



FRANKLIN
TEMPLETON

INVESTOR'S GUIDE

RETIREMENT GUIDE: CREATING A FINANCIAL PLAN



YOUR JOURNEY FROM PRE-RETIREMENT THROUGH RETIREMENT

You've worked hard through the years and saved diligently for retirement. When you're ready to enjoy all that retirement offers, you'll want to be sure you have enough savings to take advantage of it. That's why it's important to take a closer look at what's next.

You Need a Financial Plan

Pursuing new challenges, rediscovering old passions, or maybe just enjoying life's simple pleasures; no matter how you envision your life in retirement, now's the time to develop a financial plan that takes full advantage of your resources. A sound plan will better align your expectations with reality and help ensure your money will last throughout your retirement years.

This brochure offers a practical guide to developing a financial plan, including the benefits of consolidating your savings for manageability. It provides three worksheets to help you collect and organize the information you need to make appropriate choices. With the facts in hand, tap into the expertise of your financial professional to help create your personal financial plan.



“*Even though we're still five years out from retirement, we want to start thinking about how our assets will help us do the things we've dreamed of doing. We're thinking of moving to a smaller house, buying a vacation home on the beach and traveling. Now's the time to figure out if we have enough money set aside.*”

—NANCI AND STEVE, AGES 60 & 62

THREE STEPS TOWARD CREATING YOUR FINANCIAL PLAN

Developing a financial plan to meet your needs from pre-retirement through retirement can be complex. At this important juncture, seeking the advice of a financial professional is more important than ever. A financial professional can guide you through these **3 important steps** in creating your personal financial roadmap.

Step 1 | **Get the Facts**

First, work with your financial professional to evaluate your financial situation, taking into consideration your current age, retirement goals, concerns, the impact of inflation on your ability to meet future expenses and your anticipated budget during retirement.

Step 2 | **Identify Potential Retirement Income Sources**

Many retirees need to establish a retirement plan that will provide an adequate income stream and sustainable portfolio withdrawals for up to 25 or 30 years. A financial professional can help you identify all your retirement resources, including Social Security, benefits, and estimate how long your retirement assets will last based on your budget, timeline and other assumptions.

Step 3 | **Consolidate Your Savings to Simplify Your Retirement Plan**

Once you've identified your sources of expected income, your financial professional can help you understand how to roll over and consolidate your retirement assets, convert a portion of your retirement investment portfolio into a potential stream of cash withdrawals to sustain your spendings, and invest the remainder using asset allocation.

Asset allocation is a critical component. Working with your financial professional, you'll decide what amount of your savings should be in stocks, bonds and cash equivalents. Talking about how different combinations can work together may help you find the right balance between your tolerance for risk and the potential returns you need to meet your retirement objectives.

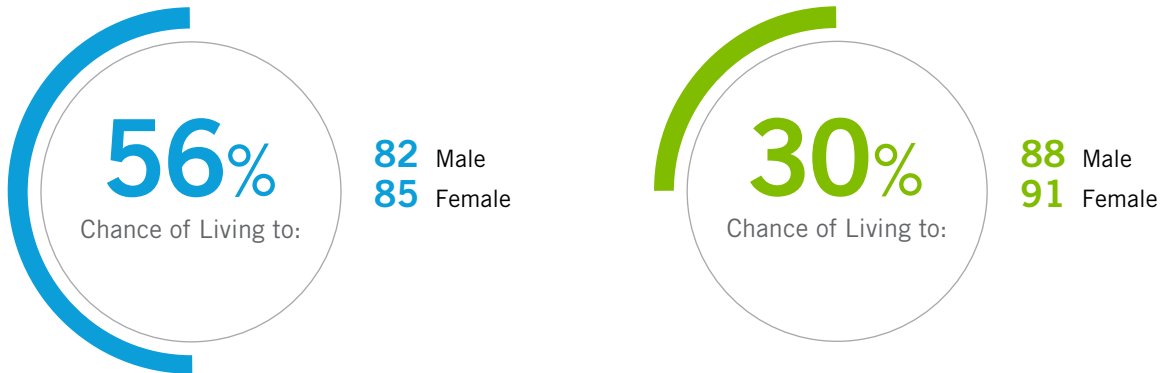
It is important to note that an asset allocation strategy does not ensure results superior to other investment strategies and also does not guarantee a profit or protect against a loss.

STEP 1 GET THE FACTS

Retirement Means Planning for the Long Term

Life expectancy statistics show that you could spend up to one-third of your life in retirement.¹ Most people need to establish a financial plan that will help provide adequate income for 25 to 30 years. As you can see in the chart below, a woman at the age of 65 has a 50% chance of living to age 85. That means she should consider having resources in place to support her financial needs for at least 20 years.

