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THE SIA REPORT

STRETCHING YOUR SAVINGS: HOW TO BETTER PREPARE FOR FINANCIAL SECURITY IN EXTENDED RETIREMENT

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People are living longer and will need their retirement savings to last for more years than they may anticipate – a very important point for many investors of all ages when working with an advisor to determine how much to save for retirement.

It's also a factor in how to invest those savings, whether it is before or during retirement. Moreover, as people live longer, medical costs in retirement are rising – and not all of those costs are covered by Medicare – at the same time that Social Security provides a smaller portion of retirement income needs. With that in mind, investors of all ages need to plan more thoughtfully for retirement. What solutions should you consider to address these challenges and plan for a comfortable retirement?

First, let's discuss life expectancy. According to data from the United Nations, the life expectancy in the U.S. at birth increased to 79.1 years in 2023 from 75.6 years in 1993 and 70.1 years in 1963. The UN projects that life expectancy in 2043 will be 82.4 years. By contrast, the life expectancy at birth in 1951 (the earliest year data was available) was 68.3 years.

This means that you may want to consider making your retirement plans accordingly: many retirees run the risk of outliving their portfolios. And the shorter life expectancy in prior years explains why Social Security, established decades ago, is having funding problems today, when benefits must now stretch over a longer period of time.

Next, note that the decision of when to start taking Social Security benefits isn't all that simple. Yes, assuming you are younger than age 62 now, you will likely receive greater benefits waiting until age 67 instead of claiming benefits earlier. But, at the same time, waiting until you are 67 instead of 62 means that you will forgo five years of benefit payments.

Plus, you will also need to factor in items such as your health and estimates of your life expectancy, for example. Instead of focusing on Social Security benefits for determining when to retire, consider instead any financial benefits of working longer to contribute more to savings (and allowing

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I believe successful wealth management is the result of an ongoing collaboration between investor and advisor, built upon trust and maintained according to the highest standards of integrity and expertise.

Brian D. Holmes,
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ABOUT SIA

Signature Investment Advisors® (SIA) is a Registered Investment Advisor firm offering investment management solutions that are tailored to meet the unique needs of affluent individuals and organizations. In partnership with your wealth manager, we bring our combined experience, expertise and high level of service to provide a dynamic process that can meet your investment objectives and goals.

Thank You

From the SIA family to yours may your thanksgiving be full of peace, love and joy.

STRETCHING YOUR SAVINGS *continued from cover...*

those savings to grow) vs. the lifestyle benefits you may experience of retiring earlier. This personal decision compares completely different variables, and it is impossible to have any blanket “right” answer for everyone.

Next to consider are what pre-retirees think they will do after retiring, vs. what actual retirees report having done. This data is from the Employee Benefits Research Institute (EBRI). For instance, workers may intend for a gradual transition to retirement and to work for pay in retirement, but this doesn’t match the experience of most retirees.

Instead, the EBRI survey showed that 4 in 10 workers expect to gradually transition into retirement. However, only 17% of retirees reported having a gradual transition, while 73% said that their retirement was a full stop. In addition, 70% of workers think they will work for pay in retirement, while only 27% of retirees reported doing so. And 36% of retirees say their overall spending and expenses are higher than expected, including housing and travel expenses.

> Living longer in an era of potentially lower investment returns may mean you need to withdraw a smaller portion of your assets every year in retirement. Larger withdrawals can result in a retiree living longer than their portfolio assets do.

Thus, perhaps being a bit more circumspect as to income and outlays in retirement may be in order.

So, with this in mind, what might you consider as part of your overall retirement planning? The first is determining what you might expect from investment returns – and thus, what you might expect to withdraw from your savings in retirement.

First, for planning purposes, the Social Security Administration notes that the life expectancy at age 62 for a male is an additional 19 years and another 22 years for females. In other words, a 62 year old man may, statistically speaking, expect to live to age 81 and a woman to age 84. Continual improvements in health care may very well extend life expectancy beyond these points. That may mean one's savings must cover more years than was the case years ago.

