Principles for a successful retirement

Using insights to achieve better client outcomes
2022

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Take control of your retirement

Achieving your retirement goals takes disciplined saving, spending and investing—all of which can feel overwhelming, especially as the retirement landscape continues to change. It's times like these when a financial professional can help you focus on what matters most to your financial future. This booklet can help too. It uses slides from our award-winning ***Guide to Retirement*** to present seven essential retirement planning principles. together with guidance from your financial professional, it can give you the control and confidence to make more informed decisions and take positive steps toward a successful retirement.

Principles for a successful retirement

1. Plan for a long(er) life and how to do it well
2. Create the plan you need for the retirement you want
3. Make an informed decision about Social Security
4. Understand health care costs
5. Minimize taxes to maximize your retirement
6. Align your investment objective with your desired outcome
7. Understand loss aversion and stay invested

1 Plan for a long(er) life and how to do it well (Part 1)

The longer you live, the longer your investments must last

At least one member of a 65-year-old couple has nearly a 50/50 chance of reaching 90 and a one-in-five chance of turning 95 or older. Living longer affects key retirement decisions such as how to make the most of your time, how to invest, when to claim Social Security and whether you might need long-term care.

Some are likely to live much longer: more than 1 in 10 women and 1 in 5 men are projected to make it to 100 or older if they self-report non-smoking and excellent health. And keep in mind that with new medical advances, family history is not destiny, so you may live longer than you think.

Accordingly, your retirement plan should account for 35 or more years of living expenses. That means your investments need to continue growing long after you stop working to keep pace with inflation and reduce the risk of outliving your money.

Retirement Landscape

Life expectancy probabilities

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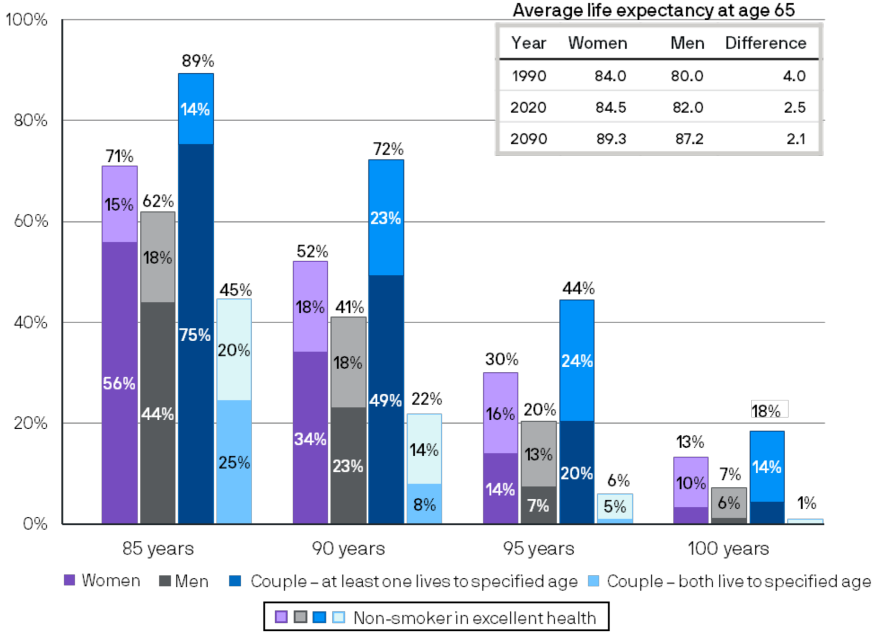
If you're age 65 today, the probability of living to a specific age or beyond



Average life expectancy at age 65

Year	Women	Men	Difference
1990	84.0	80.0	4.0
2020	84.5	82.0	2.5
2090	89.3	87.2	2.1

Plan for longevity

Average life expectancy continues to increase and is a mid-point not an end-point. You may need to plan on the probability of living much longer – perhaps 35 years in retirement – particularly if you are a non-smoker in excellent health.

Investing a portion of your portfolio for growth is important to maintain your purchasing power over time.

Source (chart): Social Security Administration, Period Life Table, 2018 (published in the 2021 OASDI Trustees Report); American Academy of Actuaries and Society of Actuaries, Actuaries Longevity Illustrator, http://www.longevityillustrator.org/ (accessed January 14, 2022), J.P. Morgan Asset Management.
Source (table): Social Security Administration 2021 OASDI Trustees Report.
Probability at least one member of a same-sex female couple lives to age 95 is 26% and a same-sex male couple is 14%.