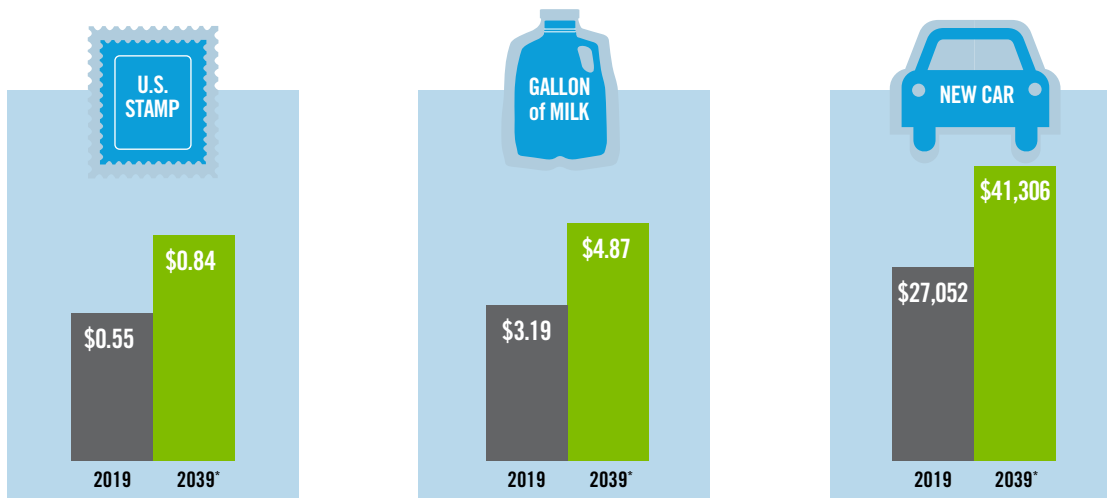
How Long Will You Need Retirement Income?²



Don't Let Inflation Take Away Your Purchasing Power

Not only do your retirement savings need to last for many years, they also need to be protected from rising prices. As you can see below, the cost of basic items is expected to increase significantly during the next 20 years. With your financial professional's assistance, you can develop a retirement investment portfolio that will help reduce the impact of rising costs on your savings.

How Much More Will Things Cost in Retirement?³



* 2039 figures are based on historical averages. The hypothetical examples are for illustrative purposes only and are not intended to predict or project inflation rates. Actual inflation rate may be higher or lower.

1. Calculations are based on data from United States Life Tables, 2017. NVSR Volume 68, Number 7. Published on June 24, 2019. https://www.cdc.gov/nchs/products/life_tables.htm. Table 2. Life Table for Males: United States, 2017 & Table 3. Life Table for Females: United States, 2017. Based on the 25% probability that a male and female will live to age 88 and 91, respectively.

2. Calculations are based on data from United States Life Tables, 2017. NVSR Volume 68, Number 7. Published on June 24, 2019. https://www.cdc.gov/nchs/products/life_tables.htm. Table 2. Life Table for Males: United States, 2017 & Table 3. Life Table for Females: United States, 2017.

3. Based on an average annual inflation rate of 2.14% for the 20-year period ended December 31, 2019. Source: U.S. Postal Regulatory Commission. U.S. stamp prices are based on the year-end rate for the first ounce of a first-class letter. Source: U.S. Bureau of Labor Statistics. Price per gallon of milk prior to 1995 is based on year-end price per gallon. Source: U.S. Department of Commerce. New car historical prices are based on average prices per year, due to seasonality.

Focus On Your Goals and Address Your Concerns

What will make your retirement special? What will keep you up at night? Retirement is different for everyone. To build an individual strategy that reflects your personal style, you need to identify and prioritize the elements that have greatest impact on your retirement strategy—your goals and your concerns.

The section below lists common goals and concerns. Take a moment to prioritize your top three retirement goals and concerns, and then work with your financial professional to build a retirement strategy that seeks to address them.

Goals

- | | |
|---|---|
| <input type="checkbox"/> Retire early | <input type="checkbox"/> Business transition and succession |
| <input type="checkbox"/> Create a steady stream of income | <input type="checkbox"/> Leave a legacy |
| <input type="checkbox"/> Go to school | <input type="checkbox"/> Travel/hobbies |
| <input type="checkbox"/> Volunteer | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Make a major purchase | |

Concerns

- | | |
|--|---|
| <input type="checkbox"/> Taxes | <input type="checkbox"/> Increasing medical costs |
| <input type="checkbox"/> Inflation | <input type="checkbox"/> Longevity |
| <input type="checkbox"/> Market declines | <input type="checkbox"/> Outliving assets |
| <input type="checkbox"/> Lack of guaranteed income | <input type="checkbox"/> Uncertain interest rates |
| <input type="checkbox"/> Supporting parent and/or adult children | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Risk tolerance | |

Estimate Your Retirement Expenses

To develop a realistic financial plan for retirement, start by creating a budget. You can begin by analyzing your current expenses and projecting increases or decreases for each item during retirement. Use the following worksheet as a guide for estimating your monthly, annual and total retirement expenses.

Many investment professionals use a general rule of thumb that assumes retirees will need approximately 70–80% of their current income during retirement. While your income may be reduced during retirement, so may some of your expenses, such as housing, taxes, clothing and commuting. However, some expenses—like medical care—will likely increase. Plus, you may also add new expenses, such as travel or recreation.

Worksheet A: Estimate Your Retirement Expenses

I. Your Monthly Expenses (in today's dollars)		
	CURRENT	IN RETIREMENT
1. HOUSING		
a. Mortgage/rent	\$ <input type="text"/>	\$ <input type="text"/>
b. Utilities	\$ <input type="text"/>	\$ <input type="text"/>
c. Home maintenance	\$ <input type="text"/>	\$ <input type="text"/>
d. Property insurance	\$ <input type="text"/>	\$ <input type="text"/>
e. Property taxes	\$ <input type="text"/>	\$ <input type="text"/>
2. OTHER NECESSITIES		
a. Groceries	\$ <input type="text"/>	\$ <input type="text"/>
b. Clothing	\$ <input type="text"/>	\$ <input type="text"/>
c. Personal items	\$ <input type="text"/>	\$ <input type="text"/>
3. HEALTH CARE		
a. Medical insurance premiums	\$ <input type="text"/>	\$ <input type="text"/>
b. Medical co-payments	\$ <input type="text"/>	\$ <input type="text"/>
c. Dental insurance premiums	\$ <input type="text"/>	\$ <input type="text"/>
d. Dental co-payments	\$ <input type="text"/>	\$ <input type="text"/>
e. Medicare premiums	\$ <input type="text"/>	\$ <input type="text"/>
f. Prescriptions	\$ <input type="text"/>	\$ <input type="text"/>
g. Long-term care insurance premiums	\$ <input type="text"/>	\$ <input type="text"/>
4. LIFE INSURANCE		
a. Premiums	\$ <input type="text"/>	\$ <input type="text"/>
5. TRANSPORTATION		
a. Car payments	\$ <input type="text"/>	\$ <input type="text"/>
b. Insurance premiums	\$ <input type="text"/>	\$ <input type="text"/>
c. Fuel	\$ <input type="text"/>	\$ <input type="text"/>
d. Maintenance	\$ <input type="text"/>	\$ <input type="text"/>

