

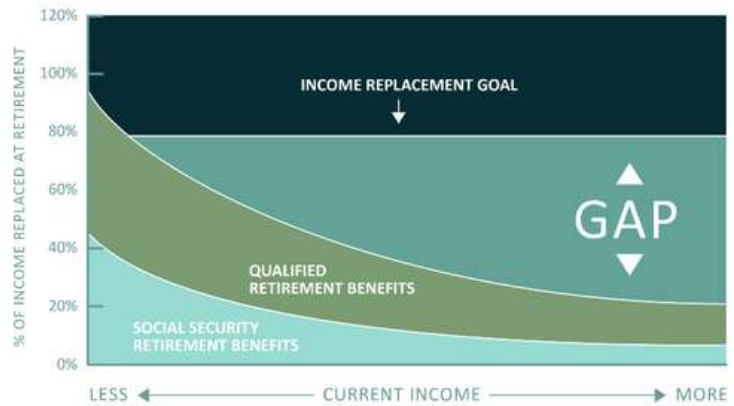
200/20 DECISION MATRIX

SUPPLEMENTAL RETIREMENT INCOME



A rule of thumb in retirement planning is to estimate one's income needs in retirement as a percentage of the income one lives upon during their working years (ex. 80%). The graph to the right highlights the direct relationship between the need for additional savings outside of Social Security and qualified retirement benefits as current income increases. This is known as "THE RETIREMENT SAVINGS GAP". It exists because of limitations applied to the amount of income used to calculate Social Security benefits and maximum contributions to qualified retirement accounts like 401(k)s. As illustrated, high income earners generally need to use supplemental savings strategies to fulfill their income replacement goal.

THE RETIREMENT SAVINGS GAP



There are many factors to consider when identifying the proper supplemental retirement savings strategy. Two factors that heavily impact the decision on where to save include:

GROSS INCOME

At around \$200,000 of income, marginal tax brackets become increasingly significant. At this level and higher, additional tax ramifications arise such as the phase out of various deductions as well as the Medicare surtax on unearned income, while savings strategies such as Roth IRAs are no longer available.

TIME HORIZON

Some investment vehicles require longer time horizons to develop their intended benefits. In order to optimize the design of these strategies, the benchmark of deferral is approximately 20 years.

The recommended supplemental retirement vehicle for each scenario should be assessed based on unique facts and circumstances. The table to the right is intended to provide guidance on which supplemental retirement vehicles may be best, based on these two primary factors.

200/20 SUPPLEMENTAL RETIREMENT MATRIX



This is a hypothetical study in nature and does not provide legal, tax, or accounting advice.

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