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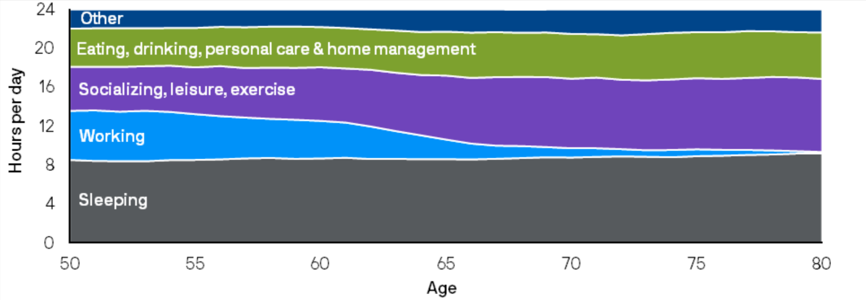
1 Plan for a long(er) life and how to do it well (Part 2)

How you spend your time will make a difference for your financial plan and for your life satisfaction

As social and leisure activities expand, a successful retirement depends on the “PUSHES”; having a sense of purpose, using time to participate in activities or work, socializing, healthy behaviors, experiencing gratitude, and focusing on strengths.

Changes in lifestyle

Daily hours spent by activity per age



An individual who "PUSHES" tends to age well:

- Has a sense of **P**urpose
- **U**ses time to work, help others, go to events and/or participate in activities
- **S**ocializes with friends & family; spends time with others
- Practices **H**ealthy behaviors
- **E**xperiences gratitude
- Focuses on **S**trengths and abilities

Spend time planning your time

Retirement offers the gift of time to do the things that matter most to you.

While our happiest years may be in retirement, the transition isn't always a walk on the beach. Do your homework in advance to know what you are retiring to, not just what you are retiring from.

To make the most of your retirement years, be sure to prioritize what "PUSHES" you to age well.

Source (top chart): Bureau of Labor Statistics American Time Use Survey 2019, J.P. Morgan Asset Management analysis. Values include individuals who do and do not participate in the activities. Values are averaged across rolling five-year age groups. Each category includes time spent traveling to and from the activity if applicable.
Source (bottom chart): J.P. Morgan Asset Management analysis; PNAS.org, Vol 116, No. 4, Leading a Meaningful Life at Older Ages, January 22, 2019, Volume 8, Article 517226; Frontiers in Medicine, Fostering Well-being in the Elderly, April 2021, The Gerontologist Vol. 53, No. 6, 939–949; Perceptions of Successful Aging Among Diverse Elders with Late-Life Disability, December 11, 2012.

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2 Create the plan you need for the retirement you want

Define your goal and craft a plan

A retirement plan doesn't have to be daunting—it's important to just get started. The table on the next page can help you determine if you are generally on the right path using the assumptions outlined on the right side of the page. The next step is to develop a plan that will take your own situation into account. Once you know where you're heading, a comprehensive retirement plan is like any good GPS. It helps you get and stay on track to your destination—even as your life, the markets and the economy change.

The retirement savings checkpoint tells you how much you should have invested today to be on pace toward maintaining your current lifestyle through 35 years of retirement. If you're below your checkpoint today or have a different vision for your retirement, you may need to work with a financial professional to adjust your plan. Be sure to review and update it regularly.

Save, save, save

A key factor in achieving a successful retirement is to save as much as possible during your working years. Your checkpoint assumes that you save 10% of your gross annual income —nearly twice the average annual savings rate in America. The good news is that you are in complete control of how much you save, and your employer may help with a company match, so make savings a priority.

Saving

Retirement savings checkpoints

Household income ≥$100k
Annual savings rate: 10%

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	Current household income						
	$100,000	$125,000	$150,000	$175,000	$200,000	$250,000	$300,000
Current age	Checkpoint (x current household income)						
25	0.1	0.3	0.5	0.7	0.8	1.0	1.2
30	0.6	1.0	1.2	1.5	1.6	1.9	2.1
35	1.5	1.9	2.2	2.5	2.7	2.9	3.2
40	2.5	3.0	3.3	3.7	3.9	4.2	4.6
45	3.6	4.3	4.7	5.1	5.4	5.8	6.2
50	5.0	5.8	6.3	6.7	7.1	7.6	8.0
55	6.5	7.5	8.0	8.5	8.9	9.5	10.0
60	8.0	9.1	9.7	10.3	10.8	11.4	12.0
65	9.3	10.5	11.1	11.8	12.3	13.0	13.7

This analysis assumes you would like to maintain an equivalent lifestyle in retirement.
Household income is assumed to be gross income (before taxes and savings).