Next, investment returns over the long term are likely to be less than historical averages were, given that the drivers of returns have decelerated: the economy is growing slower than it had in decades past, as the labor force is growing more slowly as the population ages, while productivity gains are lower now than before the introduction of the internet and other technologies going back to the 1980s. Growth of the labor force plus productivity gains are the long-term drivers of economic growth (and thus, stock market returns), and the peak effects of those trends may have already been felt. So, looking at popular data sets with historical returns going back to, say, the 1920s is not likely to be instructive in estimating returns in decades to come.

Living longer in an era of potentially lower investment returns may mean you need to withdraw a smaller portion of your assets every year in retirement. Larger withdrawals can result in a retiree living longer than their portfolio assets do. In order to avoid outliving your money, you might consider adopting different approaches to incorporate in your overall portfolio.

One of them is annuities, such as a fixed annuity that can provide for payment of income at a fixed interest rate over a pre-determined period, such as your life expectancy or a set number of years, or other possible iterations. Some variable annuities, which may include investments in stocks, bonds, and other asset classes, may also feature ways to provide a more predictable income stream in retirement.

Our industry has evolved and for the first time we can now offer predictable income vehicles inside your managed investment portfolio. It provides the benefits of a predictable income stream with the ease of use of a managed investment portfolio. This allows you to transfer risk to an insurance company without moving assets.

For more information, please speak to your advisor to learn more about planning for retirement, investing your portfolio, including traditional annuities, or predictable income solutions within a managed investment account to better plan for longevity and generating retirement income that you won't outlive. We know that retirement planning is one of the most important issues investors must face, and we stand ready to help you achieve success on your journey.

2024 RETIREMENT PLAN CONTRIBUTION & BENEFIT LIMITS

Plan Limits	2024	2023	2022
401(k)/403(b) Deferrals	$23,000*	$22,500	$20,500
401(k)/403(b) Catch Up	$7,500	$7,500	$6,500
Key Employee	$220,000*	$215,000	$200,000
Highly Compensated Employee	$155,000*	$150,000	$135,000
457 Deferrals	$23,000*	$22,500	$20,500
IRA	$7,000*	$6,500	$6,000
IRA Catch Up	$1,000	$1,000	$1,000
Defined Contribution	$69,000*	$66,000	$61,000
Defined Benefit	$275,000*	$265,000	$245,000
Includible Compensation	$345,000*	$330,000	$305,000
Tax Credit ESOP Maximum Balance	$1,380,000*	$1,330,000	$1,230,000
Social Security Taxable Wage Base	$168,600*	$160,200	$147,000
SEP Min. Participation Threshold	$750	$750	$650
SEP Maximum Participation Threshold	$345,000*	$330,000	$305,000
SIMPLE Deferrals	$16,000*	$15,500	$14,000
SIMPLE Plan Catch Up	$3,500	$3,500	$3,000

Plan Limits	2024	2023	2022
Maximum Monthly Social Security	$3,822*	$3,627	$3,348
HSA Individual Contribution	$4,150*	$3,850	$3,650
HSA Family Contribution	$8,300*	$7,750	$7,300
HSA Catch Up Contribution (ages 55+)	$1,000	$1,000	$1,000
HDHP Minimum Individual Deductible	$1,600*	$1,500	$1,400
HDHP Minimum Family Deductible	$3,200*	$3,000	$2,800
HDHP Out-of-Pocket Maximum - Self	$8,050*	$7,500	$7,300
HDHP Out-of-Pocket Maximum - Family	$16,100*	$15,000	$14,100
Monthly Transit/ Van Pooling	$315*	$300	$280
Monthly Qualified Parking	$315*	$300	$280
FSA Medical Maximum Deferral	$3,200*	$3,050	$2,850
Medical FSA Carryover	$640*	$610	$570
FSA Dependent Care Max. Deferral	$5,000	$5,000	$5,000

Source: Internal Revenue Service. Notice 2023-75.

* Indicates a change from 2023 to 2024.

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