AAII

Retirement
INVESTING

Retirement Roundup
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The retirement puzzle is complex.

Going from being a worker and a saver to being retired is one of life's biggest transitions.

Evidenced by:

- Less than one in five American workers feel very confident about their ability to afford a comfortable retirement and
- 64% also feel stressed about retirement planning.

Source: 2023 Retirement Confidence Survey by Employee Benefit Research Institute/Greenwald Research.

Accumulation Challenges

- Nearly half of Americans age 55 and older have no retirement savings.
- Opportunity to participate in pensions is rare, requires longevity at employer to reap benefits.
- Participants bear the risks and rewards of investment choices in defined-contribution plans.
- The gig economy provides lumpy income and no convenient way to save.
- Involuntary early retirement

Retirement Income Challenges

Different viewpoints regarding the best way to approach withdrawals and retirement spending.

Taxes are a major consideration.

- **Withdrawal Strategies**
  - AAII Level3 withdrawal strategy
  - William Bengen's 4% rule
  - Bucket strategy
  - Floor and ceiling approach

- **Social Security**
  - Claiming strategies that maximize benefits and minimize taxes are complex.
  - Concerns about sustainability of program

Level3 Retirement Withdrawal Approach

Date	Market Condition	Amount	Location of Withdrawal/Transfer	Safe Portion
Retirement Date: January 1, 2024				
Pre-Retirement Stage				
1/1/2020	OK	$50,000	transfer From Equity to Defensive	$50,000
1/1/2021	OK	$50,000	transfer From Equity to Defensive	$100,000
1/1/2022	OK	$50,000	transfer From Equity to Defensive	$150,000
1/1/2023	Down	$0	wait to transfer Equity to Defensive	$150,000
Retirement Date: 2022 or Earlier*				
Start of Retirement				
1/1/2022	OK	$50,000	withdraw From Equity for expenses	$200,000
1/1/2023	Down	$50,000	withdraw From Defensive for expenses	$150,000
1/1/2024	OK**	$50,000	withdraw From Equity for expenses	$150,000
		$25,000	transfer From Equity to Defensive	$175,000
1/1/2025	OK	$50,000	withdraw From Equity for expenses	$175,000
		$25,000	transfer From Equity to Defensive	$200,000
1/2/2026	OK	$50,000	withdraw From Equity for expenses	$200,000

**Those who retired during 2023 or in 2024 would switch from pre-retired to retired for the appropriate years.*
***As of press time in mid-December 2023, the S&P 500 index was within 5% of its record high.*

Bengen 4% Rule

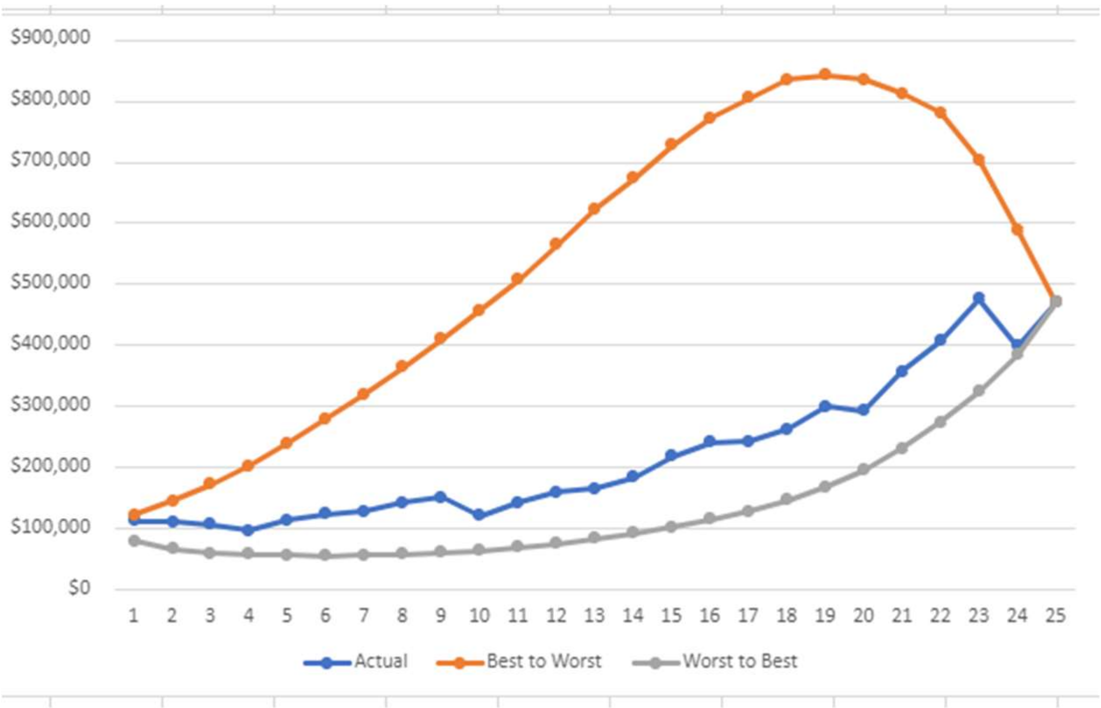
- At retirement, withdraw amount equal to 4% of the portfolio value.
- Each year, increase that amount by the rate of inflation.
- An allocation of 50% stocks and 50% intermediate-term bonds lasted over all 35-year periods tested.
- Can have an equity allocation up to 75%.