How to use:

- Go to the intersection of your current age and your closest current household income.
- Multiply your current household income by the checkpoint shown. This is the amount you should have saved today, assuming you continue contributions of 10% going forward.
- **Example: For a 40-year-old with a household income of $100,000: $100,000 x 2.5 = $250,000**

Model assumptions

Annual gross savings rate:
10%

Pre-retirement portfolio:
60/40 diversified portfolio

Post-retirement portfolio:
40/60 diversified portfolio

Inflation rate: **2.3%**

Retirement age:

- Primary earner: **65**
- Spouse: **63**

Years in retirement: **35**

This chart is for illustrative purposes only and must not be relied upon to make investment decisions. J.P. Morgan Asset Management's (JPMAM) model is based on a blend of proprietary Long-Term Capital Market Assumptions (first 10 years) and equilibrium returns, and an 80% confidence level. Portfolios are described as equity/bond percentages (e.g., a 40/60 portfolio is 40% equities and 60% bonds). Assumptions include household income replacement rates shown on slide 15. Consult with a financial professional for a more personalized assessment. Allocations, assumptions and expected returns are not meant to represent JPMAM performance. Given the complex risk/reward trade-offs involved, we advise clients to rely on judgment as well as quantitative optimization approaches in setting strategic allocations. References to future returns for either asset allocation strategies or asset classes are not promises or even estimates of actual returns a client portfolio may achieve.

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3 Make an informed decision about Social Security

Social Security pays you more for waiting

Social Security benefits are calculated based on your 35 best earning years. You are eligible for 100% of your benefit at your Full Retirement Age (FRA). Individuals born in 1960 and later have an FRA of 67. Claiming at 62 will permanently reduce your benefit by as much as 30%. Waiting to claim after FRA gives you an 8% increase each year in your benefit amount for a maximum of 124% or more.

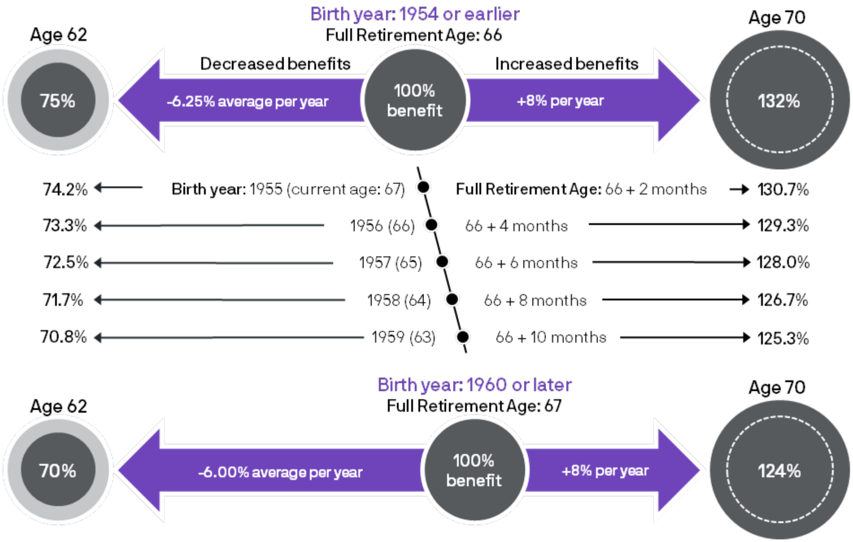
Times they are a-changing

Individuals turning 62 in 2022 will have an FRA of 67 as a result of the Social Security Amendments Act of 1983. This Act moves FRA 2 months each year for those born between 1955 and 1959. An FRA of 67 results in even less if you claim early and not quite as much at age 70.