	CURRENT	IN RETIREMENT
6. TAXES		
a. Property (other than 1e above)	\$	\$
b. Income	\$	\$
7. ENTERTAINMENT		
a. Travel/vacation	\$	\$
b. Recreation/hobbies	\$	\$
c. Memberships	\$	\$
d. Other (theater, dining out)	\$	\$
8. DEBT PAYMENTS		
a. Personal loans	\$	\$
b. Credit cards	\$	\$
9. MISCELLANEOUS		
a. Gifts (to relatives/friends)	\$	\$
b. _____	\$	\$
Add totals for items 1–9 to calculate your monthly <i>Current</i> and <i>In Retirement</i> expenses. Use these figures to determine your annual expenses in Section II below.		
YOUR ESTIMATED TOTAL MONTHLY EXPENSES (IN TODAY'S DOLLARS)	\$	\$

II. Annual Expenses (in today's dollars)		
Multiply totals for monthly <i>Current</i> and <i>In Retirement</i> expenses by 12 to reach annual figures.	\$	\$
	x 12	x 12
YOUR ESTIMATED TOTAL ANNUAL EXPENSES (IN TODAY'S DOLLARS)	\$	\$

III. How Much Will You Need to Finance Your Retirement?	
Example	
Let's say your projected annual expenses at retirement are \$40,000, and your projected number of retirement years is 25. In today's dollars you would need to start with a retirement savings total of \$1 million to fund your retirement.	\$40,000 x 25 years \$1,000,000
However, if you take inflation into consideration, you can see you would need even more. With an assumed annual inflation rate of 2.18% ⁴ (inflation factor of 33.51 from the table below), you would need just over \$1.3 million to keep up with inflation over a 25-year period.	\$40,000 x 33.51 \$1,340,400

Now, project the total amount of retirement savings, adjusted for inflation, that you will need to fund your retirement.

YOUR ESTIMATED TOTAL ANNUAL EXPENSES IN RETIREMENT (from Section II above)	\$
YOUR INFLATION FACTOR (from chart below)	x

Select the inflation factor closest to the number of years you expect to spend in retirement.

Years in Retirement	5 Years	10 Years	15 Years	20 Years	25 Years	30 Years
Inflation Factor	5.34	11.28	17.91	25.29	33.51	42.68

TOTAL NEEDED TO FINANCE YOUR RETIREMENT	\$
--	----

Worksheets are made available to you as educational tools and should not be construed as investment, legal or tax advice. We cannot and do not guarantee the accuracy of the results or their applicability to your individual circumstances.

4. 25-year average annual inflation rate of 2.18% for the period ended 12/31/19. Source: U.S. Bureau of Labor Statistics. Inflation factor is based on annual compounding of 25-year AATR for the given number of years. There is no guarantee that this inflation figure is a good prediction of what the inflation rate will be in the future.

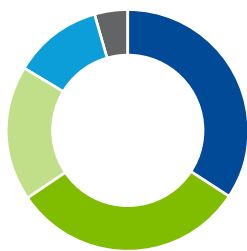
STEP 2 IDENTIFY POTENTIAL RETIREMENT INCOME SOURCES

Where Will Your Retirement Income Come From?

Now that you've estimated your expenses during retirement, it's time to identify your potential sources of retirement income.

In the coming years, Social Security and employer pensions are likely to become a proportionately smaller part of retirees' income. That means personal savings will become much more important. An experienced financial professional can help you understand how to convert your personal investments into a potential stream of cash withdrawals that can help make your savings last through retirement.

As you can see in the chart below, today Social Security benefits provide 32% of the income received by retirees, with part-time employment, pensions/retirement savings plans and personal investment savings⁵ providing another 57% of the total.



■ Social Security	32%
■ Part-Time Employment/Earnings	29%
■ Pensions/Retirement Savings Plan	17%
■ Personal Investment Savings	11%
■ Other	4%

Sources of Retirement Income⁶



“ I’ve been planning to retire early for several years. Now I want to live out my hobby—painting full time. I’m not old enough to receive Social Security benefits, but thanks to a solid financial plan, I have enough to do what I want. At 50, I’m still young enough to see the world and have others see it through my paintings.”

—TRICIA, AGE 50

5. Personal investment savings include interest, dividends, rents, royalties, estates or trusts.

6. Source: U.S. Census Bureau, Current Population Survey, 2019 Annual Social and Economic Supplement.

Check In with Social Security

How Much Will You Receive from Social Security?

The average monthly Social Security payment to retired workers in 2018 was \$1,523.⁷ If you haven't done so already, now may be a good time to find out how much money you'll receive at ssa.gov or refer to the chart below for a more general estimate.

