What a difference a year makes

Investor education

When you retire can be just as important as how much you've saved

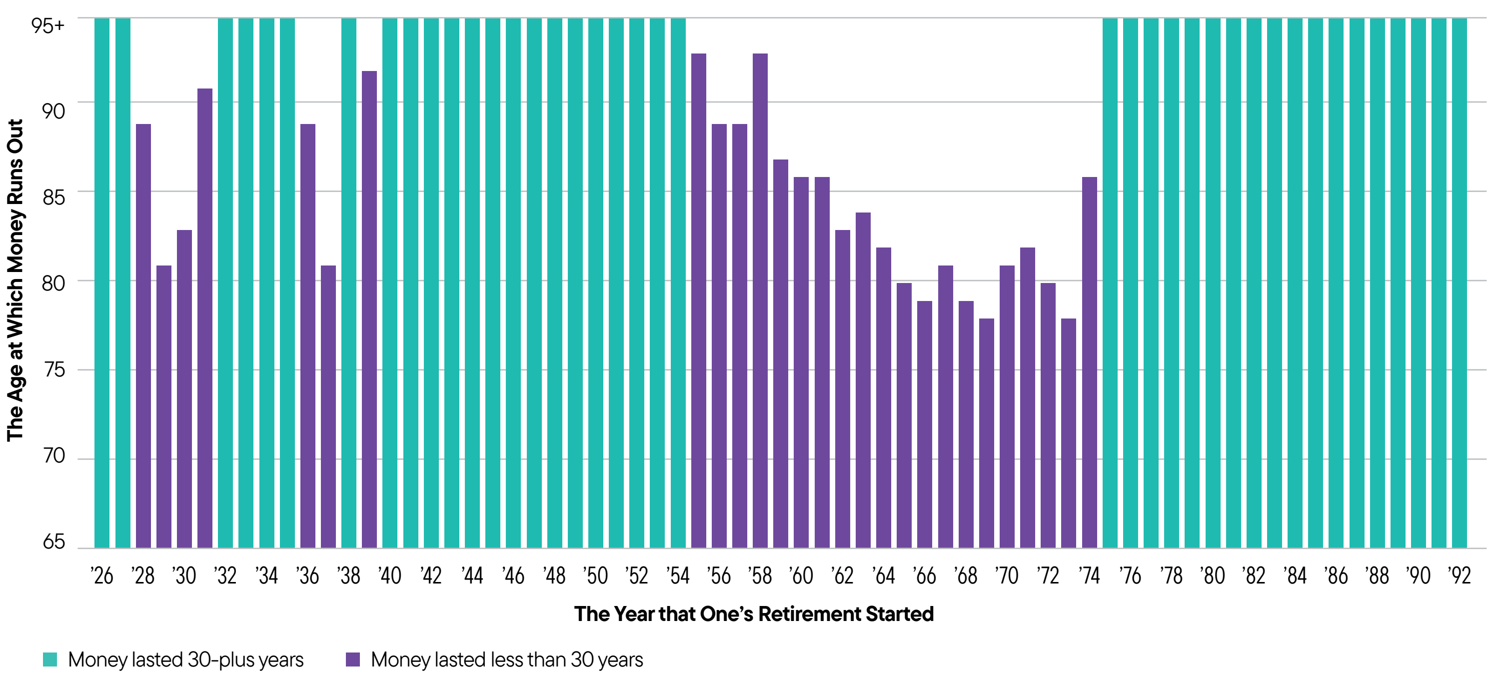
The year in which an investor retires can have a huge impact on how long their money will last in retirement. In addition to market performance, there are other important factors to consider when planning for a retirement that could last 30 years or more.[1]

Saving for a 30-year retirement

The chart below indicates what age the investor's money would have lasted until if they had started their retirement in any year since 1926. For example, retiring in 1973 would have allowed only 13 years of withdrawals. But retiring in 1975, just two years later, would have allowed for 30-plus years of withdrawals. When withdrawing income, market performance can make a difference, particularly when a decline is experienced early in retirement.