Source: "Determining Withdrawal Rates Using Historical Data" by William Bengen, Journal of Financial Planning, October 1994.

Retirement Portfolio Challenges

- **Asset allocation and location**
  - Tax implications and rules
  - Considerations for asset mix
- **SECURE 2.0 Act offers opportunities, introduces ambiguity**
- **Sequence of return risk**
  - Order in which positive and negative returns occur over a given time period.
  - Critical during the period surrounding the transition into retirement when an investor moves from accumulating assets to drawing down their savings.

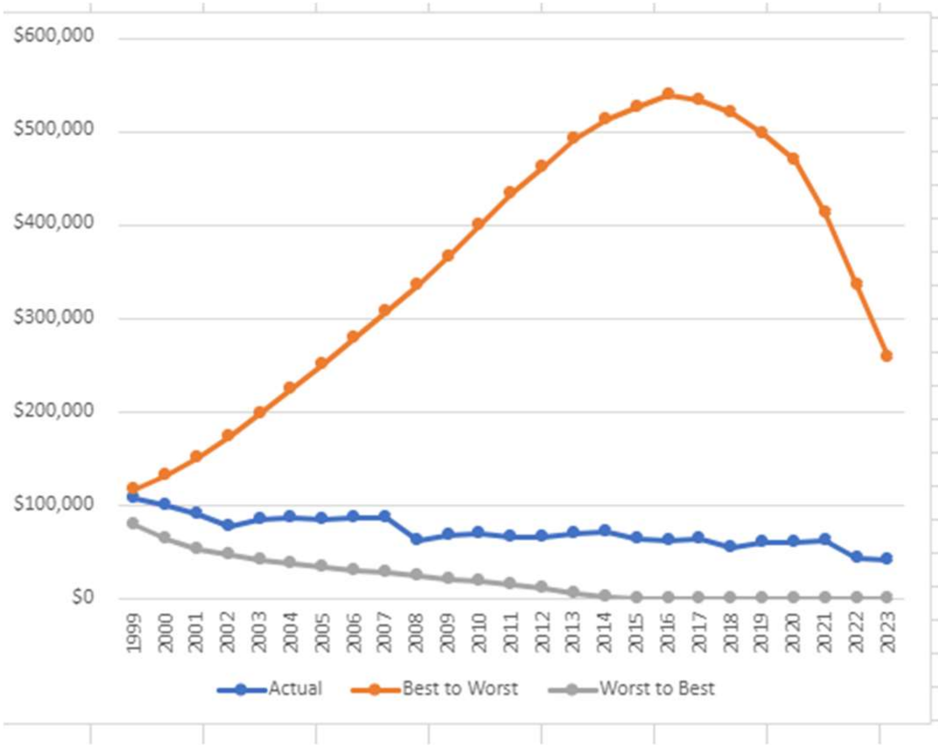
The Order in Which Returns Occur Matters



60%/40% portfolio with no withdrawals.