When Should You Begin Receiving Social Security Benefits?

Deciding when to begin receiving your Social Security benefits requires careful consideration. If you were born in 1955 or later, your Full Retirement Age (FRA) ranges from 66+2 months to 67. You may begin receiving your Social Security benefits as early as age 62, but your benefits will be reduced, and will be a permanent reduction. If you plan to work during retirement, you may want to postpone receiving benefits past your FRA to qualify for a larger monthly benefit. Work with your financial professional to plan how you might seek to maximize your Social Security benefits.

Once you have made your decision, you should contact your Social Security office at least three months before the time you wish to begin receiving benefits.

How Much Can You Expect from Social Security?⁸

Approximate monthly benefits if you retire at your full retirement age (depending on your year of birth). Find your closest age and the figure closest to your earnings for 2020.

Your age in 2020	Full Retirement Age (FRA) ⁹	Family composition ¹⁰	YOUR ESTIMATED EARNINGS IN 2020		
			\$40,000	\$50,000	Maximum ¹¹
45	67	Retired worker only	\$1,556	\$1,804	\$3,157
		Worker & spouse	\$2,334	\$2,706	\$4,736
55	67	Retired worker only	\$1,445	\$1,666	\$2,978
		Worker & spouse	\$2,168	\$2,499	\$4,467
62	66 and 8 months	Retired worker only	\$1,346	\$1,542	\$2,818
		Worker & spouse	\$2,019	\$2,313	\$4,227

7. Source: Social Security Administration, *Fast Facts & Figures about Social Security*, 2019.

8. Source: Social Security Administration, Quick Calculator: Estimated Benefits, January 2020.

9. Source: Social Security Administration, Normal Retirement Age, Full Retirement Age Is Increasing.

10. Spouse is assumed to be the same age as worker and receives a benefit equal to one-half that of the worker. Spouse may qualify for a higher benefit based on personal earnings record.

11. Earnings in each year are assumed equal to or greater than OASDI wage base which is \$137,700 for 2020.

Where Are Your Investment Assets?

Most retirees need to supplement Social Security and traditional employer pensions with retirement income from investments. Planning ahead can help provide you with a stream of income and cash withdrawals from your investment portfolio and a greater sense of security.

Before you determine your anticipated monthly income, you'll need to know how much in total assets you have to work with. Use the worksheet below to list the assets you plan to use to meet your retirement income needs, through interest, dividends, or the sale of shares.

Worksheet B: **Your Retirement Savings and Investments**

I. Employer-Sponsored Retirement Plans	
a. 401(k), 403(b) and/or 457 plan	\$ <input type="text"/>
b. SEP IRA, SIMPLE IRA, SIMPLE 401(k)	\$ <input type="text"/>
c. Profit Sharing plan	\$ <input type="text"/>
d. Traditional pension plan	\$ <input type="text"/>
e. Nonqualified pension plan	\$ <input type="text"/>
TOTAL EMPLOYER-SPONSORED RETIREMENT PLANS	\$ <input type="text"/>
II. Individual Retirement Accounts	
a. Traditional and Rollover IRAs	\$ <input type="text"/>
b. Roth IRAs	\$ <input type="text"/>
TOTAL INDIVIDUAL RETIREMENT ACCOUNTS	\$ <input type="text"/>
III. Personal Investments	
a. Securities (stocks, bonds, Treasuries)	\$ <input type="text"/>
b. Mutual funds	\$ <input type="text"/>
c. Annuities	\$ <input type="text"/>
d. Bank CDs	\$ <input type="text"/>
e. Real estate	\$ <input type="text"/>
f. Life insurance cash value	\$ <input type="text"/>
g. Other	\$ <input type="text"/>
TOTAL PERSONAL INVESTMENTS	\$ <input type="text"/>
GRAND TOTAL RETIREMENT SAVINGS AND INVESTMENTS (add totals from Steps I, II, and III above)	\$ <input type="text"/>

Worksheets are made available to you as educational tools and should not be construed as investment, legal or tax advice. We cannot and do not guarantee the accuracy of the results or their applicability to your individual circumstances.

Calculating Your Anticipated Income

Now that you've identified your potential sources of retirement income, list the monthly and annual amounts of income you expect to derive from them. Comparing your retirement income to total projected expenses from Worksheet A, page 5, will help you identify a surplus or possible shortfall.

Worksheet C: Your Retirement Income Cash Flow

I. Your Before-Tax Income		
	MONTHLY	ANNUAL
1. INCOME DISTRIBUTIONS		
a. Part-time/full-time/self-employment	\$	\$
b. Investment income, dividends or withdrawals	\$	\$
c. Annuity income	\$	\$
d. Real estate income	\$	\$
e. Inheritance/personal trusts	\$	\$
2. PENSION/RETIREMENT SAVINGS PLAN BENEFITS		
3. 401(k)/IRA DISTRIBUTIONS		
4. SOCIAL SECURITY		
a. Expected payments ¹²	\$	\$
5. OTHER		
Add totals for items 1–5 to calculate your monthly and annual projected retirement income.		
TOTAL BEFORE-TAX INCOME	\$	\$
II. Estimated Annual Income Taxes¹³		
a. Federal		\$
b. State		\$
c. Local		\$
TOTAL ESTIMATED ANNUAL TAXES		\$
TOTAL BEFORE-TAX INCOME (from Step I above)		\$
TOTAL ANNUAL AFTER-TAX INCOME (subtract <i>Total Estimated Annual Taxes</i> from <i>Total Annual Before-Tax Income</i>)		\$
III. Annual Overage or Shortfall		
Compare Your <i>Total Annual Expenses in Retirement</i> (from Worksheet A, Step II, page 5) to your <i>Total Annual After-Tax Income</i> .		
YOUR TOTAL ANNUAL AFTER-TAX INCOME (Step II above)		\$
LESS TOTAL ANNUAL EXPENSES (Worksheet A, Step II, page 5)		\$
ANNUAL OVERAGE OF (SHORTFALL)		\$

Worksheets are made available to you as educational tools and should not be construed as investment, legal or tax advice. We cannot and do not guarantee the accuracy of the results or their applicability to your individual circumstances.