Social Security timing trade-offs

Benefits differ by birth year and claim age

Full Retirement Age (FRA) = 100% benefit



Cost of living increase for benefits received in 2022	5.9%
Average cost of living adjustment (1985-2022)	2.6%

Understand the trade-offs

Deciding when to claim benefits will have a permanent impact on the benefit you receive. Claiming before your full retirement age can significantly reduce your benefit, while delaying increases it.

In 2017, full retirement age began transitioning from 66 to 67 by adding two months each year for six years. This makes claiming early even more of a benefit reduction.

For illustrative purposes only. The Social Security Amendments Act of 1983 increased FRA from 65 to 67 over a 40-year period. The first phase of transition increased FRA from 65 to 66 for individuals turning 62 between 2000 and 2005. After an 11-year hiatus, the transition from 66 to 67 (2017-2022) will complete the move. This material should be regarded as educational information on Social Security and is not intended to provide specific advice. If you have questions regarding your particular situation, you should contact the Social Security Administration and/or your legal or tax professional.
Source: Social Security Administration, J.P. Morgan Asset Management.

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4 Understand health care costs (Part 1)

Plan on rapidly rising expenses

Medical expenses tend to rise sharply throughout retirement as we grow older and require more care at higher prices. Out-of-pocket costs for an average 65-year-old retiree on traditional Medicare are projected to almost triple from around $500 per month this year to nearly $1,500 in today's dollars by age 95.

These costs are averages per person and do not include most long-term care. Costs may be much higher if you have expensive prescriptions.

Include health care costs as a separate expense in your retirement plan and assume a 6.0% annual growth rate to be conservative. You may want to assess your long-term care alternatives when you are healthy, or as early as age 50, when the most options are likely available to you.

Spending

Rising health care costs in retirement

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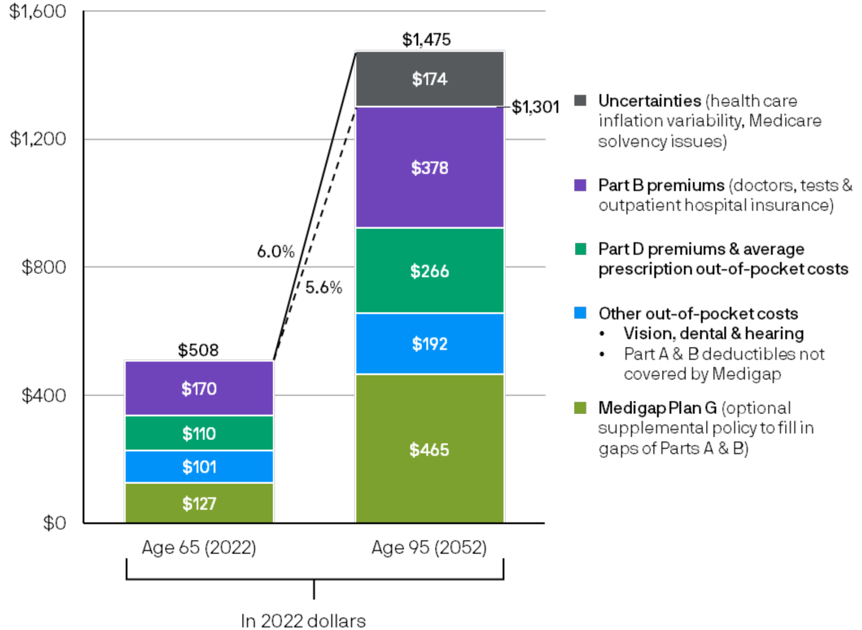
Original Medicare costs in retirement (in 2022 dollars)

Monthly amount per person



A growing concern

Annual expenses per person in 2022 are $6,096.

Given variation in health care cost inflation from year to year, it may be prudent to assume an annual health care inflation rate of 6.0%, which may require growth as well as current income from your portfolio in retirement.

Estimated future value total average monthly cost at age 95 is $2,917. Today's dollar calculation used a 2.3% discount rate to account for overall inflation. Medigap premiums typically increase with age, in addition to inflation, except for the following states: AR, CT, MA, ME, MN, NY, VT, WA. For local information, contact the State Health Insurance Assistance Program (SHIP) https://www.shiptacenter.org/. Plan G premium is nationwide average for non-smokers. If Plan G is not available, analysis includes the most comprehensive plan available.
Source: HealthView Services proprietary data file received January 2022 used by permission.