65-Year-Old with a $1 Million Portfolio Invested in 80% Equities/20% Fixed Income, Withdrawing 5% Each Year, Indexed to Actual Historical Inflation†

Chance of running out of money: **40%** by age 95 | **22%** by age 85



Past performance is no guarantee of future results. Sources: Morningstar, Franklin Templeton. The equity allocation is represented by Ibbotson Associates Stocks, Bond, Bills and Inflation (SBBI) U.S. Large Stocks Index since 1926. The fixed income allocation is represented by the Ibbotson Associates Stocks, Bond, Bills and Inflation (SBBI) Investment Grade Fixed Income Securities Index since 1926. The historical inflation is represented by Ibbotson Associates Stocks, Bond, Bills and Inflation (SBBI) U.S. Inflation Index. The indexes shown are unmanaged and are not available to investors to invest in. Unmanaged index returns do not reflect any fees, expenses or sales charges.

†The above example is hypothetical, based upon historical data, and provided for illustrative purposes only. The example does not represent any Franklin Templeton product or service. Individual investor results would have differed from those illustrated above. The hypothetical example is constructed by multiplying the total returns of the respective proxies by 80% equities, 20% fixed income and withdrawing the inflation annually. In addition to the 5% withdrawal, a 2.5% yearly fee is also assessed for a total annual reduction of 7.5%. Withdrawals of taxable amounts are subject to ordinary income tax and, if taken prior to age 59½, an additional 10% federal tax may apply.

1. Source: Social Security Administration; updated March 2023 (www.ssa.gov//benefits/retirement/planner/otherthings.html).

Diversification does not guarantee a profit or protect against loss.

Not FDIC Insured | No Bank Guarantee | May Lose Value

The challenges of retirement

Plan on living longer in retirement

Preparing for a 30-year retirement isn't easy, given the uncertainty of today's markets. There are a number of important issues to consider to ensure your income lasts:

Inflation reduces your purchasing power

As we know, everyday items can get more expensive over time. If past trends continue, a dollar today is likely to be worth less when you retire. Together with your financial professional, you can incorporate potential price increases into your retirement strategy.

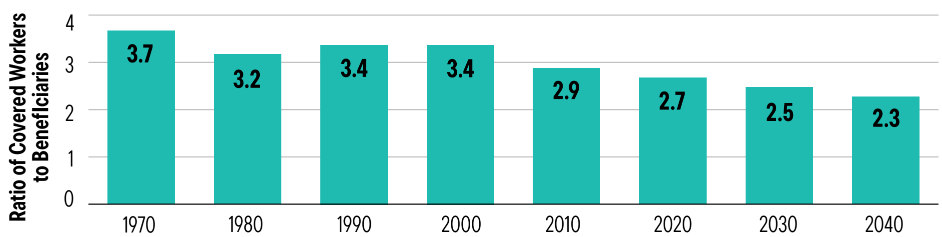
The Effect of Inflation on Everyday Costs ($)[2]

Year	College (Private)[3]	College (Public)[3]	New Car[4]	Gallon of Milk[4]	New Home (Average)[4]
2004	20,050	5,130	22,067	3.16	271,483
2024	43,350	11,610	33,213	3.98	506,208
2044	86,778	25,544	41,787	4.27	1,348,571

Social Security benefits are not enough

While Social Security benefits account for 30% of the average income for the elderly, the average monthly Social Security benefit payment for retired workers is just $1,968[5]—and this amount may decline in the future as the ratio of workers paying into the system to retirees collecting benefits continues to fall.

Social Security: Ratio of Covered Workers to Beneficiaries[6]



What should I know before investing?

All investments involve risk, including possible loss of principal. Equity investments generally provide an opportunity for more capital appreciation than fixed income investments, but they are subject to greater market fluctuations. Fixed income securities may be subject to extension risk, which is the risk that the issuer will repay their obligations more slowly than the market anticipates in the event that market interest rates rise. Issuers also have the right to pay their payment obligations ahead of schedule in the event that market interest rates fall, subjecting securities to prepayment risk.

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2. Projected prices were based on inflation rates of 3.53% for private colleges, 4.02% for public colleges, 1.01% for a new car, 0.34% for a gallon of milk, and 5.02% for a new home.
3. Source: *TABLE CP-2. Average Tuition and Fees and Housing and Food (Enrollment-Weighted) in Current Dollars and in 2023 Dollars, 1971–72 to 2023–24*. The College Board.
4. Source: FRED Economic Data.
5. Source: Social Security Administration, *Fast Facts & Figures about Social Security, 2024*.
6. *The 2024 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*. Washington, D.C., May 7, 2024. 2020, 2030 and 2040 ratios projected by the Social Security Administration in 2024.

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