12. A projected estimate may be found on page 7. Or, use the information provided in the personalized Social Security Statement you get online from the Social Security Administration. To access the latest statement, you can go to ssa.gov/mystatement or call (800) 772-1213 and request Form SSA-7004.

13. In addition to federal taxes, you may owe state and local taxes on your investment, retirement plan benefits/distributions and Social Security income (or payments). Please consult your financial or tax professional for more information.

How Long Will Your Projected Retirement Income Stream Last?

Making the Right Choices about Withdrawing Your Savings

Managing your savings to ensure your money doesn't deplete too rapidly during retirement takes careful planning. That's why working with your financial professional is critical. Along with your tax professional, your financial professional can help you consider:

- The impact of taxes on withdrawals
- Which accounts or investments are optimal to liquidate first
- Estate planning considerations
- Toll of inflation on your savings
- Annual expenses, including unexpected expenditures
- Other sources of income such as Social Security






You will probably want to ask yourself other important questions. How much retirement income will I need? How much can I withdraw from my investments if I want my retirement income to last? How should I diversify my investments?

The table on the following page can help you answer those questions. Based on various asset allocations and specified annual withdrawals, the table uses Monte Carlo simulations, a probability analysis, to determine if your retirement distribution expectations and your portfolio construction are in sync. Use the table as a guide to compare how time, asset allocation and withdrawal rates can impact your retirement income expectations.

- **Initial Withdrawal Amount:** The initial withdrawal rate (3–6%) determines the dollar amount withdrawn from the portfolio in the first year. That dollar amount is then increased by 3% in each subsequent year.
- **Asset Allocations:** Based on commonly used indices, these five hypothetical portfolios are designed to illustrate common investment strategies.
- **Probability Results:** The percentages (<5% to >95%) represent the probability that the hypothetical portfolio would be able to generate the annual withdrawal amount for at least 30 years.

For example, there is 76% probability that the 60% U.S. Equity/40% U.S. Fixed Income Asset Allocation will be able to sustain for 30 years with a 5% initial withdrawal amount that increases 3% annually.

Probability of Sustaining Withdrawals over the 30-Year Period Beginning December 31, 2019 with the Annual Withdrawal Amount Increased by 3% Each Year

Asset Allocations	INITIAL WITHDRAWAL RATE			
	3%	4%	5%	6%
 <ul style="list-style-type: none"> ■ U.S. Bonds 100% 	>95%	95%	59%	15%
 <ul style="list-style-type: none"> ■ U.S. Stocks 100% 	>95%	89%	76%	60%
 <ul style="list-style-type: none"> ■ U.S. Stocks 60% ■ U.S. Bonds 40% 	>95%	95%	80%	55%
 <ul style="list-style-type: none"> ■ U.S. Stocks 30% ■ U.S. Bonds 30% ■ Global Stocks 30% ■ Global Bonds 10% 	>95%	94%	75%	48%
 <ul style="list-style-type: none"> ■ Cash 100% 	>95%	<5%	<5%	<5%

IMPORTANT: The Monte Carlo projections or other information regarding the likelihood of various investment outcomes are generated by Franklin Templeton, are hypothetical in nature and should not be considered investment advice. They do not reflect actual investment results and are not guarantees of future results. The simulations are based on a number of assumptions, including certain forward-looking capital market expectations (CMEs) of each asset class developed by Franklin Templeton Solutions. There can be no assurance that results shown will be achieved or sustained. The results present only a range of possible outcomes. Actual results will vary for each simulation run, as such results may be better or worse than the simulated scenarios, and the potential for loss (or gain) may be greater than demonstrated in the simulations.

ASSET CLASS ASSUMPTIONS: Based on our assumptions, including the application of CMEs, **U.S. Bonds** have an expected return of 6.12% and a standard deviation of 5.46%; **U.S. Stocks** have an expected return of 9.17% and a standard deviation of 14.65%; **Global Stocks** have an expected return of 8.30% and a standard deviation of 14.70%; **Global Bonds** have an expected return of 4.51% and a standard deviation of 3.88%; **Cash** has an expected return of 3.37% and a standard deviation of 0.81%.

Please see “Important Information About Monte Carlo Simulations” on the following page for more information.

IMPORTANT INFORMATION ABOUT MONTE CARLO SIMULATIONS

Monte Carlo Simulations

Monte Carlo simulations model future uncertainty. In contrast to tools generating average outcomes, Monte Carlo analyses produce outcomes based on probability—thus incorporating future uncertainty. Each Monte Carlo simulation generates a randomized scenario consistent with the projected characteristics of the asset classes using our assumptions. The projections can be used to help an investor to understand the probability of various allocation strategies and withdrawal rates sustaining assets throughout the specified time period (simulation survival rates).

Material Assumptions

- Underlying long-term rates of return for each asset class are not directly based on historical returns. Rather, they represent assumptions that take into account, among other things, historical total returns, which may include our estimates for reinvested dividends and capital gains.
- These assumptions, as well as an assumed degree of fluctuation of returns around these long-term rates, are used to generate random monthly returns for each asset class over the specified time period.
- The monthly returns are then used to generate 100,000 simulations, representing a spectrum of possible return outcomes for the modeled asset classes. The projections are directly based on these simulations.

