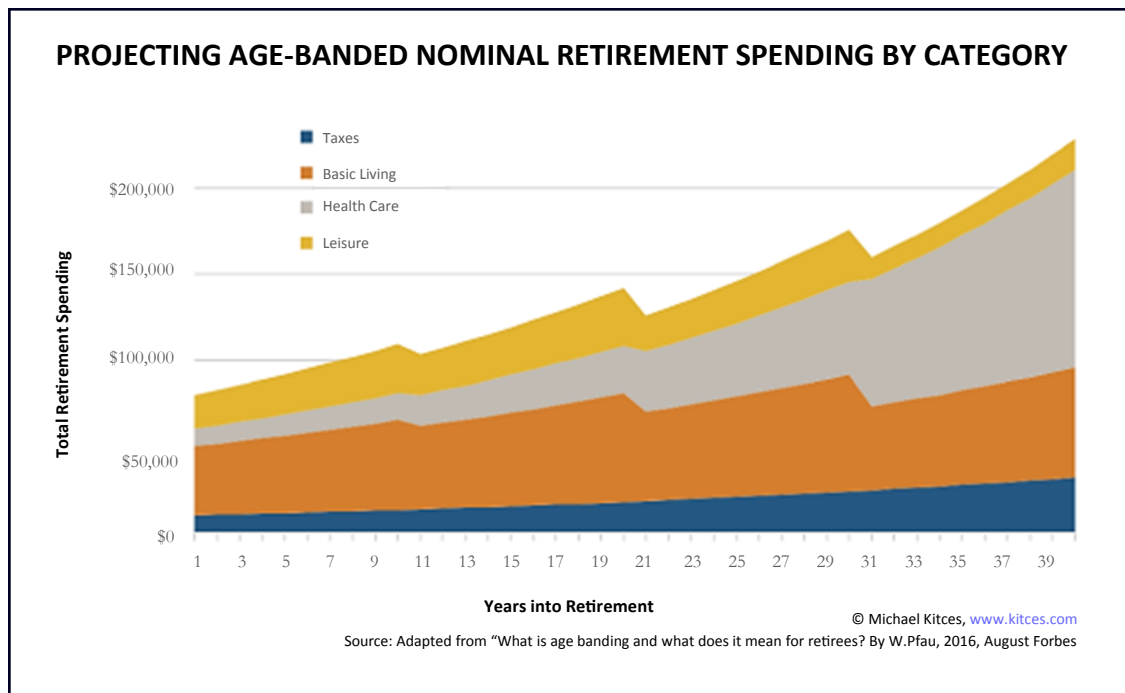


Retirement Spending

FINANCIAL PLANNING

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Planning for retirement is an important and complicated goal for investors. Once you have accumulated sufficient assets to maintain your desired lifestyle for the next several decades, you may believe it is time to retire. Determining the amount needed to retire is based only partly on lifestyle needs. Simply replacing your pre-retirement income is not sufficient. A growing body of research shows that retirees don't seem to maintain a steady level of spending throughout the "age bands" of retirement.



Source: Michael Kitces at Nerd's Eye View <https://www.kitces.com/blog/age-banding-by-basu-to-model-retirement-spending-needs-by-category/>

Your monthly expenses and spending trends will likely shift throughout your retirement years. Your basic living expenses like housing and leisure will typically decrease over time, while your medical expenses will usually increase. In other words, you will probably spend more on leisure activities during the early years of your retirement, and then spend increasingly more on healthcare during the later years. However, overall real spending (adjusted for inflation) tends to decline as retirees move through the age bands.

To accurately project your retirement income needs, it is critical to consider potential long-term changes in your leisure and healthcare spending in addition to your basic living expenses. The result will be a more nuanced portrayal of the amount of retirement savings you will need to sustain your retirement goals.

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