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4 Understand health care costs (Part 2)

Be aware of possible Medicare surcharges

Discuss the possibility of higher Medicare premiums with a financial professional

You'll pay more in Medicare premiums if your Modified Adjusted Gross Income (MAGI) is above certain thresholds, starting at $91,000 filing single or $182,000 filing jointly. MAGI is Adjusted Gross Income (AGI) plus tax-exempt interest for this purpose.

And understand that for all but the top category, the income thresholds for singles are half that for couples, making widows and widowers more likely to have to pay extra. A large Roth conversion in one year, a large asset sale or even Required Minimum Distributions (RMDs) can push some individuals over the thresholds, so you may want to get some advice from a financial or tax professional.

2022 Monthly Medicare surcharges

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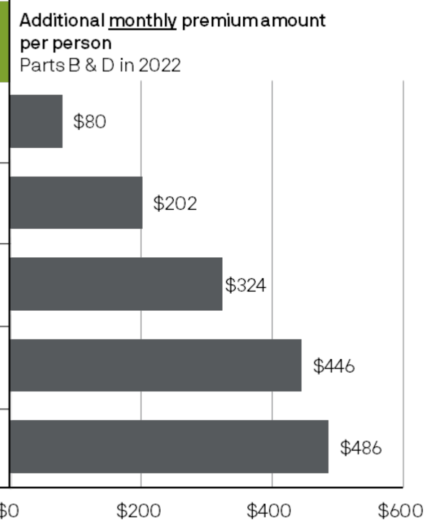
The surcharge amount is the same for all income levels within a band

If you go over a threshold, you pay the additional premium for that band

Modified Adjusted Gross Income based on 2020 tax year filing[1]	
Filing single	**Filing jointly**
$91,001 - $114,000	$182,001 - $228,000
$114,001 - $142,000	$228,001 - $284,000
$142,001 - $170,000	$284,001 - $340,000
$170,001 - $499,999	$340,001 - $749,999
$500,000 or more	$750,000 or more



Surcharge details

There may be a bigger impact for singles and surviving spouses: Medicare surcharge thresholds for singles are half of the thresholds for couples.

Couples are less likely to be affected unless they have significant pensions, work or rental income.

Filing an appeal?
If you have stopped work or you have lower income due to circumstances outside of your control, you might be eligible for an appeal. See form SSA-44 for details: https://www.ssa.gov/forms/ssa-44-ext.pdf

[1]The Social Security Administration uses the most recent federal return supplied by the IRS. If you amended your return in a way that changes your surcharge amount, you may need to contact your Social Security office.
Source: Medicare.gov as of December 7, 2021.
This is not meant to be personal tax advice. Please consult your tax professional for specifics for your situation. Modified Adjusted Gross Income (MAGI) for purposes of calculating Medicare surcharges is Adjusted Gross Income (AGI) plus tax-exempt interest income. Thresholds increase each year with inflation starting in 2020, except the top threshold, which was added in 2019; this top threshold is set to annually inflate starting in 2028.

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Spending

5 Minimize taxes to maximize your retirement

Four ways to pay less in taxes and keep more for retirement

1. Optimize savings vehicles by opening tax-advantaged accounts (401(k)s, IRAs, HSAs) and consider diversifying across pre-tax/deductible and Roth options if available to you. As a general rule, saving into a Roth when income is relatively low and shifting as your income rises may result in lower taxes overall.

2. Consider deferring income when you are in your peak earnings years until you are in a lower tax bracket in retirement. However, if you are already concentrated in tax-deferred accounts, contributing to a Roth may help you diversify your retirement tax picture.