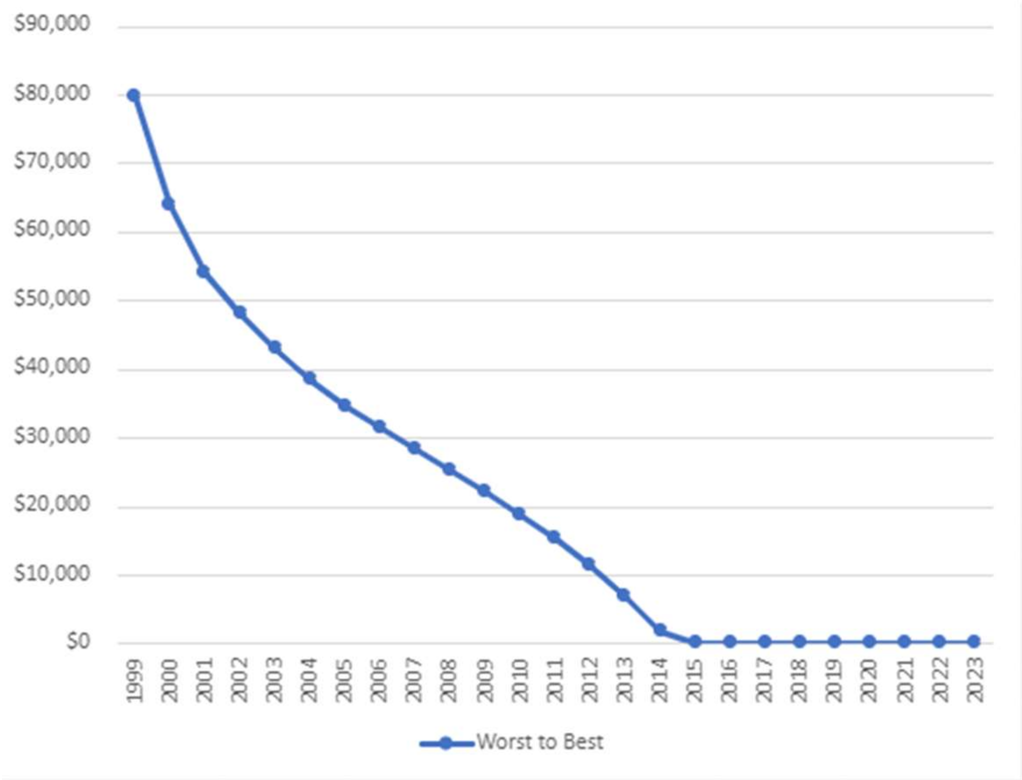
American Association of Individual Investors

The Order in Which Returns Occur Matters



60%/40% portfolio with 4.5% withdrawals.

The Order in Which Returns Occur Matters



60%/40% portfolio, best to worst 4.5% withdrawal scenario.

Poll Question

What retirement challenge is the most concerning to you?

A. Asset allocation
B. Tax planning
C. Withdrawal strategies
D. Sequence risk
E. Legacy/estate planning

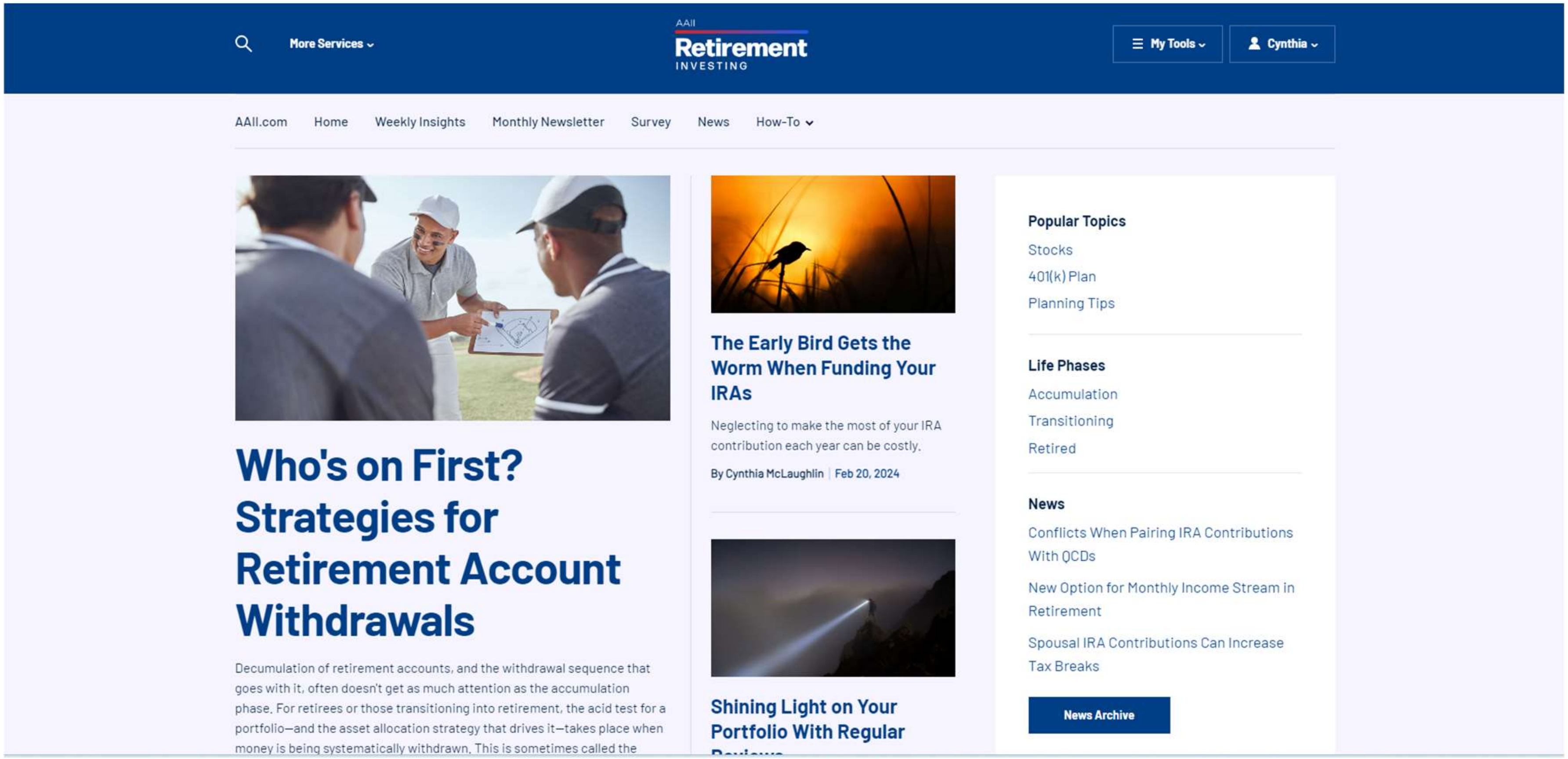
Select one.

