same expectations for their quality of life in retirement, nor do they agree on the age at which they will retire. With this in mind, Fidelity developed a list of suggested steps couples should take as they approach retirement, to prepare for a more secure financial future.

Cover the Basics

- ✓ **Define your lifestyle.** *More than one-third (37 percent) of couples surveyed disagreed on lifestyle expectations in retirement.* Determine what you both want from retirement. Will you continue to work, and live your current lifestyle? Do you dream of traveling the world? Where will you live?
- ✓ **Choose your target date.** *One in three couples surveyed differed on their expected retirement ages.* Discuss with one another what age you would like to retire. Are you working toward an early retirement?
- ✓ **Assess the risks.** *One in four couples surveyed agreed they have not factored health care costs into their retirement savings strategy.* Before you can put a realistic retirement plan in place, it is important to understand the financial risks that can impact your retirement: longer lifespan, inflation, conservative investing, aggressive withdrawals, and health care expenses.

Work as a Team

- ✓ **Two heads are better than one.** *Couples who reported being jointly involved in financial decision-making (23 percent) were generally more prepared for the unexpected in retirement and more optimistic about their general lifestyle once in retirement.* Be an active partner and joint decision-maker when it comes to financial planning, don't leave it all to one spouse.
- ✓ **Create a Plan.** *Fifty-one percent of couples surveyed have worked on a detailed retirement income plan to ensure they do not outlive their savings.* Acquaint yourself with the key components of a successful retirement income plan (e.g., budget, asset allocation strategy, withdrawal strategy) and what makes them successful. Develop your own plan particular to your individual retirement time horizon, risk tolerances and goals.
- ✓ **Take Inventory and Know the Details.** *One in four couples surveyed claim they do not have either a will or an estate plan.* Both spouses should know providers and account information for all savings and investment vehicles including bank accounts, workplace savings plans, pensions IRAs, brokerage accounts, life insurance, and annuities. This becomes particularly important in the event one of the two spouses experiences a sudden illness, catastrophic event or death.
- ✓ **Know your number.** *More than half (62 percent) of couples surveyed expect a somewhat comfortable lifestyle in retirement, and one-fifth (19 percent) expect a very comfortable retirement.* Determine if your savings strategy has gaps by estimating your income and expenses according to the number of years you expect to live off your savings. A tool to help you assess your retirement readiness is Fidelity's myPlan at <http://www.fidelity.com/myPlan>.

- ✓ **Catch up on savings.** *Almost three-quarters (74 percent) of couples agree they will use a workplace retirement plan as a retirement income source and 62 percent agree they will use an IRA as a source for retirement income.* Increase your savings by investing the maximum into your 401(k) before leaving the workplace, and into IRAs. Eligible workers ages 50 and older have the opportunity to contribute an additional \$5,000 to their workplace retirement plan in 2007 beyond the \$15,500 annual limit, if their plan allows. IRAs provide similar catch-up opportunities to save more outside your 401(k), as well, with the opportunity for older workers to contribute an additional \$1000 in 2007, beyond the \$4,000 annual limit.
- ✓ **Consider income alternatives.** *More than one-quarter (28 percent) of couples surveyed are concerned about inflation cutting into savings and 23 percent are concerned that their Social Security benefit will be reduced.* Annuities can be an additional source of income in retirement, supplementing a pension and Social Security by providing a guaranteed income payment¹ to cover essential fixed expenses. Converting up to 30 percent of retirement savings into an annuity can provide individuals with a guaranteed income stream without risking liquidity needs and long-term growth. Or, if you're still saving for retirement and have made maximum contributions to your 401(k) plan and IRA, an annuity should be considered to enable continued tax-deferred investment growth and to generate income in retirement.²

Discuss Future Needs

- ✓ **Assess retiree health care costs.** *Seventy percent of couples surveyed agree that health care is a concern, and almost half (47 percent) agree that it is the biggest concern.* Fidelity estimates that a couple retiring in 2007 at age 65 with no employer-provided health care coverage will need \$215,000³ in savings to fund out-of-pocket medical expenses in retirement. Get to know Medicare and how any employer-sponsored health benefits will work with Medicare in retirement. If you will need health care coverage between your retirement date and when you are eligible for Medicare (generally age 65), find out the cost of coverage under COBRA and various individual or association programs, if you qualify.
- ✓ **Consider long-term care.** *Sixty-two percent of couples surveyed agreed they do not have long-term care insurance.* Think about funding long-term care insurance, if you haven't done so already. Consider that there is a 50 percent chance that today's 65 year-old couples could live well past the age of 90.⁴ Rising health care costs, coupled with inadequate health care coverage, can have a devastating impact on your retirement income plan.
- ✓ **Understand Social Security.** *One-quarter (24 percent) of couples surveyed expect Social Security will be one of their top three income sources in retirement.* Work with the U.S. Social Security Administration (www.ssa.gov) to familiarize yourself with how Social Security works, the benefits due to you, and the steps you need to take to activate your payments upon retirement. Determine your optimal age to begin taking payments; you may want to consider delaying the age at which you collect in order to increase your monthly payment. If you decide to retire prior to age 62, you should contact the Social Security Administration to order a revised statement with the new retirement date to determine any changes in your payment.

¹ **Guarantees are subject to the claims-paying ability of the issuing insurance company.**

² Strategic Advisors, Inc., utilizing Fidelity's proprietary financial planning engine, 2005.

³ Fidelity Consulting. 2007. Assumes no employer-provided retiree health coverage and life expectancies of 17 years for a male and 20 years for a female.

⁴ Ibid.

- ✓ **Consolidate assets for greater control.** *Less than half (44 percent) of couples agree on the frequency with which their retirement portfolio reviews take place.* Given that couples will need to manage a number of income sources in retirement, it is important to consider consolidating accounts to have more control in monitoring and managing those assets. Seek out services that allow you to view all accounts from one central source. This will allow you to gain more control and will simplify your life in retirement.

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*Fidelity Brokerage Services, Member NYSE, SIPC
100 Summer Street, Boston, MA 02110*

*Fidelity Investments Institutional Services Company LLC
82 Devonshire Street, Boston MA 02109*