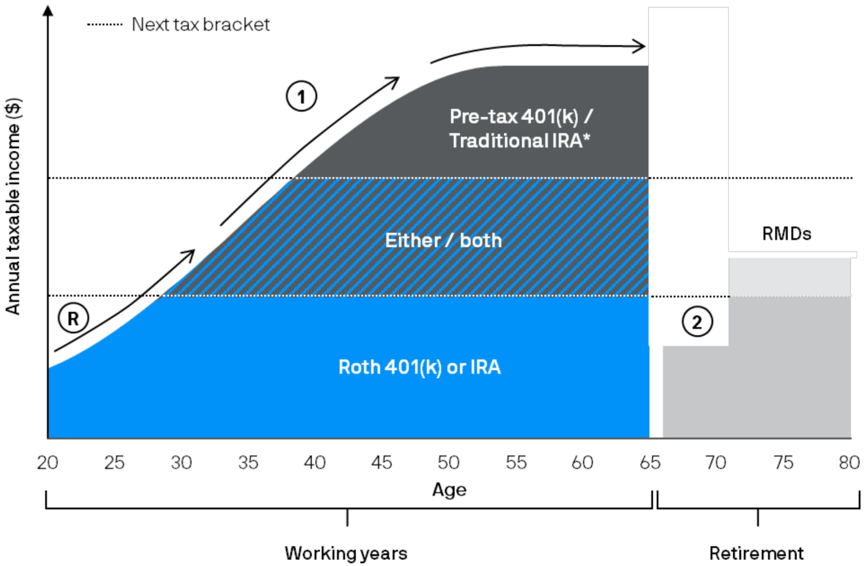
3. Work with your accountant and advisor to actively manage your tax picture throughout retirement. Higher incomes can also affect your Medicare premiums and taxability of Social Security benefits. Consider proactive Roth conversions in years when your tax rate is low.

4. Maximize your after-tax return by holding your highest-taxed investments (those generating ordinary income or short-term gains) in tax-advantaged accounts, after funding your emergency reserves. Look to offset gains with losses when rebalancing your portfolio.

Evaluate a Roth at different life stages

Changes in lifetime taxable income

Hypothetical wage curve



Tax diversification

Managing taxes over a lifetime requires a balance of your current and future tax pictures. Make income tax diversification a priority to have more flexibility and control in retirement.

Rule: Contributing to a Roth early in your career and shifting as your income increases.

1. Roth 401(k) contributions in peak earning years if wealth is concentrated in tax-deferred accounts.

2. Proactive Roth conversions in lower income retirement years if RMDs are likely to push you into a higher bracket.

*If eligible to make a deductible contribution (based on your MAGI). The illustration reflects savings options into Traditional and Roth IRA accounts, as well as into pre-tax and Roth 401(k) accounts. RMD = Required Minimum Distributions, which are typically due no later than April 1 following the year the owner turns 72 and are calculated every year based on the year-end retirement account value and the owner/plan participant's life expectancy using the IRS Uniform or Joint Life Expectancy Table. Employer contributions are typically pre-tax and are subject to tax upon distribution.
The above example is for illustrative purposes only.
Source: J.P. Morgan Asset Management.

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6 Align your investment objective with your desired outcome

Understand the trade-offs of different approaches

Some individuals can increase their wealth in retirement; many of these households will have pensions, low expenses and/or a substantial amount saved and invested. For many this is unattainable or would result in overly constrained spending.

Others may want to preserve principal which can curb overspending, but also may result in increased risk if there is a stretch for higher yielding investments.

There is no shame in spending principal. If you are considering this approach, you might want to seek advice from a financial professional who can help you with a sustainable retirement plan that may include a spending policy and/or protected lifetime income.

Investing

Retirement profiles by planning outcome

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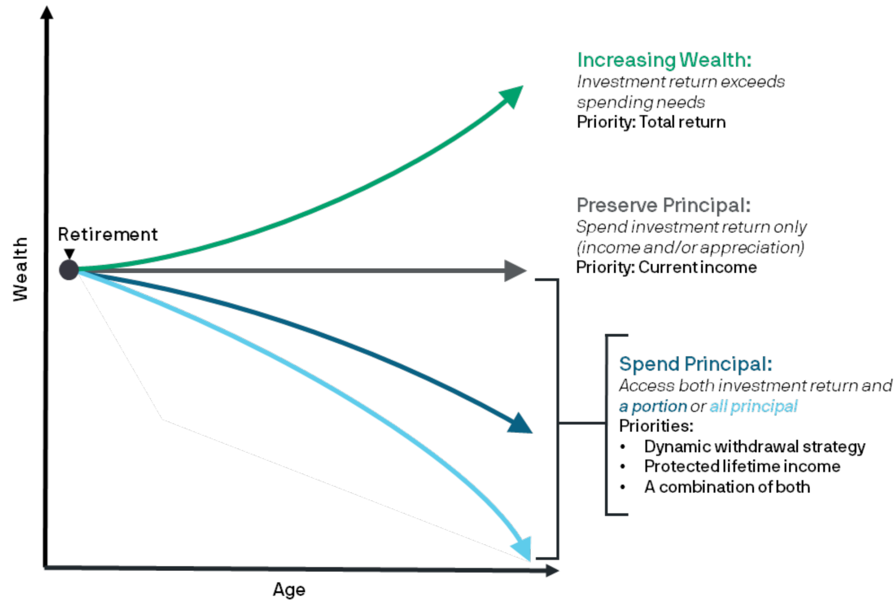
Retirement investable wealth profiles and diversified portfolio priorities