Modeling Assumptions

- The projections are generated by Franklin Templeton using a number of assumptions, including capital market expectations (CMEs) of arithmetic mean (return), standard deviation (risk) and correlation between asset classes (correlation is a measure of the degree in which returns are related or dependent upon each other). These CMEs are forward-looking and are developed by Franklin Templeton Solutions, a global investment management group within Franklin Templeton that is dedicated to multi-strategy solutions, using informed forward estimates of fundamentals and economic regimes. In building asset return expectations for different asset classes, Franklin Templeton Solutions reviews data and themes it believes are drivers of capital markets. The long-term forecasts are based on an assessment of current valuation measures, economic growth and inflation prospects, as well as historical risk premiums.

A complete summary of the CME methodology can be found in the *2020 Long-Term Capital Market Expectations: Perspective from Franklin Templeton Solutions*.

- The initial withdrawal amount is the percentage of the initial value of the investments withdrawn in the first year where the entire amount is withdrawn on the last day of the year; in each subsequent year, the amount withdrawn is increased by 3% to reflect the annual rate of inflation.
- The indexes used for the asset classes are as follows: for U.S. Bonds, BofA Merrill Lynch U.S. Corporate Master Index (12/31/74–1/31/80), Citi Broad Investment Grade Credit Index (1/31/80–1/31/90) and Bloomberg Barclay's U.S. Corporate – Investment Grade Index (1/31/90–Present); for U.S. Stocks, S&P 500 Index; for Global Bonds, Average IMF Euro Long Term Government Index (12/31/74–1/31/85), IMF Japan Long Term Government Index (12/31/74–1/31/85) and FTSE World Government Bond Index (1/31/85–Present); for Global Stocks, MSCI World Index; and for Cash, U.S. 30-Day T-Bill (12/31/25–12/31/74), Encorr 90-Day T-Bill (12/31/74–1/31/97) and JP Morgan 3-Month T-Bill Index (1/31/97–Present). Indexes do not reflect the deduction of fees or sales charges. Indexes are unmanaged and one cannot invest directly in an index. **Past performance does not guarantee future results.**

Key Limitations

- It is important to note that these projections are estimates only, are not predictions, and should be viewed as approximations, and they do not guarantee or predict any particular investment result. There can be no assurance that the assumptions and the return model will accurately estimate asset class return ranges going forward or that the simulation survival rates will be achieved or sustained. Actual results will vary and may be better or worse than the probabilities indicated, which only present a range of possible outcomes based on the simulations and assumptions. Consequently, investors should allow a margin for error and not place undue reliance on the apparent precision of the projections. It may also be prudent for an investor to be more conservative with the withdrawal rates, especially early in retirement, given the unpredictable nature of market performance.
- This type of Monte Carlo simulations also assumes that the distribution of returns is normal. A normal distribution means that returns are concentrated near the average (arithmetic mean) and decrease in frequency as the distance from the average increases. Should actual returns not follow this pattern, results may vary significantly.
- The simulations do not take into account taxes on withdrawals, nor early withdrawal penalties or required minimum distributions.
- The projections are based on a limited collection of asset classes. Other investments or asset classes not considered may have characteristics similar or superior to those being analyzed, may provide different returns or outcomes, and may be more appropriate for one's individual situation.
- Market crises can cause asset classes to perform similarly, lowering the accuracy of our return assumptions and diminishing the benefits of diversification (that is, of using many different asset classes) in ways not captured by the simulations. As a result, returns actually experienced by investors may be more volatile than those assumed in the simulations.
- Results also may significantly vary over time and each time the simulations are run. Periods of significant market volatility, which may occur more often than assumed in the simulations, may increase the chances that actual results will differ, possibly significantly, from the examples provided.
- The simulations do not take into consideration fluctuations in correlations among asset class returns over the short term.
- Inflation is assumed constant, so variations are not reflected in the simulations.
- The simulations model asset classes, not investment product. As a result, the actual experience of an investor in a given investment product (e.g., a mutual fund) may differ from the range generated by the simulations, even if the broad asset allocation of the investment product is similar to the one being modeled. Possible reasons for divergence include, but are not limited to, active management by the manager of the investment product, or the costs, fees, and other expenses associated with the investment product. Active management for any particular investment product—the selection of a portfolio of individual securities that differs from the broad asset classes modeled in the simulations—can lead to the investment product having higher or lower returns than the range in the simulations.
- Indexes are unmanaged, include reinvestment of dividends and, as they are unmanaged, do not include any fees and expenses. A mutual fund, or other managed account, will include investment management fees and other expenses, which will reduce returns. One cannot invest directly in an index.

Evaluating Additional Sources of Retirement Income

Will You Want to Retire Gradually?

Many retirees want to continue working during retirement, either to pursue a new career, make up a projected shortfall in their retirement savings or because they enjoy part-time employment.

