

# How Big a Retirement Nest Egg Do I Need?

Often called THE Number, How much will you personally need in order to finance your life in retirement? Depending on your age and economic circumstances, your "number" could be 15% -- the percentage of earnings young workers should be socking away, or 85% -100%, the amount of preretirement income you should aim to replace when you leave your job.

**Here is a simple method to give you an ESTIMATE of where you stand in this pursuit.**

## THE Number | -Start with the rule of 25

A conservative rule of thumb suggests that if you withdraw 4% -one twenty-fifth -of your retirement nest egg during the first year you'll have a 95% chance of never out living your money. **Using this approach estimate your Retirement Spending Need, subtract your Social Security/ pensions during your first year of retirement, and then multiply that amount by 25 to determine your target "nest egg" number. See examples below; Calculate your Number.**

Age	Current Gross Income/s	Projected Gross Income/s Before Retirement	85-100% Retirement Spending Need	Estimated Social Security &/or Pension Income	Potential Income Gap to Be Funded by Assets	Multiply Income Gap by 25 to Arrive at <b>THE Number</b>
45	\$75,000	\$99,521*	\$84,593	\$44,593*	\$40,000	\$1 million
67	\$110,000**	\$110,000	\$110,000	\$50,000**	\$60,000	\$1.5 million
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

\*Assuming current salary increases of 1.5% each year until age 65. \*Social Security income of \$19,380 based on Social Security Administration data plus a hypothetical pension income of \$25,213.

Source: Fidelity Investments, 2006

\*\*Salaries are husband's full time and wife's part time. Age 67, full Social Security benefit of both husband and wife, and no pension.

### CURRENT SAVINGS and INVESTMENTS

### Accumulation

401k / 403b	_____
IRA & Roth IRA	_____
Money Market & CDs Accounts	_____
Stocks & Mutual Funds	_____
Bonds & Treasury Bills	_____
Annuities	_____
Home value (Using a Reverse Mortgage)	_____
Real Estate –other than residence & REITs	_____
Other assets	_____
<b>Total Accumulation</b>	<b>_____</b>

$$\frac{\text{THE Number}}{\text{Total Accumulation}} \times \frac{1}{\text{Years to Retirement}} = \text{Annual Savings GOAL}$$

Factors NOT considered: Inflation, Taxes, Medical costs, Investment growth rate, Unforeseen expenses.