AAII Asset Allocation Models

Aggressive Investor	Moderate Investor	Conservative Investor
90% Diversified Stock	60% Diversified Stock	40% Diversified Stock
Time Horizon	**Time Horizon**	**Time Horizon**
20+ Years: Long Investment Horizon	**15+ Years:** Mid-Term Investment Horizon	**10+ Years:** Short-Term Investment Horizon
For investors who are very risk tolerant	***For investors who can tolerate some risk***	***For investors who are not risk tolerant***
Characteristics	**Characteristics**	**Characteristics**
Growth: Substantial	**Growth:** Moderate	**Growth:** Low
Income: Very Low	**Income:** Low	**Income:** Moderate
Risk: Substantial Year-to-Year Volatility of Portfolio Value	**Risk:** Moderate Year-to-Year Volatility of Portfolio Value	**Risk:** Low Year-to-Year Volatility of Portfolio Value
8% Average Annual Growth in Value	**7%** Average Annual Growth in Value	**6%** Average Annual Growth in Value
-37% Bad Year	**-21%** Bad Year	**-12%** Bad Year

www.aaii.com/asset-allocation

AAII Retirement Investing



AAII Retirement Investing: Content Curated by Life Phase

Three life phases:

- Content is labeled accordingly on the website.
- Content may appeal to multiple phases or be of most interest to a particular phase.
- Focus on timely problem solving

Poll Question

What life phase are you currently in regarding retirement?

A. Saving for retirement
B. Preparing for retirement
C. Living in retirement

Select one.

AAII A+ Investor

A+ Investor

Take control of your investments by using the tools offered to you with A+ Investor. Monitor your investments, discover new opportunities and learn what strategies work (or don't work).

Portfolio | **Stocks** | **Funds** | **ETFs** | **How To**

View Your Portfolio

24 You Have 24 New Portfolio Insights

Default Tab >

Are you holding the right investments in the right proportion to one another? See which investments are worth holding onto, whether you have too much or too little risk and how diversified your portfolio truly is.

Your Top 5 Holdings

See All >

You have 11 securities in your portfolio.

Ticker	Shares Held	Cost Per Share	Total Cost	Market Value	$ Change	% Change
SPY	75.00	$0.000	$0.00	$38,431.500	$-0.430	-0.08%
VTSAX	50.00	$0.000	$0.00	$6,203.500	$0.980	0.80%
STRL	50.00	$38.110	$1,905.50	$5,742.250	$3.870	3.48%
TMUS	20.00	$141.150	$2,823.00	$3,272.400	$0.250	0.15%
RTX	35.00	$98.060	$3,432.10	$3,144.750	$0.050	0.06%

Daily Price Changes | **Upgrades & Downgrades**

Price increases and decreases for securities within your portfolio.

Ticker	Price Change

See All >

Quick Research

Add any stock, fund, or ETF name or ticker to quickly evaluate the company's growth, financial strength, price performance and valuation.

Empowered Actions

Opportunities at Every Life Phase:

- Prioritizing long-term savings
- Structuring your portfolio to match your retirement goals
  - Asset allocation
- Managing taxes over a lifetime
  - Account location for savings and withdrawals

AAII Retirement and Investor Resources

- AAII Retirement Investing
  - Unbiased retirement information
  - Focused on problem solving
  - Weekly Insights
  - In-depth Monthly newsletter
  - Monthly member survey on retirement topics
  - How-to resources and guides

- A+ Investor
  - Independent source of information
  - Find stocks, mutual funds & ETFs to track, buy or sell
  - Build, manage & track a diversified portfolio

- Asset Allocation Models

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