Now that you've calculated your total retirement savings and projected your expenses, you may need to make adjustments. Discuss your situation or preferences with your financial and tax professionals. You might consider one or more of the following options:

- Working part-time
- Consulting
- Turning your hobby into a small business
- Increasing your current savings rate
- Implementing a more aggressive investment strategy, depending on your time frame
- Postponing retirement

If you do have enough money to retire comfortably, you may have other choices to consider:

- Creating a less aggressive investment strategy
- Leaving an inheritance
- Decreasing your current savings rate
- Retiring early

STEP 3 CONSOLIDATE YOUR SAVINGS TO SIMPLIFY YOUR RETIREMENT PLAN

Consolidation Can Make Managing Your Money Easier

When it's time to put your financial plan into action, combining assets can simplify money management, reduce the cost of maintaining multiple investment accounts and help make your savings last throughout retirement.¹⁴

Exploring Your Options

	Direct Rollover to a Traditional IRA	Direct Rollover to a Roth IRA	Indirect Rollover to an IRA
Description	A distribution from a qualified retirement plan is moved into the rollover IRA.	A distribution is rolled from the qualified plan directly into a Roth IRA.	Funds from a qualified plan through an employer can be made payable to you. You then have 60 days to place the distribution into a rollover IRA yourself.
Advantages	<ul style="list-style-type: none"> • Savings continue to grow tax-deferred. • As permitted by the rollover IRA, you decide where to invest your savings. • Allows you to avoid early withdrawal penalties if you are under age 59½. • No income taxes on distribution owed at time of rollover. • May be able to access money in the account before age 59½ without the 10% early withdrawal penalty if you set up a periodic payment program (sometimes referred to as “72(t) payments”). 	<ul style="list-style-type: none"> • Tax-free earnings growth. • Qualified retirement distributions are also tax-free. • As permitted by the rollover IRA, you decide where to invest your savings. • Allows you to avoid IRS early withdrawal penalties if you are under age 59½. • Will not be forced to make withdrawals during owner's lifetime. 	<ul style="list-style-type: none"> • Same advantages as a direct rollover to an IRA, depending on whether it is a Traditional or Roth account.
Disadvantages	<ul style="list-style-type: none"> • May not be able to roll over entire balance. Employer will provide information on what amount, if any, cannot be rolled. • Subject to 50% excise tax if you do not start making withdrawals (Required Minimum Distributions) after age 72.¹⁵ 	<ul style="list-style-type: none"> • Taxes on qualified plan distribution owed immediately. • May not withdraw rolled-over funds from Roth IRA within five years without facing the 10% IRS early withdrawal penalty. • Earnings accrued after the rollover only grow tax-free if certain conditions are met, including: <ul style="list-style-type: none"> • Account has been held for at least five years and you have reached 59½ years of age. • You have particular first-time home-buyer expenses. • You become disabled or die. • May not be able to roll over entire balance. Employer will provide information on what amount, if any, cannot be rolled. 	<ul style="list-style-type: none"> • Employer is required to withhold 20% for income tax purposes. • May rollover an amount equal to the 20% withheld to avoid owing income taxes (and the 10% early withdrawal penalty if under age 59½) on withheld amount at time of rollover. • You only have 60 days to roll over the distribution, including the withheld amount. Otherwise, the withheld amount will not be refunded until you file your federal income tax return.
Examples	<ul style="list-style-type: none"> • Distribution Amount: \$100,000 • Taxes Withheld: \$0 • Rollover Amount: \$100,000 	<ul style="list-style-type: none"> • Distribution Amount: \$100,000 • Additional Income Taxes Owed (assuming a 35% federal tax bracket): (\$35,000) • Rollover Amount (assuming taxes are not paid from the distribution amount): \$100,000 	<ul style="list-style-type: none"> • Distribution Amount: \$100,000 • 20% Mandatory Withholding: (\$20,000) • Distribution Received: \$80,000 • Amount You Must Add Back to Funds to Avoid Taxes and Possible Early Withdrawal Penalties: \$20,000 • Rollover Amount (within 60 days): \$100,000

14. The scenarios result from the rollover of a distribution from a non-Roth tax-deferred qualified retirement account.

15. Applies to individuals who attain age 70 ½ after 12/31/2019. Otherwise, 50% excise tax applies to individuals who attained age 70 ½ prior to 1/1/2020.

Once you retire and don't have a regular stream of income to count on, you'll need to monitor your personal finances regularly and make adjustments as needed. Consolidating your savings can help you track:

- Your total assets, including the rate at which you're making withdrawals
- Investment performance, including the asset allocation of your investments
- The costs associated with your investments

Cash Distribution	Leave the Money in Your Former Employer's Plan	Roll Over the Distribution to Your New Employer's Plan
<p>Receive distribution as a cash payment.</p>	<p>Money is left in former employer's retirement plan. Often an option if there is more than \$5,000 in our account.</p>	<p>If allowed, roll balance into new employer's retirement plan.</p>
<ul style="list-style-type: none"> • Instant cash source. • May qualify for favorable tax treatment on the distribution (i.e. 10-year averaging for those born before 1936). 	<ul style="list-style-type: none"> • Savings continue to grow tax-deferred. • Money remains invested. • No action required. 	<ul style="list-style-type: none"> • Savings continue to grow tax-deferred. • Money remains invested. • No income taxes on distribution owed at time of rollover.
<ul style="list-style-type: none"> • Distribution is generally subject to federal, state, and local taxes. • Employer is required to withhold 20% for income tax purposes. • May owe an additional 10% IRS early withdrawal penalty if under age 59½. • Much less remaining to invest for and live on during retirement. 	<ul style="list-style-type: none"> • Must keep former employer updated on relevant matters such as address changes. • Investment options limited by former employer's plan. 	<ul style="list-style-type: none"> • May not immediately be eligible to roll over money. Waiting period is typically one year. • New employer's plan may not let you withdraw the money rolled over until you no longer work for that employer. • Investment options limited by new employer's plan.
<ul style="list-style-type: none"> • Distribution Amount: \$100,000 • 20% Mandatory Withholding: (\$20,000) • Distribution Received: \$80,000 • Additional Income Taxes Owed (assuming a 35% federal tax bracket and 10% early withdrawal penalty): (\$45,000) • Amount Remaining \$55,000 	<ul style="list-style-type: none"> • No Distribution Taken 	<ul style="list-style-type: none"> • Distribution Amount: \$100,000 • Taxes Withheld (if a direct rollover): \$0 • Rollover Amount: \$100,000

Additional Distribution Considerations

There are some key milestones and opportunities you'll want to keep in mind when planning your distributions.