Align your objective with your outcome

Retirement can mean several goals for your portfolio – current income, growth, sustainable withdrawals and/or protected income.

To find the right balance, your projected outcome from your retirement plan can help you identify which of these to consider making a priority for your diversified portfolio.

Source: J.P. Morgan Asset Management; Minney, Aaron. "Adding Direction to the Consumption Rate in Retirement." Journal of Retirement, Summer 2017, page 108.

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7 Understand loss aversion and stay invested

Plan to stay invested

During periods of extreme market declines, a natural emotional reaction can be to "take control" by selling out of the market and seeking safety in cash. This is due to "loss aversion" — or the fact that losses hurt more than gains feel good. The action not only locks in losses but often results in missing some of the best days that closely follow that are key to a portfolio's recovery.

Staying the course with a diversified long-term investment strategy is likely to produce a better retirement outcome.

Impact of being out of the market

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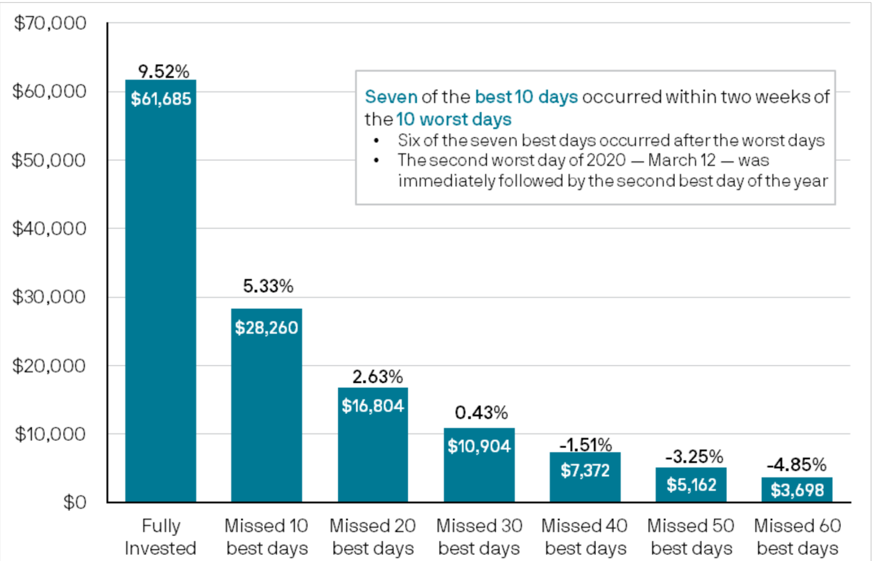
Returns of the S&P 500

Performance of a $10,000 investment between January 1, 2002 and December 31, 2021



Plan to stay invested

Losses hurt more than gains feel good. Market lows can result in emotional decision making.

Taking "control" by selling out of the market after the worst days is likely to result in missing the best days that follow. Investing for the long term in a well-diversified portfolio can result in a better retirement outcome.

Source: J.P. Morgan Asset Management analysis using data from Bloomberg. Returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Indices do not include fees or operating expenses and are not available for actual investment. The hypothetical performance calculations are shown for illustrative purposes only and are not meant to be representative of actual results while investing over the time periods shown. The hypothetical performance calculations are shown gross of fees. If fees were included, returns would be lower. Hypothetical performance returns reflect the reinvestment of all dividends. The hypothetical performance results have certain inherent limitations. Unlike an actual performance record, they do not reflect actual trading, liquidity constraints, fees and other costs. Also, since the trades have not actually been executed, the results may have under- or overcompensated for the impact of certain market factors such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. Returns will fluctuate and an investment upon redemption may be worth more or less than its original value. Past performance is not indicative of future returns. An individual cannot invest directly in an index. Data as of December 31, 2021.

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