Withdrawals before age 59½: In general, distributions taken from a retirement plan before age 59½ are subject to a 10% penalty on top of income taxes due at the time of the distribution. However, many people don't realize that the IRS permits systematic withdrawals from an IRA or a qualified retirement plan prior to age 59½ under certain circumstances, with no additional penalties applied.* Withdrawals must be made as part of a series of "substantially equal periodic payments," and other specific rules also apply. If making withdrawals before age 59½ is something you want to consider, talk with your tax and financial professional.

When you reach age 72: Once you've reached age 72, you must begin taking required minimum distributions (RMDs) from most retirement plans or face steep excise taxes (50% of the required distribution not taken). Distributions must begin no later than April 1 in the year after you've reached age 72, and once they begin, you must take them annually by December 31 each year. There is a required minimum amount you must withdraw each year. The amount is calculated based on rules set by the IRS. When the time comes, your financial and tax professional can help you with the calculations.¹⁶

For more details, call Franklin Templeton Retirement Services at (800) 527-2020.

* Must be separated from service if withdrawing from a qualified retirement plan.

16. Applies to individuals who attain age 70 ½ after 12/31/2019. Otherwise, 50% excise tax applies to individuals who attained age 70 ½ prior to 1/1/2020.

OUR STORY

From large institutions to individual investors, each of our clients wants the same thing. To achieve their financial goals. And for more than 70 years, we've helped them do exactly that. Everything we do at Franklin Templeton is focused on delivering our clients better outcomes. And that's why millions of clients in more than 160 countries have entrusted us with their investments, making us one of the world's largest asset managers with over \$1.4 trillion in assets under management.¹

Investment excellence and rigor

Consisting of more than 1,300 investment professionals, our unmatched range of specialist managers provides our clients deep expertise across asset classes, investment styles, and geographies. Each manager follows a well-defined investment process rooted in the discipline, rigor and experience gained over decades of successfully navigating global markets—and underpinned by robust risk management protocols at the portfolio and enterprise levels. And we continuously enhance these processes, incorporating new approaches developed through the work of our specialists in fields like sustainable investing and data science.

Global scale and local insights

As pioneers in global investing, we've long recognized that opportunity can spring up anywhere. Today, we have offices in 34 countries. And we combine the strength of our truly global scale with the specialized knowledge and local insights of our investment teams located in financial capitals, inside emerging markets, and at other strategic locations around the world.

Meaningful innovation

Risk is a reality. We don't try to avoid it. Instead, we work. We're committed to pursuing innovation with one goal in mind: delivering meaningful benefits to our clients.

From embedding artificial intelligence into our research and investment decision-making to creating a fintech incubation center on our main campus, we've made innovation a cornerstone of our business and culture. And that lets us rapidly harness the power of new technologies and other advances for our clients.

Connections that matter

In a business as complex as investing, no individual has all the answers. We believe that connections with others are a source of critical perspective. So we build valuable connections between our clients, our portfolio managers, business leaders, and economic experts. We've also committed ourselves to being good corporate citizens. That includes fostering a more inclusive investment environment, empowering our employees to volunteer in their communities, and helping create a brighter future through charitable giving.

1. As of 6/30/20. Assets under management represent combined assets of Franklin Templeton, Legg Mason, and subsidiary investment management groups. Franklin Templeton acquired Legg Mason on 7/31/20.

This communication is general in nature and provided for educational and informational purposes only. It should not be considered or relied upon as legal, tax or investment advice or an investment recommendation, or as a substitute for legal or tax counsel. How and when to claim Social Security benefits is a personal decision, and can depend on a number of factors—such as your financial and individual situation, health, family longevity, and tax and social security laws which can be complex and subject to frequent change. Any investment products or services named herein are for illustrative purposes only, and should not be considered an offer to buy or sell, or an investment recommendation for, any specific security, strategy or investment product or service. Always consult a qualified professional or your own independent financial professional for personalized advice or investment recommendations tailored to your specific goals, individual situation, and risk tolerance.

Franklin Templeton does not provide legal or tax advice. Franklin Templeton is not responsible for content on the Social Security Administration's website. Federal and state laws and regulations are complex and subject to change, which can materially impact your results. Franklin Templeton Distributors, Inc. (FTDI) cannot guarantee that such information is accurate, complete or timely; and disclaims any liability arising out of your use of, or any tax position taken in reliance on, such information.

All financial decisions, strategies and investments involve risks, including possible loss of principal.

Fluctuations in the financial markets and other factors may cause declines in your account. Diversification and asset allocation strategies do not ensure a profit or protect against a loss. There is no guarantee that any particular asset allocation or investment in a Franklin Templeton fund or mix of funds will meet your investment goal, provide you with a given level of income, or provide sufficient funds to meet future retirement needs.

Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial professional call us at (800) DIAL BEN/342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.



Franklin Templeton Distributors, Inc.
One Franklin Parkway
San Mateo, CA 94403-1906

(800) DIAL BEN®/342-5236
www.franklintempleton.com